



Legislative Council  
Legal and Social Issues Committee

# The rental and housing affordability crisis in Victoria

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**Inquiry**

November 2023

Published by order, or  
under the authority, of the  
Parliament of Victoria  
November 2023

ISBN 978 1 922882 48 6 (print version)

ISBN 978 1 922882 49 3 (PDF version)

This report is available on the Committee's website:  
[parliament.vic.gov.au/lpic-lc](http://parliament.vic.gov.au/lpic-lc)

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# Terms of reference

## **Inquiry into the rental and housing affordability crisis in Victoria**

On 24 May 2023, the Legal and Social Issues Committee agreed to the following self-referral motion:

That the Legal and Social Issues Committee inquire into, consider and report by 17 November 2023 on the challenges facing Victorian renters and factors causing the rental and housing affordability crisis in Victoria, including but not limited to —

- (1) the factors leading to low availability and high costs of rental properties;
- (2) options to address insecurity, availability and affordability issues facing Victorian renters;
- (3) the adequacy of regulation with regards to standards and conditions of rental housing;
- (4) the adequacy of the rental system and its enforcement;
- (5) the impact of short-stay accommodation;
- (6) barriers to first home ownership and the impact this has on rental stock;
- (7) the experience of, and impacts of all of the above on renters and property owners;
- (8) any other related matters.

# Chair's foreword

It is now widely accepted that Australia is experiencing a severe problem with housing. Barely a day goes by without a newspaper article or television news story about Australians struggling to buy their own home or simply find a safe and secure place to rent.

This is a problem that has been decades in the making. Various governments, both State and Federal, have shifted from their traditional role in the housing market that defined Australia's approach to housing in the decades that followed World War II. This Committee recognises this shift as one of the major causes of the housing shortage in Australia right now.

The State Government still has a role to play, but the solutions to the problems we are facing require a national approach involving all levels of society, both the private sector and government. That is why the major Recommendation in this Report is the Committee's call for renewing a long-term National Housing Policy, where the States, Territories and the Commonwealth cooperate to address the most fundamental housing issues facing us right now.

At the core of this is the key question: Do we want to be a nation of homeowners or a nation of renters? Without first making this decision – and then committing to a mature discussion about how Commonwealth and State Government financial settings stimulate demand and what supply targets we should agree to – we will only make the problem worse.

Overall, the Committee believes that Victorians should be able to choose where and how they live. Many people want to rent. Think, for example, of young people enjoying the social benefits of shared housing when they start their first jobs. Or of seasonal workers following agricultural work across Victoria.

However, the Committee heard that more Victorians are renting, not out of choice but out of necessity. Owning our own home is becoming increasingly out of reach for too many of us. Or, when it is possible, ownership starts later in life. As people rent for longer, their expectations about the condition of their rented homes and their relationship with their rental providers change.

The Committee heard that these changing expectations are the main cause of the large backlog in rental disputes currently at VCAT. The Committee welcomes the Government's announcement of a new rental dispute body: Rental Dispute Resolution Victoria. We have made a very broad recommendation regarding this new body – essentially, that it is properly funded – as we believe this should be self-evident. Rental Dispute Resolution Victoria has a huge job in front of it, clearing the VCAT backlog, and it must be done quickly. Both renters and rental providers have been waiting too long for their disputes to be resolved.

As I stated, problems with housing have been decades in the making. They will also take decades to fix. Although the Victorian Government has relatively few levers to

pull, it does have an important role to play in supply. The Committee welcomes the recent Housing Statement, in particular the commitment to building 800,000 homes in the next ten years and improving the planning system, an area the Committee addresses and makes Recommendations about in this Report. This is an important acknowledgement of the need to set a long-term target and then act.

Such long-term targets should be part of a suite of packages – there is no one ‘silver bullet’ that will fix these problems. The Committee spends much of Chapter 7 identifying short-term, medium-term and long-term solutions. Recommendations in that Chapter range from ways of increasing supply in the immediate budget cycle, such as head-leasing and more support for the build-to-rent sector, through longer-term action in areas such as planning and increased density in Melbourne’s ‘missing middle’.

While the Committee understands community concerns around increased density, it also accepts the many social and economic benefits that flow from building housing near existing infrastructure. That is why we have said that the Victorian Government must work with local councils to acknowledge and respond to these concerns while also explaining the benefits that come with increased density.

Yet one important long-term housing issue remains glaringly unresolved. By the Government’s own admission, it needs to build much more social housing in Victoria and the Committee has highlighted the priority of addressing the social housing waitlist. There are two reasons why we have argued for the level of social housing to be increased rapidly. Most importantly, we need to take care of our most vulnerable. Secondly, many people who can’t access social housing are having to compete with others in the private rental market. Building more social housing is another way of reducing demand – and therefore rents – in the private rental market.

In Victoria, as across Australia, we have spent too long watching problems with housing grow while delaying taking action. Victorians should be encouraged to be financially self-reliant and not made to feel that they will be penalised when choosing to invest in their future. We can no longer leave this problem for others to fix in the future. The time to start is now and the Committee urges the Victorian Government to respond to the Recommendations in this Report as quickly as possible.

On behalf of the Committee, I would like to thank everyone who made a submission to this Inquiry and spoke with us at our public hearings. The Committee relied on your evidence and your expertise to understand this complex area and the personal impact housing policy has on all Victorians. I would also like to thank my fellow Committee Members for their hard work and cooperation throughout this Inquiry. Finally, can I please thank the Secretariat: Adeel Siddiqi; Sylvette Bassey; Julie Barnes; Caitlin Connally; Ben Huf; and Patrick O’Brien for their amazing support and assistance.



**Trung Luu MLC**  
**Chair**

# Executive summary

## Chapter 1: Introduction

The Committee proposes the need for a national approach to addressing the rental and housing affordability crisis. It emphasises the importance of Victoria working with the Commonwealth Government to clarify the aim of housing policies. In doing so, it contextualises the Inquiry against previous Inquiries and reports and contends that the existence of these Inquiries and reports:

- indicates that problems with housing in Australia are long term
- suggests there may be an absence of a will to solve these problems
- indicates a mismatch between evidence on housing and action taken.

Chapter 1 positions this Inquiry as a continuation of many Inquiries and reports examining housing issues in Australia. In terms of the Inquiry's scope, the Committee notes that the Terms of Reference mostly relate to the affordability and adequacy of renting in Victoria, but also encompass other questions, including around housing supply and the impacts of the short-term rental accommodation industry. To address these, the Committee considers issues proximate to housing provision, including planning and financial settings such as taxes and mortgage products.

The Chapter highlights recent initiatives by the Victorian Government, including most importantly *Victoria's Housing Statement 2024-2034* in September 2023. Several of the Committee's Recommendations relate to the release of further information on the policies announced in the Statement. The Committee is encouraged that the *Housing Statement* takes a 10-year perspective on housing, given that short political cycles can impede fully addressing these issues.

The Committee notes the *Inquiry into homelessness in Victoria*, which was completed in 2021 with over 50 recommendations. The Victorian Government has yet to respond to the Final Report. Recommendation 1 of this Report calls on the Government, as a matter of urgency, to respond to the Inquiry.

## Chapter 2: Housing in Victoria – setting the scene

In Victoria, most people live in a home they own. However, the number of renters is growing. The notable features of the market and housing provision in Victoria (and nationally) include:

1. Homeownership is declining, starting later in life and becoming concentrated in fewer hands.
2. Home ownership remains an aspiration for most Victorians. However, some are increasingly questioning whether that aspiration is achievable or even desirable.
3. Although the number of investors with an interest in multiple properties is relatively small, the number of properties they own is relatively large.
4. The vast majority of properties bought by investors are existing housing stock.

Chapter 2 makes five findings necessary to understanding the issue of housing in Victoria. The Committee's first two findings coincide with demographic change over time. Victoria is the nation's fastest growing State, with its population increasingly concentrated in metropolitan Melbourne, yet households have been decreasing in size. Rates of homeownership are proportionally higher in rural and regional Victoria, where they have remained broadly steady.

In Finding 3, the Committee notes that Australia has had high rates of homeownership since World War II and suggests that this has shaped societal and cultural expectations about how housing should be provided.

There was varying evidence about whether homeownership remains an ambition for renters. While renters might aspire to homeownership, an increasing number of them are feeling it is unobtainable. Finding 4 of this Report acknowledges that there is an increasing number of people owning two or more properties, suggesting a higher concentration of property ownership in Australia. This is accompanied by an increase in the number of small investors becoming rental providers. Importantly, the vast majority of properties bought by investors are existing housing stock.

As an alternative to the private rental market, the Committee identifies the decline of social housing—encompassing public and community housing—in Victoria as another key indicator of housing. In Victoria, the provision of social housing has slowed despite over 90,000 people on the waiting register.

## Chapter 3: What is a rental and housing affordability crisis?

The housing crisis is complex and multifaceted, encompassing both the rental and owner-occupier markets. A housing crisis can be said to exist when the following factors are evident:

- governments over time have failed to provide enough public and community housing
- more people than ever are experiencing rental and mortgage stress
- rent/mortgage costs increase higher than wages
- the liveability of rental housing declines and standards are poorly enforced
- vacancy rates are extremely low
- more people rent for longer and cannot buy their own home.

Chapter 3 summarises the factors that define a housing crisis. The first factor the Committee identifies is that more people than usual are experiencing housing stress. For this Inquiry, the Committee has defined rental stress as where:

- households in the bottom 40% income bracket spending 30% or more on rent
  - severe rental stress refers to households spending 30–60% of their income on rent
  - extreme rental stress refers to households spending 60% or more of their income on rent.

Another potential indicator for a housing crisis is where people rent for longer because they cannot buy their own homes until later in life. Roughly one-third of Australian households rent, one-third own their home outright and one-third are mortgage payers. This is in contrast to the recent past when a higher proportion of Australians owned their home outright and a lower proportion rented.

The Committee identifies numerous barriers to homeownership, including:

- prices are rising much faster than wages
- rapid price rises are making it more difficult to save for a deposit
- mortgage loans are growing in size.

Extremely low rental vacancy rates, particularly sustained low rates, is another indicator of a housing crisis. Despite an increase in vacancy rates in metropolitan Melbourne during the peak of the COVID-19 pandemic years, vacancy rates are currently low across Victoria coinciding with large rises in rental prices.

The standard of rental properties can also be considered part of a housing crisis if the provision of housing is unsuitable for renters. The Committee heard that most people

are satisfied or very satisfied with their homes, with renters being only slightly less satisfied than homeowners, however increasing numbers of Victorians feel that they must accept substandard accommodation or be forced to relocate frequently. This is particularly true for vulnerable communities.

## Chapter 4: Supply or demand: crisis narratives and their solutions

To work towards solving the housing crisis, there should be equal emphasis on investigating ways of reducing excessive demand and addressing supply. In Victoria, there has been a dual failure of both markets and governments to provide adequate housing for all Victorians. Any solution to the housing crisis will need to consider both market- and government-led solutions.

Chapter 4 identifies the dominant supply and demand narratives in housing policy debate in Australia. In particular, the Committee examines the division between those who emphasise demand-side issues as the cause of Victoria's housing problems and those who emphasise supply. In doing so, it identifies two propositions inherent to supply-side arguments: that housing construction is not keeping up with population growth; and that the planning system is putting a brake on supply.

Throughout the Inquiry, many stakeholders contended that population growth has outpaced the supply of new housing. However, some data provided to the Committee challenged this assertion. Likewise, despite arguments in favour of relaxing or reforming planning regulations to increase densification, the Committee heard conflicting evidence about whether increased density per se would improve supply and affordability. This is despite densification having other important social and economic benefits. In addition to the above, the Committee heard arguments about the impact of land banking and delayed construction on supply, as well as unoccupied and misallocated housing.

The Committee believes that a national housing policy is needed to address excessive demand, noting that many of the solutions are outside the remit of State Governments. This includes addressing issues such as:

- the impact of negative gearing and Capital Gains Tax discounts on housing affordability
- the idea that treating housing solely as a wealth accumulating asset contributes to housing unaffordability.

Beyond issues of supply and demand, the Chapter also considers the impact of government intervention in the market and the extent to which the shortage of housing reflects both market and government failures. While many stakeholders were critical of the level of taxation applied to housing, and the impact on rental providers, others argued that this has no impact on rental affordability.

In finding that the rental market is being squeezed by two trends – namely, middle-and high-income earners who in the past would be owner-occupiers, and low-income earners who cannot access social housing – the Committee investigates how increasing social housing in particular would reduce demand and therefore prices in the rental market.

## Chapter 5: Experiencing the rental crisis

The majority of Victorian renters have a positive experience with their rental providers, agents and other industry participants. However, the Committee heard that increasing unaffordability and decreasing standards of rental properties are an acute concern for renters. The rising costs of rentals is further exacerbating the power imbalance between renters and rental providers, making it more difficult for renters to advocate for their rights.

Chapter 5 of the Report examines the experiences of Victorian renters in the current housing crisis. The cost of renting in Victoria was the dominant concern among renters who engaged with the Inquiry. High rental prices alongside increasing cost of living pressures is creating significant strain on household budgets.

In addition to affordability concerns, the Committee received numerous stories of how difficult it is for renters to find and stay in suitable housing. Concerns were expressed about the adequacy of the rental minimum standards prescribed under the *Residential Tenancies Act 1997*. These include that the current standards are not adequately addressing year-round liveability, resulting in potential health concerns for tenants.

This Report also identifies several issues with practices surrounding applying for rentals, namely an absence of a standardised rental application process and the use of RentTech platforms. The Committee also received evidence of rental bidding still occurring through digital application platforms taking advantage of loopholes in the existing legislation.

To address these concerns, the Victorian Government has made several commitments under its *Housing Statement*. The Committee recommends that the Government's further commitment to prevent rental bidding focuses on ensuring digital applications do not facilitate the practice or continue to exploit regulatory loopholes.

Housing security was another major concern for renters, with many pointing to their difficulty in securing a long-term lease. Longer leases bolster housing security and tenant-landlord relationships. The Committee recommends that the Victorian Government explore a range of incentives and measures to encourage more long-term leases in Victoria.

## Chapter 6: Is Victoria’s rental regulatory framework fit for purpose?

The Committee concludes that Victoria’s rental regulatory framework is fit for purpose, with protections and regulations in place to support all participants including renters, rental providers and third-party intermediaries (e.g. real estate agents). However, there are opportunities for improvement. Enforcement of these regulations could be strengthened to empower renters and providers alike to address issues with the support of responsible regulatory agencies. The Committee hopes that the Victorian Government’s commitment to establishing a new body—Rental Dispute Resolution Victoria—will address this concern.

Chapter 6 assesses the adequacy of Victoria’s rental regulatory framework. In 2021, an overhaul of rental regulations commenced following the passing of the *Residential Tenancies Amendment Act 2018*. The Act introduced a number of significant changes to rental regulations in Victoria with the Committee examining the effectiveness of these reforms.

The Committee discusses the inherent power imbalance between renters and rental providers. This unequal relationship has been exacerbated by the impact of low vacancy rates and poor enforcement of regulations (largely attributed to the large backlog of residential tenancy issues before the Victorian Civil and Administrative Tribunal (VCAT)). This power imbalance makes it harder for renters to navigate the rental system and live in secure housing whilst also advocating for their rights over issues such as maintenance of their homes.

In Victoria, the current regulator for residential tenancy issues is Consumer Affairs Victoria. The Committee heard concerns about Consumer Affairs Victoria’s preference for education over enforcement. While the Committee acknowledges this concern, it notes that the Government’s *Housing Statement* has committed to establishing Rental Dispute Resolution Victoria. The Committee is hopeful that this new body will improve the enforcement of rental regulations to ensure all industry participants—from renter to provider—are protected.

Addressing some of the other concerns with Consumer Affairs Victoria, the Committee focuses its attention on the provision of information the agency supplies to help renters and other parties navigate the regulatory system. In doing so, the Committee finds that the advice provided on Consumer Affairs Victoria’s website could be simplified and that the Government should provide the agency funding to improve multilingual services.

As noted, there is a significant backlog of residential tenancy cases at VCAT, causing long delays for cases to be heard. The Committee is concerned about the consequences of these delays, including substantial financial and personal stress on waiting parties. These delays impede the resolution of disputes and require immediate attention.

Outside of the adequacy of agencies fulfilling their roles, the Committee makes recommendations to strengthen particular regulations, namely that:

- the Victorian Government conduct an independent review of relevant government agencies' (including Consumer Affairs Victoria) enforcement functions and associated penalties for non-compliance with the goal to improving compliance in the rental system
- Consumer Affairs consider appointing an independent rental inspector responsible for ensuring properties meet minimum standards
- the Victorian Government ensure that mandatory training for workers in the residential property industry focuses on minimum standards and skills to build effective relationships between renters and rental providers
- the Victorian Government standardise rental history reference requirements, ensuring only necessary information is collected.

## Chapter 7: Addressing housing affordability

The main lever the Victorian Government can pull to address housing affordability issues is to increase housing supply. The Committee recognises that there are short-, medium- and long-term options that the Government can adopt to improve housing supply and reduce housing costs, with an increase in affordable and social housing being particularly urgent. Short term, the Government can set concrete targets for head-leasing and spot-purchases that will immediately add to the public housing stock. In the medium term, the Government should both facilitate densification of housing stock in established urban areas and work at clearing backlogs in the planning system. Long term, the Government needs to commit to significantly expanding Victoria's stock of social housing and set hard targets to build 60,000 new social housing dwellings over the next decade to meet the backlog of demand.

Most importantly, the Committee has recommended that the Victorian Government advocate in National Cabinet for a renewed long-term National Housing Policy

Chapter 7 assesses a range of proposals to address housing affordability. It treats most measures, unless otherwise specified, as directly or indirectly benefiting both owner-occupiers and renters.

The main lever that State Governments have to address housing affordability is to increase housing supply. The Victorian Government's *Housing Statement* also endorsed this view, setting the State a target of building 800,000 dwellings over the next decade. In many instances, however, the Committee notes the *Housing Statement* lacked detail of how this goal is to be achieved.

Overall, the Committee considers different measures over three different time spans:

- short-term measures, covering legislative changes and financial commitments that the Government can make in the next budget cycle
- medium-term measures, focused especially on changes to planning laws and land usage which can be implemented over the coming four-year parliamentary cycle
- long-term measures, especially Government investment in and construction of increased social housing, to be achieved over the next 5 to 10 years.

For short-term options, the Committee accepts rent controls are not an effective measure to achieve affordable housing outcomes. Regarding established assistance measures, the Committee finds it more important for the Victorian Government to bolster rental assistance programs than homeowner assistance packages, which are typically inflationary.

The Committee is encouraged by commitments in the *Housing Statement* to expand the Victorian Government's head-leasing and spot-purchases programs as a fast way of increasing much-needed social housing stock. The Committee also recommends Victorians should have greater options to sell housing to the Government if they wish. While noting the Victorian Government's support of the build-to-rent sector, the Committee received evidence that more can be done by the Federal Government to level the playing field with the build-to-sell sector.

Medium term, the Committee agrees with the Victorian Government's plan to increase density in established areas. However, it believes it unfair to put the blame for delays in expanding this supply on local councils, who are elected to represent the views of their voters. The Committee urges the Government to involve communities in an ongoing discussion around density if it is to ensure consistent and timely development in these areas.

The Committee also discussed mandatory inclusionary zoning of affordable housing and notes that the Recommendation for mandatory zoning in the 2021 *Inquiry into homelessness in Victoria* remains unaddressed by the Victorian Government.

Some projects increasing supply in inner- and middle-ring areas will occur on public land which will be leased or sold to private developers to increase both for-market and affordable housing options. The Committee notes Victorian Government's plans for a Land Coordinator General to identify and manage land for these projects and believes its land register database must be made public.

Long term, the Committee identifies the most pressing housing investment needed in Victoria is a major increase in social housing. Victoria lags the rest of the country meeting the needs of its most vulnerable people, with the lowest proportion of total housing stock allocated to social housing in the country. The Victorian Government acknowledges over 55,000 social housing dwellings are needed to meet current demand. The Committee believes that the Government should in fact commit to building 60,000 social housing dwellings over the next 10 years with 40,000 completed by 2028.

Most importantly, as acknowledged throughout this Report, it is the Committee's view that any long-term solution to housing must be taken at a national level and incorporate all aspects of the housing equation – that is, supply and the financial factors that stimulate demand. As such, it has recommended that the Victorian Government advocate in National Cabinet to begin a conversation between the Commonwealth and State and Territory Governments over a renewed long-term National Housing Policy

## Chapter 8: Victoria's short-stay rental accommodation industry

The Committee concludes that there is currently insufficient evidence to assess the impact of the short-stay rental accommodation industry on the long-term rental market. There is conflicting evidence and data on whether the industry reduces supply and decreases affordability. More data is needed for governments to make evidence-based decisions on the best legislative response to the industry.

Chapter 8 assesses the impact of the short-stay rental accommodation industry on long-term renting in Victoria. The Committee has determined that there is insufficient evidence to accurately gauge the effects of short-stay accommodation on the long-term rental market.

Foremost, more data is needed to ensure that any new legislation regulating the short-stay rental industry is evidence led. The absence of a centralised data collection system in Victoria creates hurdles when attempting to assess the short-stay industry's magnitude and its impact on the housing market. Various regions gather data in a disparate manner, complicating the assessment of the industry's overall impact. The Committee has recommended that a statewide register of short-stay accommodation providers be established.

The impact of the industry differs across local government areas, with regional areas typically more concerned with amenity problems, compared to metropolitan councils more focused on the impact on the long-term rental market. Consequently, the Committee recommends that a region-specific approach to regulation be adopted rather than a uniform statewide system. Finally, the Committee believes that a mandatory code of conduct would benefit both industry participants and the Victorian public.



# Findings and recommendations

## 1 Introduction

**RECOMMENDATION 1:** That the Victorian Government as a matter of urgency respond to the 2021 *Inquiry into homelessness in Victoria*. 11

**RECOMMENDATION 2:** That the Victorian Government investigate enshrining enshrine the right to housing in the Victorian Charter of Human Rights, including considering advice from the Victorian Equal Opportunity and Human Rights Commissioner. 11

**RECOMMENDATION 3:** In responding to the *Inquiry into homelessness in Victoria*, that the Victorian Government particularly focus on recommendations related to ensuring the ongoing funding of homelessness services and specialised housing for high-risk and vulnerable cohorts. 11

## 2 Housing in Victoria: setting the scene

**FINDING 1:** In Victoria, most people live in home they own. However, the number of renters is growing in almost all income groups. 31

**FINDING 2:** In Australia, homeownership is declining, starting later in life and becoming concentrated in fewer hands. 34

**FINDING 3:** Evidence to the Committee suggests home ownership remains an aspiration for most Victorians. However, many are increasingly questioning whether that aspiration is achievable or even desirable. 36

**FINDING 4:** Although the number of investors with an interest in multiple properties is relatively small, the number of properties they own is relatively large. 38

**FINDING 5:** The vast majority of properties bought by investors are existing housing stock. 49

### 3 What is a rental and housing affordability crisis?

**RECOMMENDATION 4:** That the Victorian Government set a consistent and clear definition of ‘affordable housing’ in legislation that is required to be adopted across all government departments, policy and agreements with the private sector.

62

**FINDING 6:** A housing crisis can be said to exist when the following factors are evident:

- State and Federal Governments over time have failed to provide enough public and community housing to meet demand
- more people than ever experience rental and mortgage stress
- rent and mortgage costs increase at a significant rate in comparison to wages
- the liveability of rental housing declines and existing standards are poorly enforced
- rental vacancy rates are extremely low
- more people rent for longer and cannot buy their own homes until later in life than previously, if at all.

91

### 4 Supply or demand: crisis narratives and their solutions

**FINDING 7:** Increasing density in established inner- and middle-urban areas has important social and broader economic benefits.

104

**RECOMMENDATION 5:** That the Victorian Government establish an online public portal showing the status of all planning applications across the State, from application through to approval, construction and occupation. The information will make it clear where any backlogs in the planning system occur.

111

**RECOMMENDATION 6:** That the Victorian Government advocate to the Commonwealth Government to examine its range of housing-related tax concessions, including negative gearing and the capital gains tax discount on investment properties, with the goal of reducing the distorting effects these tax concessions have on the housing market, to achieve the dual outcomes of increased home ownership and better rentals.

113

**FINDING 8:** The rental market is being squeezed by two trends: middle- and high-income earners who in the past would be owner-occupiers; and low-income earners who cannot access social housing. Making owning more affordable and increasing social housing will reduce demand, and therefore prices, in the rental market.

125

## 5 Experiencing the rental crisis

**FINDING 9:** The cost of renting in Victoria is causing significant financial and social stress for many renters. **134**

**FINDING 10:** Victoria's minimum rental standards do not address the temperature of a property, they only require that a fixed heater is installed in the main living area. **141**

**RECOMMENDATION 7:** That the Victorian Government undertake an independent review of the factors, effects and solutions to possible discrimination in the rental application process for Victorian properties. **143**

**FINDING 11:** The lack of a standard rental application process has resulted in disparate practices from real estate agencies and third-party RentTech platforms. For some renters this has meant the over collection of personal information, risking their privacy and data security. **145**

**RECOMMENDATION 8:** That the Victorian Government, as announced in the *Housing Statement*, urgently implement its new policy to better protect renters privacy and data by limiting the information agents or landlords can keep on file, store and how long they can keep it for. **145**

**FINDING 12:** Despite the commencement of a ban in 2021, rental bidding still occurs in Victoria. Regulatory loopholes in existing legislation have allowed the sector to evade prohibitions by accepting unsolicited rental bids. **148**

**RECOMMENDATION 9:** That the Victorian Government, in fulfilling its commitment to ban all types of rental bidding under its *Housing Statement*, ensure rental application forms do not allow rental bidding in any way. **148**

**FINDING 13:** Renters who want to be offered long-term leases do so because it provides housing security and allows them to build ties with their communities. However, some renters are unable to negotiate longer leases with their rental providers. **151**

**RECOMMENDATION 10:** That the Victorian Government explore further ways to increase the rate of long-term leases in Victoria including:

- publishing data on length of leases offered by landlords
- undertaking further research to better understand the barriers to tenants seeking longer term leases.
- noting that the Victorian Government already provides tax concessions to build-to-rent operators who must offer leases of three years or more, advocating to the Commonwealth Government that it examines how it could target its range of housing related tax concessions to incentivise landlords to offer longer-term leases across the whole rental sector.

151

## 6 Is Victoria’s rental regulatory framework fit for purpose?

**RECOMMENDATION 11:** That Consumer Affairs Victoria continue to review its advice on residential tenancy issues to identify opportunities for simplifying the information.

163

**RECOMMENDATION 12:** That the Victorian Government provide funding to Consumer Affairs Victoria to improve its provision of multilingual advice services.

163

**FINDING 14:** There is a significant backlog of residential tenancy dispute cases before the Victorian Civil and Administrative Tribunal. These delays are causing a great deal of financial and personal stress for those waiting for a decision.

166

**RECOMMENDATION 13:** That the Victorian Government provide sufficient resources to the new Rental Dispute Resolution Victoria, so that it may undertake its role effectively.

167

**RECOMMENDATION 14:** That the Victorian Government publish the evidence, including modelling, consultation papers or other documents, it relied on in making its decision to restrict rent increases between successive fixed-term rental agreements.

176

**FINDING 15:** There is a natural power imbalance between rental providers and renters, largely driven by their unequal relationship. Although this imbalance can at times be insignificant, it is exacerbated by the current low vacancy rates and perceptions that Consumer Affairs Victoria does not sufficiently enforce existing regulations and standards.

179

**RECOMMENDATION 15:** That the Victorian Government undertake a review of relevant government agencies' (including Consumer Affairs Victoria) enforcement functions and associated penalties for non-compliance with the goal to improving compliance in the rental system. **179**

**FINDING 16:** Despite no legislative requirements, some rental providers voluntarily undertake third-party assessments of their properties to ensure they meet minimum standards. **182**

**RECOMMENDATION 16:** That Consumer Affairs Victoria consider creating the position of an independent rental inspector. The role would exist alongside existing businesses to provide a guarantee that rental properties meet the legislated minimum standards. Alternatively, a certification system could be created for businesses who provide assessments of rental properties. **182**

**RECOMMENDATION 17:** That the Victorian Government amend Section 35A of the *Residential Tenancies Act 1997* to allocate responsibility for decisions regarding amending rental property condition reports to Rental Dispute Resolution Victoria. **183**

**RECOMMENDATION 18:** That the Victorian Government as part of introducing mandatory training and licensing for employees in the residential property industry ensure training addresses the following issues at a minimum:

- a. increasing real estate agents' understanding of minimum rental standards and other rental regulations
- b. improving relationship building and management skills to assist in their role as an intermediary between renters and real estate agents, such as:
  - i. dispute resolution skills
  - ii. identifying and supporting at-risk tenants.

**184**

**RECOMMENDATION 19:** That the Victorian Government standardise references provided by rental providers and real estate agents to renters. The standard reference should only include information necessary for rental providers to know when renting their property. **185**

## 7 Addressing housing affordability

**FINDING 17:** Research repeatedly shows that homeowner grants have an inflationary effect on house prices. **192**

**RECOMMENDATION 20:** That the Victorian Government discontinue its First Home Owners Grant and transfer the funding to the Private Rental Assistance Program. **193**

**RECOMMENDATION 21:** That the Victorian Government provide details on the head-leasing and spot-purchase program, with a view to providing dedicated funds over and above existing budgets. **194**

**RECOMMENDATION 22:** That the Victorian Government consider establishing a way in which Victorian property owners can engage with the Director of Housing to sell their housing to the Government for the purpose of public housing. **195**

**RECOMMENDATION 23:** That the Victorian Government investigate ways in which it can support property owners to contribute to the supply of social housing, such as through tax rebates, and advocate to the Commonwealth Government for similar ways using federal tax concessions. **196**

**RECOMMENDATION 24:** That the Victorian Government work with the Commonwealth to identify and remove federal taxes that currently only apply to the build-to-rent sector. **199**

**RECOMMENDATION 25:** That the Victorian Government amend Section 32 of the *Subdivision Act 1988* replacing ‘unanimous resolution’ with ‘special resolution’. **200**

**FINDING 18:** Evidence provided reveals that the time taken to obtain relevant permits and approvals causes significant delays in bringing housing developments to fruition. **202**

**RECOMMENDATION 26:** As a matter of urgency, the Victorian Government commit to:

- improving planning processing times
- clearing the backlog of planning approvals currently under consideration.

**203**

**RECOMMENDATION 27:** That the Victorian Government develop community engagement programs for areas where it plans to increase density, based on prior consultation with the relevant local council. The programs should address community concerns and provide information on why density must increase, including its social and economic benefits.

208

**RECOMMENDATION 28:** That as a matter of urgency the Victorian Government respond to Recommendation 50 in the Legislative Council Legal and Social Issues Committee's 2021 *Inquiry into homelessness in Victoria*.

214

**RECOMMENDATION 29:** That the Victorian Government ensure the whole-of-government land register database to be developed by the Land Coordinator General is publicly available.

219

**RECOMMENDATION 30:** That the Victorian Government commit to building 60,000 new social housing dwellings by 2034, with 40,000 completed by 2028.

231

**RECOMMENDATION 31:** That the Victorian Government advocate in National Cabinet to begin a conversation between the Commonwealth and State and Territory Governments over a renewed long-term National Housing Policy. The Policy should address fundamental issues such as:

- Is Australia going to be a nation of homeowners or renters?
- What action will be taken and when (i.e. actions linked to timeframes)?
- How much of Australia's economy should depend on high house price growth?
- How will housing keep up with population growth?
- How can the Government ensure that renting remains fair and affordable?
- Do Commonwealth tax concessions distort the housing market, and if so to what extent?
- How do we ensure long-term capital funding for social housing from State, Territory and Commonwealth Governments?

233

## 8 Victoria's short-stay rental accommodation industry

**FINDING 19:** The behaviour of guests using short-stay rental accommodation is outside of the Terms of Reference for this Inquiry. However, the Committee advises the Victorian Government that this is a growing problem that may require a legislated response, such as empowering owners' corporations to decide whether or not to allow short-stay rental accommodation in their buildings. **238**

**FINDING 20:** Data on the short-stay rental accommodation industry—including its size, revenue and performance—is disparately collected by parts of the industry and some local councils. The lack of central and uniform data collection makes it difficult to assess the scale of the industry and make evidence-based regulation reform. **239**

**FINDING 21:** Issues with short-stay rental accommodation differ across Victoria. Regional areas are mostly concerned with amenity, while central Melbourne is predominantly focused on the impact on the long-term rental market. **246**

**RECOMMENDATION 32:** That the Victorian Government ensure that, as announced in the *Housing Statement*, the funds raised from the 7.5% short stay levy will go to Homes Victoria, supporting their work building and maintaining public and community housing across the State, with 25% of funds to be invested in regional Victoria. **254**

**RECOMMENDATION 33:** That the Victorian Government establish a statewide register of short-stay providers. The register should be publicly available and data updated and published in real time. **254**

**RECOMMENDATION 34:** That the Victorian Government introduce legislation, either standalone or by amending the *Owners Corporations Act 2006*, to establish a mandatory code of conduct for the short-stay rental accommodation industry. The code should allow local councils to add additional regulations related to their region. **254**

**FINDING 22:** Given the differing scale and impacts of the short-stay rental accommodation industry across local government areas, a more flexible approach to regulation is preferable to a uniform statewide system. **255**

**FINDING 23:** There is a need for more evidence to assess the impact of the short-stay rental accommodation industry on the long-term rental market. This is true across the world as major cities in particular implement measures aimed at limiting the industry. **258**

# What happens next?

**There are several stages to a parliamentary inquiry.**

## **The Committee conducts the Inquiry**

This report on the Inquiry into the rental and housing affordability crisis in Victoria is the result of extensive research and consultation by the Legislative Council Legal and Social Issues Committee.

The Committee received written submissions, spoke with people at public hearings, reviewed research evidence and deliberated over a number of meetings. Experts, government representatives and individuals expressed their views directly to us as Members of Parliament.

A Parliamentary Committee is not part of the Government. The Committee is a group of members of different political parties (including independent members). Parliament has asked us to look closely at an issue and report back. This process helps Parliament do its work by encouraging public debate and involvement in issues.

You can learn more about the Committee's work at: <https://new.parliament.vic.gov.au/get-involved/committees/legislative-council-legal-social-issues/>

## **The report is presented to Parliament**

This report was presented to Parliament and can be found at: <https://new.parliament.vic.gov.au/get-involved/inquiries/inquiry-into-the-rental-and-housing-affordability-crisis-in-victoria/reports>

## **A response from the Government**

The Government has six months to respond in writing to any recommendations made in this report.

The response is public and put on the inquiry page of Parliament's website when it is received at: <https://new.parliament.vic.gov.au/get-involved/inquiries/inquiry-into-the-rental-and-housing-affordability-crisis-in-victoria/reports>

In its response, the Government indicates whether it supports the Committee's recommendations. It can also outline actions it may take.



# Chapter 1

## Introduction

### 1.1 Scope of the Inquiry

The Terms of Reference for this Inquiry are considerable. While many of the substantive issues relate specifically to the affordability and adequacy of renting in Victoria, they also encompass questions about housing supply, costs, barriers to first homeownership and the impacts of the short-term rental accommodation industry.

These are complex issues. Housing provision encompasses not only the proximate issues of planning and zoning, construction, mortgage finance, tax concessions and rental regulation. It also requires consideration of wider questions of spatial equality, including transport systems, urban design, and access to services (health and education most commonly) and employment. The Committee addresses many of these in Chapters 2 and 3, which provide an overview of housing in Australia and reasons why people say there is a housing crisis.

When governments and the private sector jointly fail to provide housing to society, this affects both individuals and entire communities by impacting worker retention, educational outcomes, health and social services, family violence, and crime. Homelessness is the most acute consequence of this, an issue falling outside of this Inquiry's Terms of Reference but which the previous iteration of this Committee reported on and still awaits response from the Victorian Government (see Section 1.6)

The six-month timeframe the Committee had to complete this Inquiry was short given the complexity of the issues at stake. Nonetheless, these are issues that have received a lot of attention in recent years (see Section 1.4) and this Inquiry provided a vehicle for promoting arguments that have already been made to governments. The familiarity of the problems identified in the Terms of Reference was reflected in the evidence the Committee received in submissions and at public hearings.

To manage the complexity of the issues, the Committee focused mainly on specific areas under the Victorian Government's remit, including aspects of the planning regime and the adequacy of the *Residential Tenancies Act 1997*, which underwent significant reform in 2018.

The Committee's focus was sharpened in September 2023 when the Victorian Government released *Victoria's Housing Statement: The decade ahead 2024-2034* (see Section 1.3) The Committee's attention then turned to assessing the interaction between the proposals in the *Housing Statement* and this Inquiry's Terms of Reference. This assessment is reflected in Chapters 5 to 8 of this Report.

In taking this approach, the Committee wishes to stress it recognises that a focus on the Victorian Government alone in addressing housing affordability ignores the fact that many of the themes noted above fall outside the remit of State Governments. As noted in Section 1.5, and again in Chapter 7, it is a primary finding of this Inquiry that any genuine, long-term approach to delivering secure, affordable housing to all Victorians (and Australians) requires a national conversation and a national plan. The Victorian Government can play a key role in advancing that conversation.

## 1.2 Submissions and public hearings

Following the referral from the Legislative Council of the Terms of Reference on 31 May 2023, the Committee advertised for submissions in newspapers and social media posts. It also wrote to key stakeholders seeking submissions. Submissions closed in early July. In total, the Committee received 948 submissions. These included a submission from the Parliamentary Budget Office requested by the Committee Chair and a whole-of-government submission from the Victorian Government.

The majority of submissions received from individuals were from renters or people who had experiences of renting. The Inquiry also received many submissions from home owners, advocacy groups and other industry stakeholders.

The Committee conducted five public hearings between early August and early October. Given the large number of submissions received from individual renters, it was a priority for the Committee to hear their experiences at public hearings. The Committee received evidence from four panels overall comprising a total of 15 renters selected from the submissions. This included one panel of regional and rural renters.

All public hearings were held in Melbourne, except for the first hearing, which was conducted via Zoom. The Committee heard evidence from 82 witnesses over 5 days, comprising renters, rental providers, local councils, advocacy groups and academics. The Committee is grateful to all submitters and witnesses who gave their time and expertise to give evidence in submissions and at public hearings.

Much of the evidence was of a deeply personal and moving nature. The Committee's focus throughout this Inquiry has been to fully understand the housing issues that many Victorians are experiencing. The Findings and Recommendations of this Report directly address these issues.

## 1.3 *Victoria's Housing Statement 2024–2034*

This Inquiry was conducted in a dynamic policy environment amongst considerable ongoing media commentary and political debate. Most significantly, in late September 2023 the Victorian Government released *Victoria's Housing Statement 2024–2034*, a strategy document outlining proposals to increase housing supply (and increase renters' rights) in Victoria between 2024 and 2034.

The document sets a target to build 800,000 homes in Victoria over the next 10 years and announced a range of policies intended to help reach that target. The Statement included 34 policies set around five key policy areas:

1. Reforming Victoria's planning system
2. Housing affordability
3. Renters' protections
4. Social housing
5. Long-term planning, including re-writing the *Planning and Environment Act 1987*.

The Committee makes two general two notes about the *Housing Statement*.

First, many of these policies require legislative change for them to happen. Aside from the *Planning and Environment Act 1987*, the Statement does not identify the legislation requiring amendment nor a timetable for when it will introduce the necessary legislative changes to Parliament. Several Recommendations made by the Committee regarding the *Housing Statement* in this Report refer to specific Acts.

Second, the Committee recognises that the Statement is just that, a broad document containing general announcements and aims. It is not intended to be a detailed agenda or outline how policies will be implemented. The Committee has made several recommendations regarding releasing more information on the policies announced in the Statement. The Committee stresses it has not done this to criticise the lack of detail currently available, rather it has done so to stress the importance of making this information publicly available as soon as possible.

The Committee wrote to the Department of Premier and Cabinet on 9 October 2023 with a list of questions regarding the *Housing Statement*. At the time of writing this Report, no answers had been received.

### 1.3.1 The wider policy context

In conducting this Inquiry, the Committee recognised a range of Victorian Government initiatives in recent years. These have now either been superseded by, or will work in tandem with, the proposals in the *Housing Statement*:

- **Public Housing Renewal Program**, announced 2017, to redevelop 11 of Melbourne's high-rise public housing estates.
- **Plan Melbourne 2017–2050**, released in 2017 and updated in 2019, providing a framework for residential development, including a 70/30 principle, dictating 70% of new residential building to occur in established areas and the remainder on the city fringe.
- **Big Housing Build**, announced 2020, committed to building 12,000 homes (9,300 social and 2,700 affordable). At time of writing this Report, 7,600 homes

were underway or completed with 3000 people occupying new homes. The 12,000 target is to be delivered by 2027.<sup>1</sup>

The Victorian Government is also a participant in several national agreements and plans:

- **The National Housing and Homelessness Agreement**, since 2018, providing around \$1.6 billion each year to States and Territories to improve access to secure and affordable housing.
- **National Housing Accord**, announced October 2022, sets a national target of 11 million new homes in the five years from 2024, including States and Territories delivering 10,000 affordable homes and expediting zoning, planning, and land release for social and affordable housing.
- **Social Housing Accelerator**, 2023, \$2 billion distributed to states to deliver social housing across all States and Territories. Victoria received \$469 million to build 769 homes.
- **National Cabinet Housing Plan**, announced August 2023, lifted the national housing target to 1.2 million new homes in the five years from July 2024, including a \$500 million *Housing Support Program* for local and State Governments to 'kick-start' supply and a national blueprint for reforming renter protections.

## 1.4 Previous Inquiries and reports

This Inquiry follows a long list of investigations into housing affordability conducted by the Parliament of Victoria and other bodies over the past decade or so. The Committee notes the following reports tabled by Victorian Parliamentary Committees in recent years:

- 2023: Legislative Council Economic and Infrastructure Committee, *Inquiry into land transfer duty fees*.
- 2022: Legislative Council Legal and Social Issues Committee, *Inquiry into homelessness in Victoria*.
- 2022: Legislative Council Environment and Planning Committee, *Inquiry into the protections within the Victorian Planning Framework*.
- 2018: Legislative Council Legal and Social Issues Committee, *Inquiry into the Public Housing Renewal Program*.
- 2017: Legislative Council Legal and Social Issues Committee, *Inquiry into the retirement housing sector*.
- 2016: Environment and Planning Committee, *Inquiry into the Owners Corporations Amendment (Short-stay Accommodation) Bill 2016*.
- 2010: Family and Community Development Committee, *Inquiry into the adequacy and future directions of public housing in Victoria*.

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<sup>1</sup> Homes Victoria, correspondence, 9 October 2023.

Other relevant reports include:

- 2023: Infrastructure Victoria's *Our Home Choices: How more housing options can make better use of Victoria's infrastructure*, reported the need for greater housing choice and diversity as Victoria's population grows.
- 2016: Royal Commission into Family Violence in Victoria highlighted several shortcomings of private rental support services, finding support often ceases once a person finds a home and that little support is offered over the long term.
- 2011 and 2017: Victoria's Auditor-General investigated public housing in Victoria.

At a national level, the following inquiries have been conducted by the Parliament of Australia:

- 2023: Senate Select Committee on the Cost of Living,
- 2023: Senate Standing Committees on Community Affairs, *The worsening rental crisis in Australia*
- 2022: Senate Standing Committee on Tax and Revenue, *The Australian Dream: Inquiry into housing affordability and supply in Australia*.
- 2021: House of Representatives Standing Committee on Social Policy and Legal Affairs, *Inquiry into homelessness in Australia*.
- 2016: House of Representatives Standing Committee on Economics, *Report of the inquiry into home ownership*.
- 2015: Senate Economics References Committee, *Out of reach? The Australian housing affordability challenge*.
- 2009: House of Representatives Standing Committee on Family, Community, Housing and Youth, *Housing the homeless: report on the Inquiry into homelessness legislation*.

As well, in 2022, the Productivity Commission published its report, *In need of repair: The National Housing and Homelessness Agreement*.

Several stakeholders in this Inquiry made submissions with similar recommendations to previous Inquiries. The Municipal Association of Victoria noted that it has made seven submissions to Commonwealth and State Government Inquiries into housing in the past four years. The Grattan Institute notes it has produced six submissions or independent reports on these issues since 2018.<sup>2</sup>

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<sup>2</sup> Municipal Association of Victoria, *Submission 938*, p. 6; Grattan Institute, *Submission 562*, p. 4.

## 1.5 What is the aim of housing policy? The need for a national approach with a defined outcome

**The fact that people are ending up living in their cars, or in some cases on the street should be seen as an abject failure of our social policy. Instead though, we continue to talk in terms of record high prices like it's a victory we should celebrate.**

Name withheld, *Submission 51*, p. 2.

This long list of Inquiries and reports indicates that problems with housing in Australia are long-term. It also suggests the absence of a will to solve them. Indicative of the large mismatch between evidence submitted on the housing and action taken, housing expert Professor Terry Burke expressed his fatigue:

After 30 years of housing research at the national and international level I have given up on the notion that detailed evidenced based research has any real impact. I and other colleagues have made detailed submissions on dozens of housing inquiries (Commonwealth and State) over these years and it is difficult to think of one substantive reform flowing from any of them.<sup>3</sup>

As several contributors to this Inquiry noted, housing is a classic 'wicked' problem where any change in policy impacting the status quo would produce winners and losers.<sup>4</sup> Improving housing affordability – for renters and prospective owner-occupiers – means that the cost of property needs to fall or, more ideally, grow at a slower rate. Given that for most Australians their largest asset is their home – or, for some, a portfolio of investment properties – and it is often tied to long-term financial plans, measures that are even vaguely thought to threaten property values are treated with 'extreme caution by our politicians'.<sup>5</sup>

It is also difficult to overstate the importance of continually rising house prices to the Australian economy. In 2022, Australia's 'big four' banks – ANZ, CBA, NAB and Westpac – held around \$1.87 trillion in home loans.<sup>6</sup> No other country's banks are as heavily dependent on residential property with housing in Australia having been referred to as 'the cash cow of the banking sector'.<sup>7</sup>

Also of interest to the Committee throughout this Inquiry was the way in which property is discussed in the media. Outlets such *The Age*, for example, flipped daily between stories lamenting housing unaffordability and those celebrating strong growth in property prices. Auctions are reported as if they are exciting sporting contests with results celebrated when they 'soar' past reserve prices. Similarly, when

<sup>3</sup> Professor Terry Burke, *Submission 519*, p. 2.

<sup>4</sup> Australian Institute of Architects, *Submission 931*, p. 2.

<sup>5</sup> Municipal Association of Victoria, *Submission 938*.

<sup>6</sup> Nassim Khadem, "Big four" banks made huge profits as Australians took out bigger mortgages for pricier housing', *ABC News*, 10 May 2022, <<https://www.abc.net.au/news/2022-05-10/big-four-banks-profits-home-loans-mortgage-debt-interest-rates/101051100>> accessed 25 October 2023.

<sup>7</sup> Intelligent Investor, *Why Australian banks earn so much profit*, <<https://www.intelligentinvestor.com.au/investment-news/why-australian-banks-earn-so-much-profit/138287>> accessed 25 October 2023.

the *Housing Statement* was announced in September, the *Australian Financial Review* warned that the policies risked dampening house prices, valuing rapid growth in house prices over increased affordability.<sup>8</sup>

Housing is a human right, and that fact lies at the heart of Inquiries such as this. All Victorians should be able to access safe, secure, quality and affordable housing. The housing choices that people can make are inevitably shaped by their own circumstances, the broader nature of the housing system, and our social and economic priorities. One question that this Inquiry has faced is whether we want a home ownership society or a landlord society.<sup>9</sup> Victoria, along with the rest of the country, is trending towards the latter. As rates of renting increase, so must security of tenure, liveable rental homes and greater consumer protections. But the goal of home ownership should never be out of reach for Victorians.

Here, lessons need to be learnt from past experiences. Policies initially implemented to improve housing supply and affordability – such as federal tax concessions and subsidies for first homebuyers – are now said to contribute to housing unaffordability. Improving homeownership rates means reversing the culture of encouraging property investment solely as a tool of wealth accumulation that has emerged in recent decades. As property developer and founder of Housing All Australians Robert Pradolin said:

We are all part of this problem because we all feel very comfortable when our house prices go up, but our house prices cannot continue going up forever without actually fragmenting our society in polarisation. No government is going to get elected if they come out with a policy saying, ‘My job is to keep your house price static.’ That is the political problem.<sup>10</sup>

This reversal will need to be led by the Commonwealth. The Committee is clear that the Recommendations it has made in this Inquiry will only be effective working in tandem with a coherent national approach addressing both supply and demand factors that make housing unaffordable.

Attendant to this national approach is the need for a long-term bipartisan approach. Numerous stakeholders told the Committee that the great hindrance to achieving sustained outcomes in housing provision is the dominance of short three- and four-year political cycles. Housing has become a political ‘wedge’ in Victoria’s, and Australia’s, adversarial parliamentary system. To this end, the Committee welcomes the Victorian Government’s *Housing Statement* taking a 10-year perspective on housing.

The Committee emphasises that first and foremost, Victoria must work with the Commonwealth to clarify the aim of housing policies. Without stating what we want to achieve and how, the already long list of Inquiries into housing will only continue to

<sup>8</sup> Nila Sweeney, ‘Victoria’s housing shake-up risks dampening property price growth’, *Australian Financial Review*, 21 September 2023.

<sup>9</sup> Professor Terry Burke, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 30.

<sup>10</sup> Robert Pradolin, Founder, Housing All Australians, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 8.

grow. The Recommendation the Committee makes in Chapter 7 of this Report around the need for a National Housing Policy addresses this issue.

## 1.6 Inquiry into homelessness in Victoria

**The most common housing situation for people at risk of homelessness is the private rental market.**

Parliament of Victoria, Legislative Council Legal and Social Issues Committee, *Inquiry into homelessness in Victoria: Final report*, June 2021, p. 69.

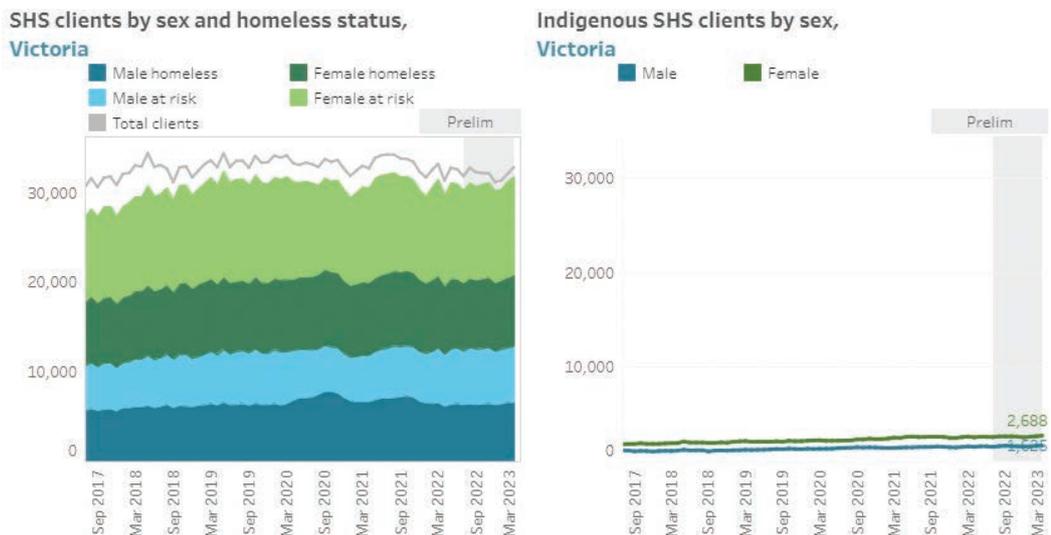
**I am paying 94 per cent of my income on rent. My savings will not last too many years – another couple. And I do – I look at railway bridges to see if there is a safe place I could camp.**

Dr Angela Ballard, public hearing evidence, 22 August 2023, p. 46.

Homelessness is the crisis point when housing provision breaks down. As reflected in the words of Dr Angela Ballard above, an affordability crisis in the private rental market can very quickly become a homelessness crisis.

Figure 1.1 from the Australian Institute of Health and Welfare shows specialist homelessness service clients in Victoria by sex, homeless status (i.e. at risk of experiencing homelessness) and First Nations status between 2017 and 2023.

**Figure 1.1 Specialist homelessness service clients Victoria**

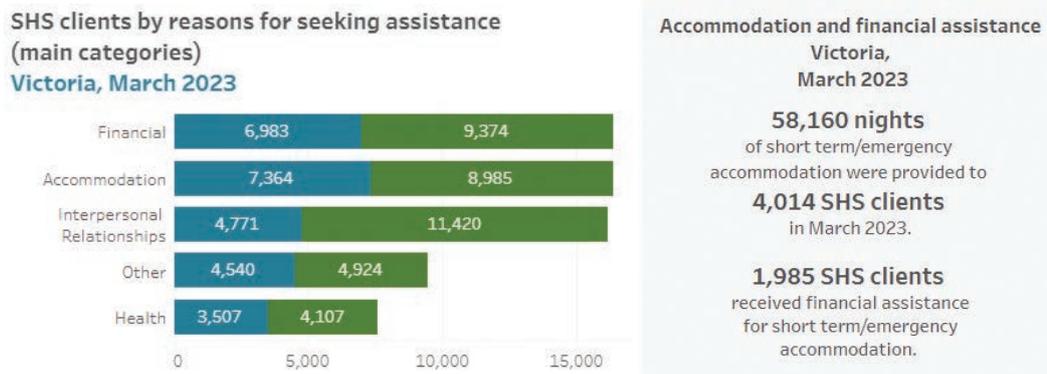


- Homelessness status indicates the last known housing situation for a client in the month.
- Unknown homeless status is included in 'Total clients' figures.

Source: Australian Institute of Health and Welfare, *Specialist Homelessness Services: monthly data*, 25 May 2023, <<https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-monthly-data/contents/monthly-data>> accessed 23 August 2023.

Most Victorians accessing specialist homelessness services specify the primary reason as ‘financial’. It is important to note, however, that many clients will likely have multiple reasons for seeking support. Figure 1.2 shows the main reasons for seeking assistance from a specialist homelessness service in Victoria.

**Figure 1.2 Specialist homelessness services clients by reasons for seeking assistance, Victoria**

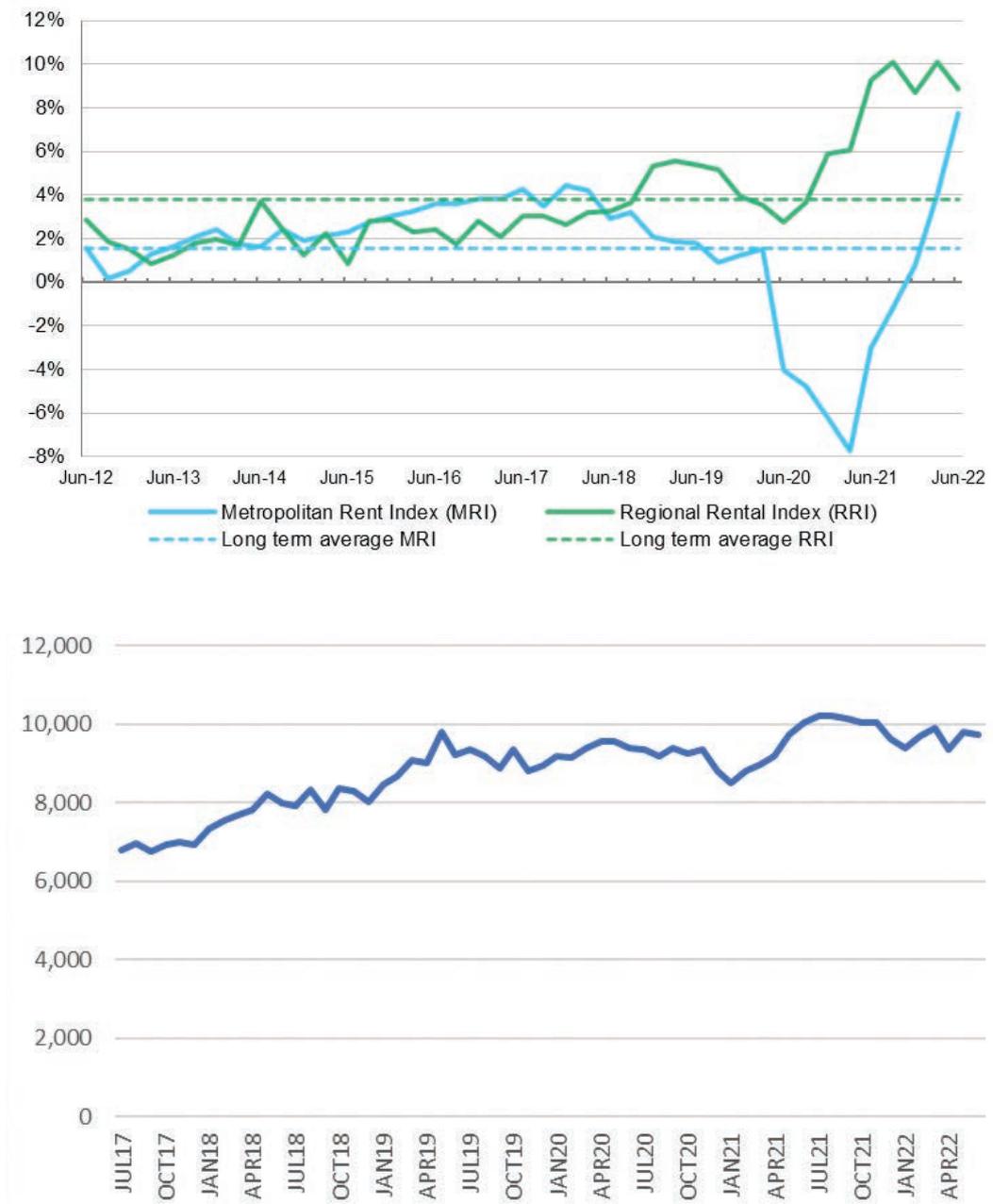


Note: Blue indicates male clients. Green indicates female clients.

Source: Australian Institute of Health and Welfare, *Specialist Homelessness Services: monthly data*, 25 May 2023, <<https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-monthly-data/contents/monthly-data>> accessed 23 August 2023.

Of particular note is the gender imbalance for those who cited ‘Interpersonal Relationships’ as a factor. Just over 70% of respondents who cited this as a factor identify as female. Rising rental prices have an obvious link with homelessness rates. Figure 1.3, taken from the Council to Homeless Persons, provides two graphs that show a correlation between rising rents and increased homelessness.

**Figure 1.3 Rent index (annual % change) compared to people presenting to homelessness services**



Source: Council to Homeless Persons, *Rising rents push more Victorians over the homelessness precipice*, media release, 28 September 2022 <<https://chp.org.au/article/rising-rents-push-more-victorians-over-the-homelessness-precipice/>> accessed 23 August 2023.

These issues were examined extensively in the 59th Parliament. In March 2021, the previous iteration of this Committee published its Final Report for the *Inquiry into homelessness in Victoria*. The Victorian Government’s submission to that Inquiry noted that, at the time of that Inquiry:

Currently, two per cent of properties [in metropolitan Melbourne] are affordable for households living on income support. While 28 per cent of properties are affordable for

households living on the minimum wage. In regional Victoria, 11 per cent of all new lettings were affordable to lower income households receiving income support payments.<sup>11</sup>

These conditions have since deteriorated.

The *Inquiry into homelessness in Victoria* made 51 recommendations and 26 findings. The Committee is disappointed that the Victorian Government did not respond to its Final Report as required under Legislative Council Standing Order 23.23. The Government's response was due 4 September 2021. Between then and 2023, Victorians accessing specialist homelessness services increased 2%.<sup>12</sup>

The Committee's Report was significant, reflecting strong community concern among Victorians. The Victorian Government's obligation to respond remains intact even following the commencement of the 60th Parliament in December 2022. One joint submission to this Inquiry questioned 'the lack of meaningful government action on and transparency about housing insecurity in Victoria despite a wealth of available evidence on the scale and impacts of this rolling crisis.'<sup>13</sup>

**RECOMMENDATION 1:** That the Victorian Government as a matter of urgency respond to the 2021 *Inquiry into homelessness in Victoria*.

**RECOMMENDATION 2:** That the Victorian Government investigate enshrining the right to housing in the Victorian Charter of Human Rights, including considering advice from the Victorian Equal Opportunity and Human Rights Commissioner.

**RECOMMENDATION 3:** In responding to the *Inquiry into homelessness in Victoria*, that the Victorian Government particularly focus on recommendations related to ensuring the ongoing funding of homelessness services and specialised housing for high-risk and vulnerable cohorts.

<sup>11</sup> Department of Health and Human Services (Victorian Government), submission to Parliament of Victoria, Legislative Council Legal and Social Issues Committee, *Inquiry into homelessness in Victoria*, 2021, p. 15.

<sup>12</sup> Australian Institute of Health and Welfare, *Specialist Homelessness Services: monthly data*, 25 May 2023, <<https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-monthly-data/contents/monthly-data>> accessed 23 August 2023.

<sup>13</sup> Joint Submission, *Submission 923*, p. 1.



# Chapter 2

## Housing in Victoria: setting the scene

### 2.1 Introduction

This Chapter introduces the key features needed to understand housing in Victoria, with a view to providing background context for Chapters that follow. It discusses important demographics, including population growth, the types of dwellings Victorians live in, and how renting and ownership trends are changing, including the important role played by social housing. The Chapter then introduces the important concepts of the nature of financing and construction rates in Australia.

The Chapter ends with a brief overview of housing challenges faced by marginalised groups, including Indigenous Victorians, single mothers and their children, and the LGBTIQ+ community.

N.B. Throughout this Report references to ‘housing’ or ‘housing crisis’ should be taken to mean both renting and owning, unless specified.

### 2.2 Understanding the structure of housing in Victoria

Housing is a complex policy issue. It encompasses production (tenure regimes, land available, construction), consumption (costs, financing), exchange (buying, selling and leasing through intermediaries, especially real estate agencies) and management (including the entire raft of laws and regulations governing these features).

Today, many countries around the world face considerable issues relating to housing affordability, access and security. To understand the specific issues facing Victoria (discussed in Chapter 3) and the different ways that these issues are interpreted and solutions proposed (discussed in Chapter 4), it is first necessary to consider the distinct features of housing provision and the housing market in Victoria and across Australia more generally that combine to shape the issues discussed in this Report. These include:

- a high population concentration in a single city, Melbourne
- a low level of government-funded social housing
- financing via variable-rate mortgages
- the low prevalence of institutional rental providers in favour of small investors.

## 2.3 Demographic context

Housing provision is foremost a function of demographic change, even as a growing proportion of the housing stock is also utilised as a wealth-accumulating asset (see Section 4.3.3). Any discussion of a society's housing provision must begin with its population and how and where it lives.

### 2.3.1 Population

In the 2021 Census, Victoria's population was recorded at 6.5 million people who were counted as 'usual residents'. This represented a 10.17% increase from the 2016 Census (5.9 million people). This was a much faster increase than the overall Australian population, which grew by 4.44% between 2016 and 2021. Over the past 40 years, Victoria's population has nearly doubled. In 1971, the recorded population was 3.3 million.<sup>1</sup>

According to the Victorian Government, before COVID-19 Victoria was the fastest growing State in the nation. Much of this growth was due to migration. The population had grown at a rate of more than 2% per year for the previous decade. Due to lockdowns and closed borders during the pandemic period, Victoria's population decreased for the first time in many years. The population Victoria grew by 1.47% in 2020 and decreased by 0.67% in 2021,<sup>2</sup> and grew by 2.1% in 2022.<sup>3</sup>

#### Distribution of population

Victoria's population has become increasingly concentrated in Melbourne. The 2021 Census recorded nearly four out of five Victorians residing in Greater Melbourne (4.9 million recorded residents).<sup>4</sup>

Between 2016 and 2021, districts on the outer fringes of Melbourne recorded population growth rates above 50%, including in Berwick, Cranbourne, Kalkallo, Laverton, Melton, Pakenham, Point Cook, South Barwon, Tarneit, Thomastown, Werribee and Yan Yean. The electorate of Melbourne also experienced similar growth.

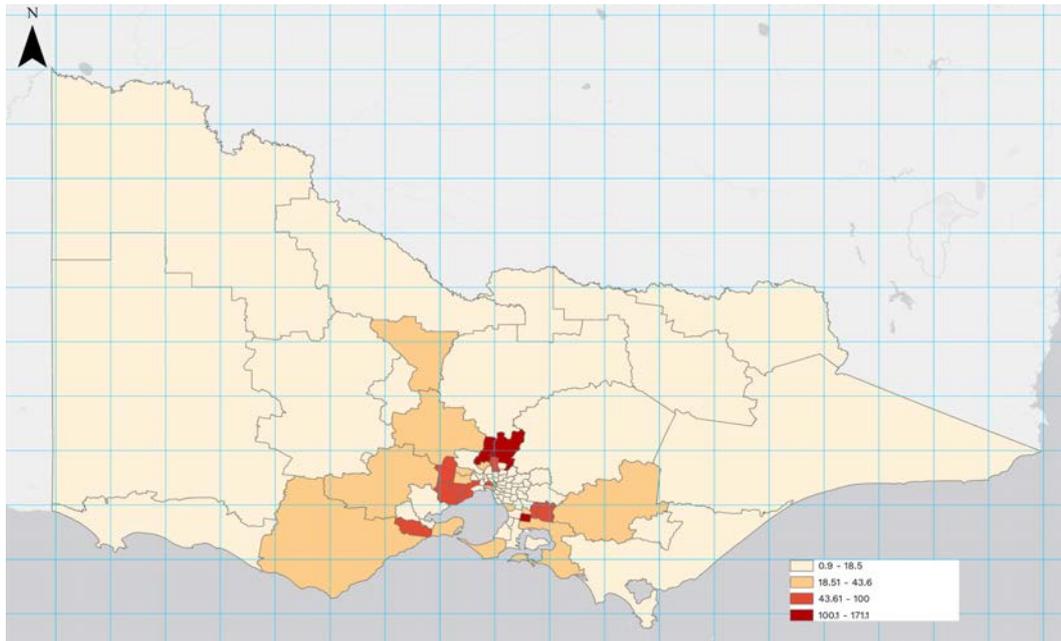
1 Caley Otter, Ben Reid and Caleb Triscari, *Housing in Victoria: a quick guide*, Victorian Parliament Library, paper No. 6, September 2023.

2 Department of Transport and Planning, *COVID-era population change*, 2023, <<https://www.planning.vic.gov.au/guides-and-resources/data-and-insights/insights/COVID-era-population-change>> accessed 9 November 2023.

3 Australian Bureau of Statistics, *National, state and territory population*, December 2022, <<https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/dec-2022>> accessed 9 November 2023.

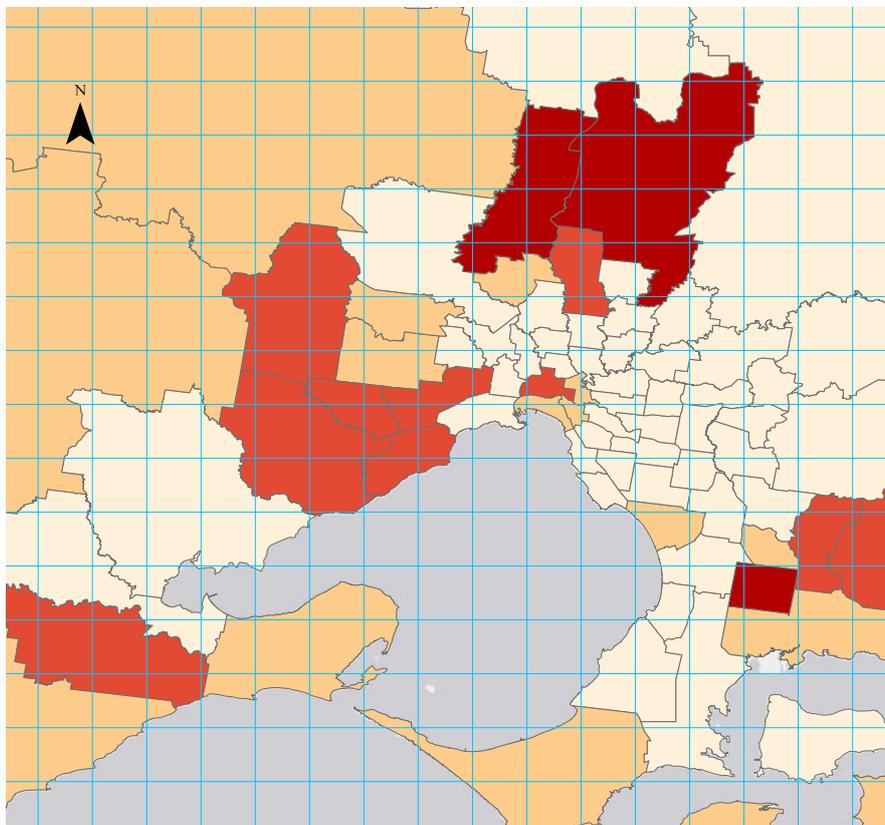
4 Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria*, 2022, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

**Figure 2.1** Population change by Legislative Assembly district, 2016–2022



Source: Caley Otter, Ben Reid and Caleb Triscari, *Housing in Victoria: a quick guide*, Victorian Parliamentary Library, paper No. 6, September 2023.

**Figure 2.2** Population change by Legislative Assembly district, metropolitan Melbourne area, 2016–2022



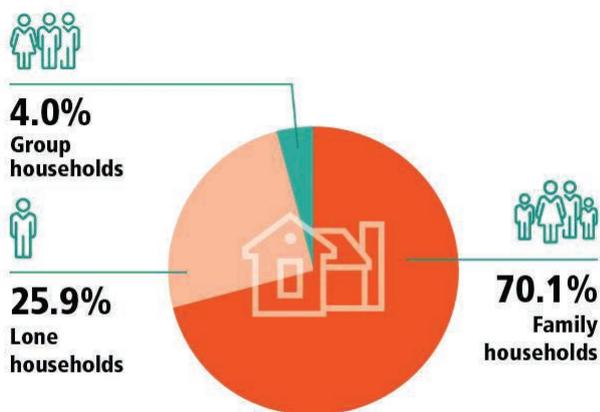
Source: Caley Otter, Ben Reid and Caleb Triscari, *Housing in Victoria: a quick guide*, Victorian Parliamentary Library, paper No. 6, September 2023.

### 2.3.2 Household composition

The 2021 Census data indicates that Victorian households are getting smaller:

- the average number of people per household was 2.5, a decrease from 3.3 in 1971
- 70.1% of households were family households, a decrease from 70.8% in 2016
- the most common type of family composition was families with children (45.5%).<sup>5</sup>

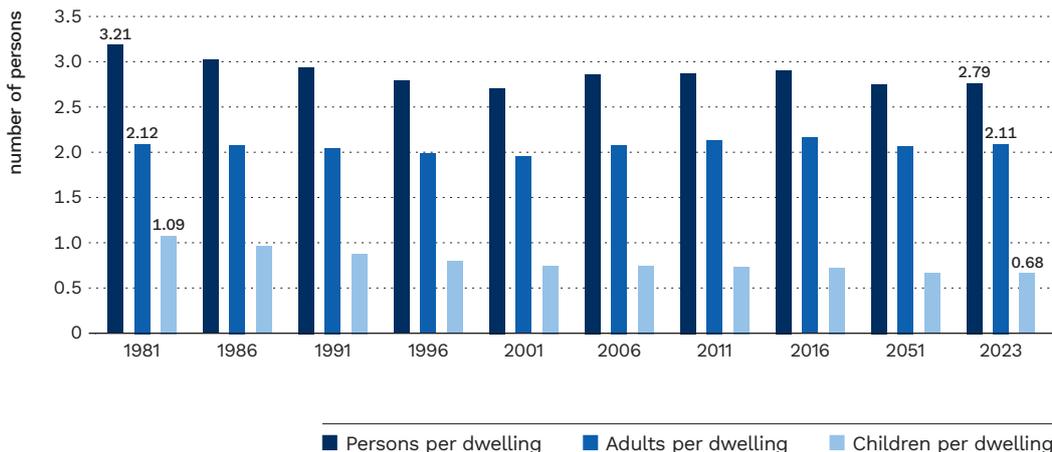
Figure 2.3 Households in Victoria, Census 2021



Source: Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria*, 2022, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

Household size can also impact the demand for housing. Figure 2.4 shows the average number of persons per occupied dwelling from 1981 to 2023.

Figure 2.4 Persons per occupied dwelling, 1981 to 2023



Source: Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria*, 2022, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

5 Ibid.

## Living alone

Several submissions to this inquiry noted the increase in people living alone as a result of COVID-19.<sup>6</sup> In fact, this trend has been notable in Victoria and Australia for some time. The Australian Institute of Family Studies records that nationally, the number of one-person households has grown consistently from 18% of all households in 1981 to 25.6% of households in 2021.<sup>7</sup> Similar rates are found in Victoria, where one-person households accounted for 25.9% of the population, increasing from 23% at the 2001 Census.<sup>8</sup>

### 2.3.3 Migration

Migration is a significant contributor to Victorian population growth. Table 2.1 summarises population movement both overseas and interstate in and out of Victoria since 2016–17.

**Table 2.1 Net migration, Victoria, 2016–17 to 2021–22**

Period	Overseas migration arrivals	Overseas migration departures	Net overseas migration	Interstate arrivals	Interstate departures	Net interstate migration
2016–17	159,626	68,383	91,243	94,833	81,085	13,748
2017–18	161,166	74,198	86,968	97,207	88,106	9,101
2018–19	168,314	82,838	85,476	100,078	93,598	6,480
2019–20	150,633	90,036	60,597	83,730	86,382	-2,652
2020–21	27,112	80,171	-53,059	57,355	92,977	-35,622
2021–22	129,113	63,436	65,677	91,827	106,692	-14,865

Source: Australian Bureau of Statistics, National, state and territory population, September 2023, <<https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release>> accessed 23 October 2023.

### 2.3.4 Projected population growth

In 2019, the Victorian Government released its *Victoria in Future 2019* report, an official ‘projection of population and households’. As the Housing Industry Association noted to the Committee, the projections pre-date COVID-19 and urgently require updating to adequately plan for Victoria’s future housing needs.<sup>9</sup>

The report predicts that by 2025 Victoria’s population will increase to 11.2 million.<sup>10</sup>

<sup>6</sup> For example: Parliamentary Budget Office, *Submission 947*, p. 23.

<sup>7</sup> Australian Institute of Family Studies, *Population, households and families*, compiled by Lixia Qu, Jennifer Baxter, Maja Gorniak, July 2023 <<https://aifs.gov.au/research/facts-and-figures/population-households-and-families>> accessed 15 August 2023.

<sup>8</sup> Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria, 2022*, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

<sup>9</sup> Housing Industry Association, *Submission 487*.

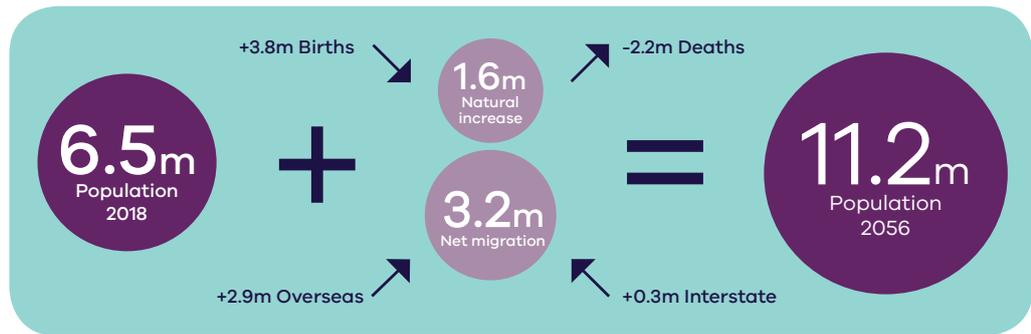
<sup>10</sup> Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, report prepared by Department of Environment, Land, Water and Planning, Victoria, 2019, p. 8.

**Figure 2.5 Past and projected population by major regions, 1976 to 2056**



Source: Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, report prepared by Department of Environment, Land, Water and Planning, Victoria, 2019, p. 4.

**Figure 2.6 Components of population change, Victoria 2018 to 2056**



Source: Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, report prepared by Department of Environment, Land, Water and Planning, Victoria, 2019, p. 4.

The Government has also projected population growth across region types, as noted in Figure 2.7. The report suggested that the strongest population growth is expected in the three Regional Centre Local Government Areas: Greater Ballarat; Greater Bendigo; and Greater Geelong.<sup>11</sup>

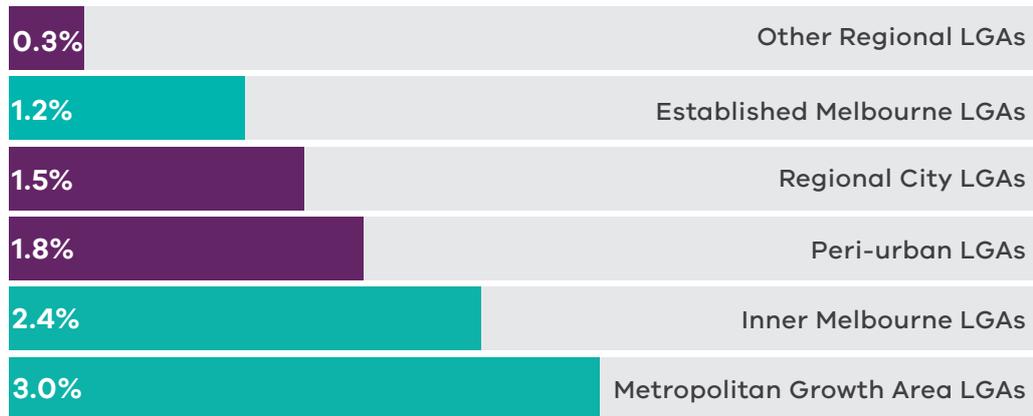
Similarly, peri-urban areas (for example, Surf Coast, Moorabool or Baw Baw Shires) are projected to grow just as fast—or faster—than the three regional centres but by smaller amounts. Figure 2.6 below provides projections for annual average population growth rates by area for 2018 to 2036.

The RACV noted that the COVID-19 years saw more than double the usual annual amount of people moving from urban to regional areas.<sup>12</sup> However, this trend is beginning to reverse.

<sup>11</sup> Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, report prepared by Department of Environment, Land, Water and Planning, Victoria, 2019.

<sup>12</sup> RACV, *Submission 921*, p. 8.

**Figure 2.7 Annual average population growth rate by section of Victoria, 2018 to 2036**



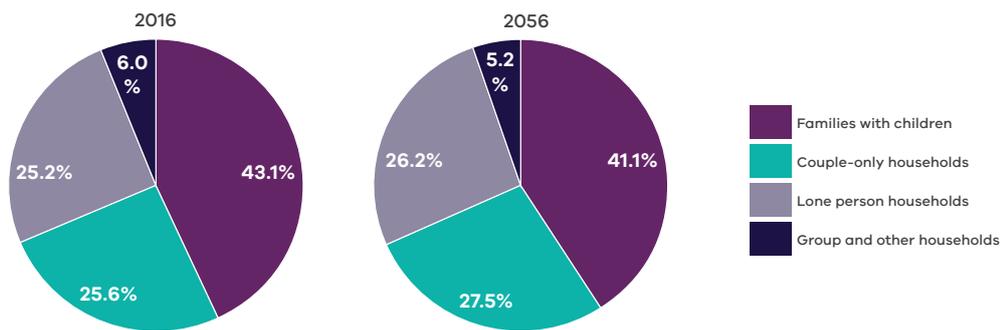
Source: Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, report prepared by Department of Environment, Land, Water and Planning, Victoria, 2019, p. 9.

### Projected household composition

The report projects that the number of households in Victoria will almost double from 2.4 to 4.6 million by 2056, but that households will continue to get smaller. It estimated that by 2056 the average size of a household will be 2.4 people down from 2.54 in 2016. The Government has predicted that from 2016 to 2056 an additional 2.3 million dwellings will be needed to house the growing population, nearly 1.9 million in Greater Melbourne and over 400,000 in regional Victoria.<sup>13</sup>

Figure 2.8 shows projected changes to Victoria’s household composition in 2056 compared to 2016 data.

**Figure 2.8 Households by type, Victoria 2016 to 2056**



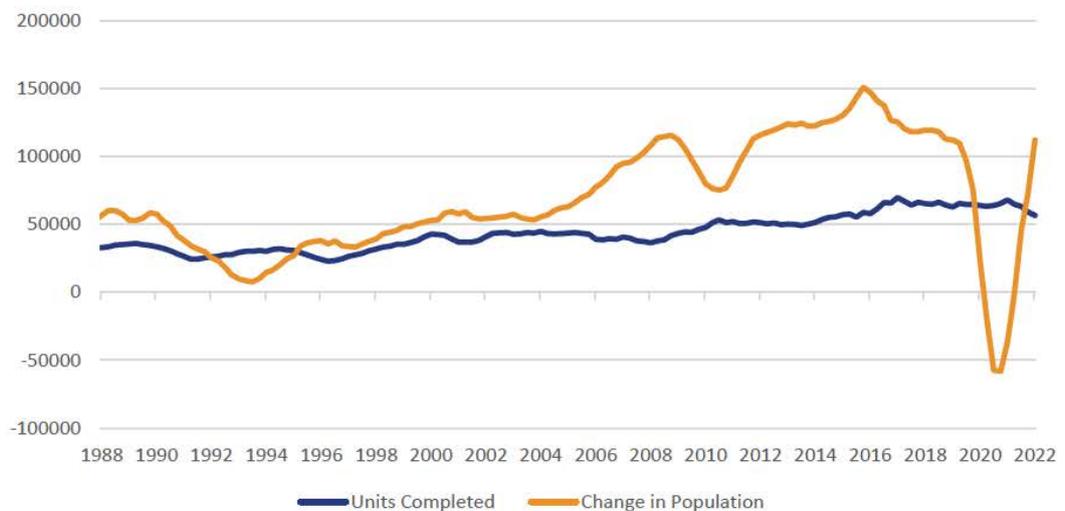
Source: Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, report prepared by Department of Environment, Land, Water and Planning, Victoria, 2019, p. 8.

<sup>13</sup> Victorian Government, *Victoria in Future 2019: Population Projections 2016 to 2056*, p. 8.

### 2.3.5 Is housing keeping pace with population growth?

One of the major concerns of several stakeholders in this Inquiry is whether housing construction is keeping pace with population growth. The Master Builders Association of Victoria, for example, provided a comparison of new home builds against population growth between 1988 and 2022. It shows, except for the peak COVID-19 pandemic years (2020–2021), new home builds have not kept pace with Victoria's growing population.

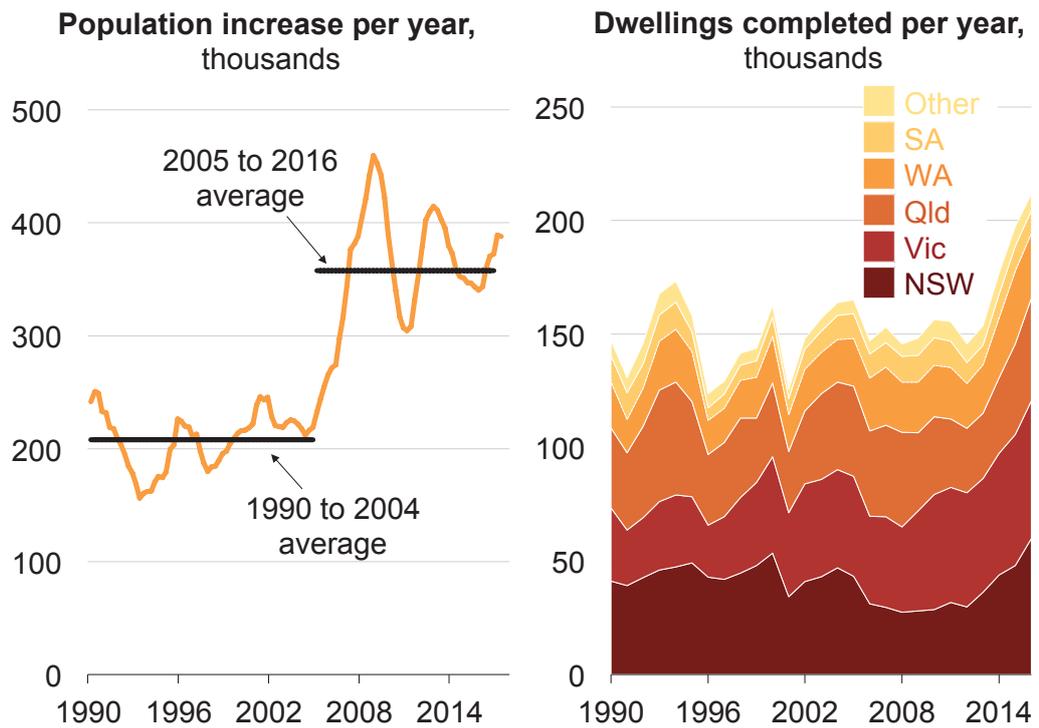
**Figure 2.9** Population growth and new home building in Victoria, 1988 to 2022



Source: Master Builders Association of Victoria, *Submission 567*, p. 5.

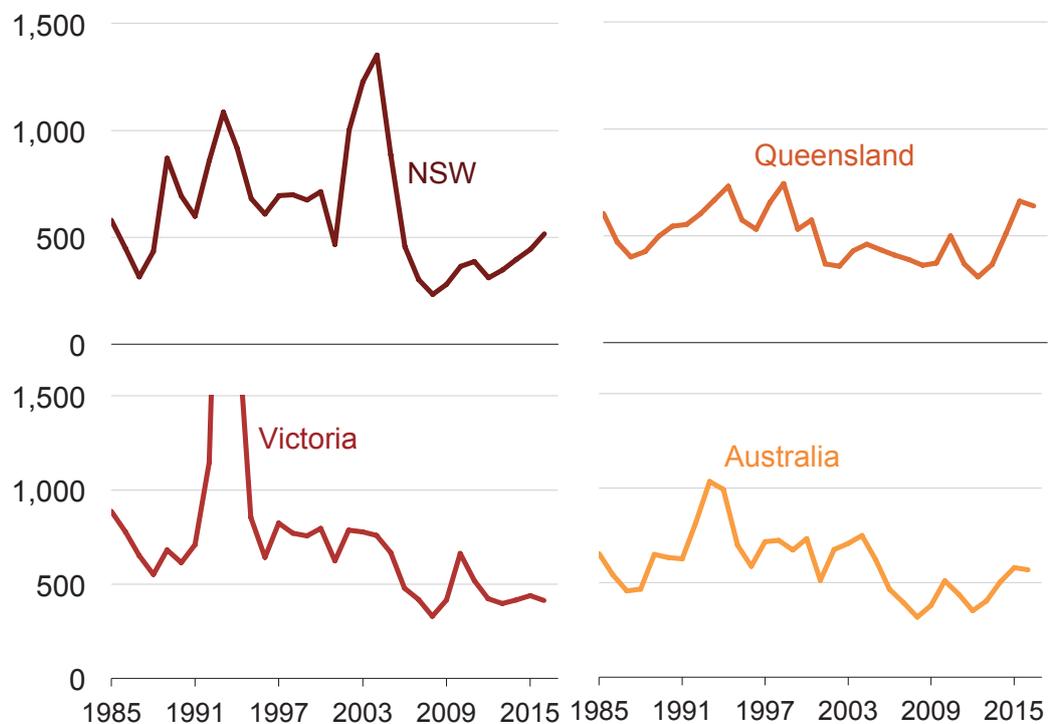
In its March 2018 report *Housing Affordability: Re-imagining the Australian Dream*, the Grattan Institute also found that construction of new housing has not kept pace with population growth in Victoria. The report noted that despite a population jump in 2006, construction did not increase until 2013 (Figure 2.10 below). However, the Committee notes that this issue is not specific to Victoria but is a national issue (as shown in Figure 2.11 from the Grattan Institute's report).

Figure 2.10 Population growth compared to dwellings completed



Source: Grattan Institute, *Housing Affordability: Re-imagining the Australian Dream*, report prepared by John Daley and Brendan Coates, Victoria, 2018, p. 44.

Figure 2.11 Dwellings completed per additional thousand people, selected jurisdictions



Source: Grattan Institute, *Housing Affordability: Re-imagining the Australian Dream*, report prepared by John Daley and Brendan Coates, Victoria, 2018, p. 44.

The Grattan Institute's report suggested that the consequences of housing undersupply include:

- people living in homes larger than their needs (housing misallocation)
- higher home prices as 'housing construction in Australia seems slow to respond to higher prices'.<sup>14</sup>

Both these issues are discussed in greater detail in Chapter 3.

Other stakeholders used similar data to suggest housing supply *is* keeping up with population growth.<sup>15</sup> This data is examined in Section 4.2.1.

Many stakeholders also identified a shortage in non-market (i.e. social) housing (see Section 2.5.4 and Chapter 4). RMIT's Centre for Urban Research stated there is 'a massive undersupply of non-market housing. Recent research states that the unmet need for non-market housing in Victoria will grow to at least 727,300 properties over the next 15 years'.<sup>16</sup> Social advocacy and housing groups have been campaigning for the Victorian Government to build 60,000 social housing dwellings over the next 10 years (for this proposal, see Chapter 7).

Concerns about future population growth and housing supply are reflected in Victorian Government policy. In 2019, the Victorian Government updated its strategy document, *Plan Melbourne 2017-2050*, to 'maintain a permanent urban growth boundary around Melbourne to create a more consolidated, sustainable city'.<sup>17</sup> By maintaining a permanent urban growth boundary, the Government believes it can better maintain the supply of new housing.

Figure 2.12 below from the Plan depicts the permanent urban growth boundary put in place by the Victorian Government.

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<sup>14</sup> Grattan Institute, *Housing Affordability: Re-imagining the Australian Dream*, report prepared by John Daley and Brendan Coates, Victoria, 2018, pp. 45-46.

<sup>15</sup> Parliamentary Budget Office, *Submission 947*. See also: Xavier Rimmer, Parliamentary Budget Officer, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 58.

<sup>16</sup> Joint Submission, *Submission 923*, p. 7.

<sup>17</sup> Victorian Government, *Plan Melbourne 2017-2050*, 2019, p. 11.

Figure 2.12 Permanent urban growth boundary, *Plan Melbourne 2017–2050 (2019 Update)*



Melbourne 2050 Plan

- Central city
- National employment and innovation cluster (NEIC)
- Metropolitan activity centre
- State-significant industrial precinct
- State-significant road corridor
- Rail network
- Rail improvements Sunbury to Cranbourne / Pakenham (including Metro Tunnel)
- Western Distributor
- Transport gateway – major airport
- Transport gateway – airport
- Transport gateway – seaport
- Potential transport infrastructure project
  - ① Outer Metropolitan Ring / E6 reservation
  - ② North East Link (alignment subject to investigation)
  - ③ Airport Rail Link
  - ④ Avalon Rail Link
  - ⑤ Western Port highway upgrade / Rail Link to Hastings
- Interstate freight terminal (indicative)
- Transport gateway – possible airport (indicative)
- Transport gateway – possible seaport (indicative)
- Water's edge parklands
- Green wedge land
- Urban growth boundary
- Urban area
- Waterway
- Waterbody
- Metropolitan Melbourne region

Source: Department of Environment, Land, Water and Planning

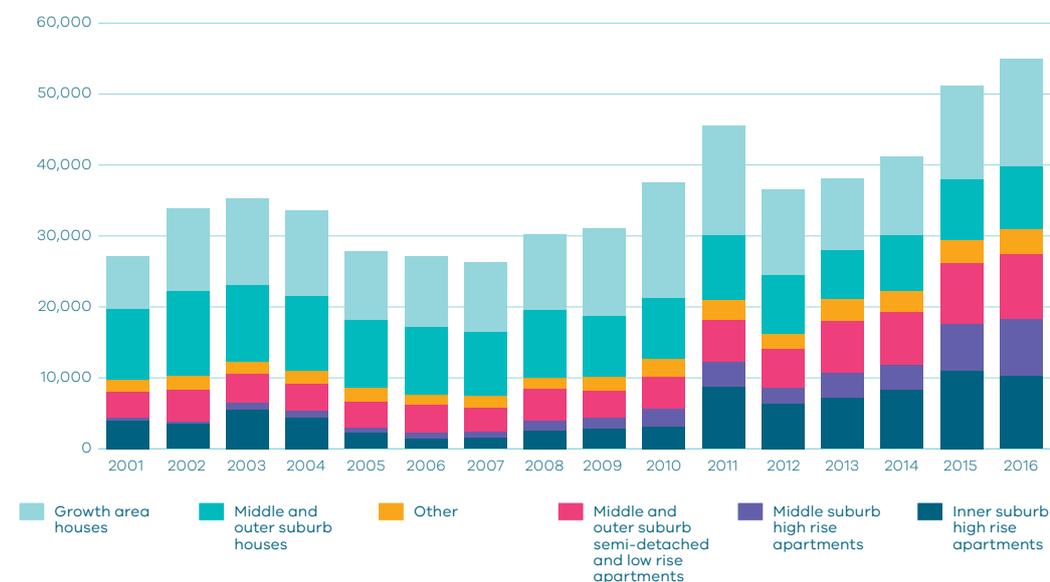


Source: Victorian Government, *Plan Melbourne 2017–2050*, 2019, p. 23.

The Plan stated that Melbourne will need 1.6 million new homes over the 35 years from its implementation to keep pace with population growth. Further, housing builds will need to adjust to meet the needs of potential buyers or renters. Most of Melbourne's housing stock is detached housing, however, there has been a shift to

medium- and high-density housing.<sup>18</sup> Figure 2.13 below shows building approvals by type and location in metropolitan Melbourne between 2001 and 2016, prior to the implementation of the Plan.

**Figure 2.13 Annual building approvals by selected type and location, metropolitan Melbourne 2001–2016 (year ending March)**



Source: Victorian Government, *Plan Melbourne 2017–2050*, 2019, p. 51.

Arguments in favour of increasing density in Melbourne’s ‘middle-ring’ suburbs are discussed in Chapter 4 and assessed in Chapter 7.

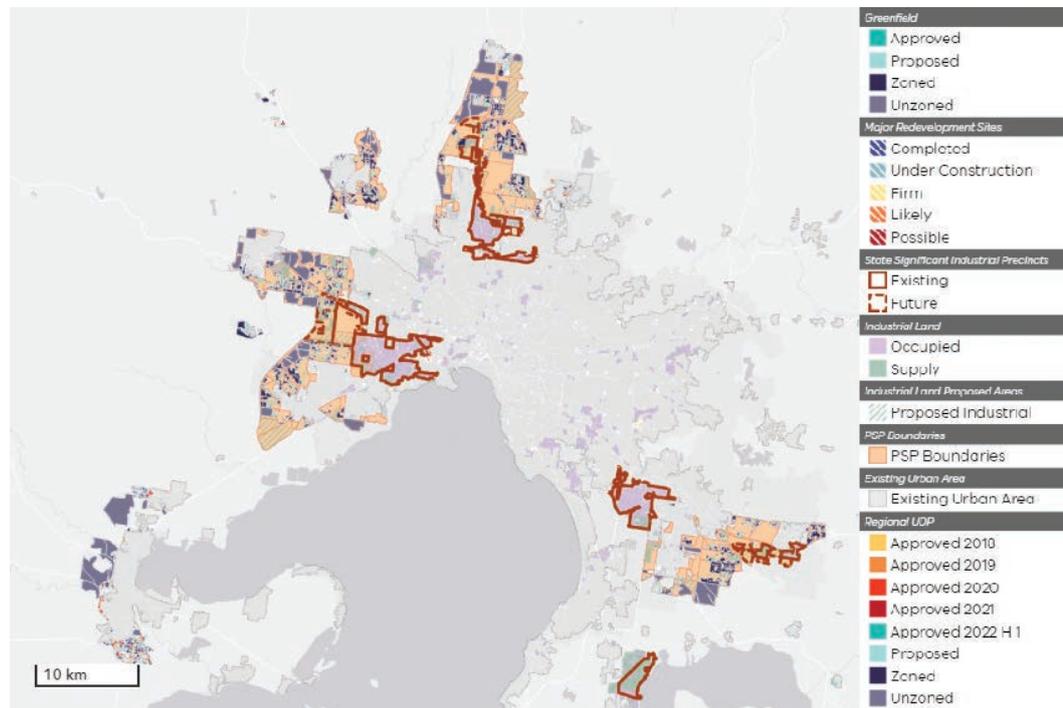
The Victorian Government’s Urban Development Program, linked to Plan Melbourne, provides updates on the:

- supply of greenfield residential land in Melbourne’s growth areas and key regional centres
- major redevelopment projects in established areas
- industrial land supply.

Figure 2.14 from a 2021 update by the Urban Development Program shows urban development projects across Melbourne, including their general status of completion. The data indicates substantial areas of peri-urban development across Melbourne, particularly in the west and north of the city.

<sup>18</sup> Ibid., p. 51.

**Figure 2.14 Urban development in Melbourne, Urban Development Program 2021**



Source: Victorian Government, *Urban Development Program 2021: Map of greenfield residential land and major residential redevelopment projects*, <<https://mapshare.vic.gov.au/udpmap/>> accessed 16 August 2023.

## 2.4 Dwellings

Total dwellings in Victoria expanded from just under 2 million to 2.4 million over the ten-year period from 2011 to 2021.<sup>19</sup>

As is to be expected, dwelling growth has occurred in areas where population growth has been greatest. The districts where the number of dwellings increased by above 50% between 2011 and 2021 were again mainly in the peripheral urban areas of Melbourne (Berwick, Cranbourne, Kalkallo, Laverton, Melbourne, Melton, Pakenham, Thomastown and Yan Yean) and Geelong (Point Cook, South Barwon). Melbourne district observed an increase of about 69% in the inner-urban area.<sup>20</sup>

### 2.4.1 Dwelling types

Most people in Victoria live in separate dwellings (houses), with the remainder in semi-detached townhouses and units followed by flats and apartments.<sup>21</sup>

<sup>19</sup> Caley Otter, et. al., *Housing in Victoria: a quick guide*.

<sup>20</sup> Ibid., p. 11.

<sup>21</sup> Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria*.

Over the previous 20 years, the proportion of the population living in separate dwellings has declined steadily, down from 78% in 2001 to 73.4% in 2021. In that time, the proportion of the population living in semi-detached dwellings has grown from 8.3% to 13.9% and in flat and apartments from 11.9% to 12.1%.

There is a clear divide between Greater Melbourne and the rest of Victoria. As one example, most private dwellings in Hepburn Shire are houses (94.5%) with 72.8% having three or more bedrooms (72.8%). This low-density built form means that fewer households can be accommodated compared with medium density or duplex housing. It also means there are few dwellings suitable and affordable for single person or small households.<sup>22</sup>

**Table 2.2 Dwelling structure in Melbourne, Victoria, Australia, 2021 census**

Occupied private dwellings <sup>a</sup>	Greater Melbourne (number)	Greater Melbourne (%)	Victoria (number)	Victoria (%)	Australia (number)	Australia (%)
Separate house	1,207,906	67.8	1,755,423	73.4	6,710,582	72.3
Semi-detached	288,524	16.2	332,251	13.9	1,168,860	12.6
Flat or apartment	277,512	15.6	289,120	12.1	1,319,095	14.2
Other dwelling	5,565	0.3	10,455	0.4	54,711	0.6

Note: Excludes visitor only and other non-classifiable households.

Source: Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria, 2022*, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

## Apartment building

While the number of people living in flats and apartments has only grown marginally, the building approvals and construction of apartments, especially high-rise apartment blocks, has been considerable. According to the Australian Housing and Urban Research Institute, 'Victoria, especially greater Melbourne, experienced an unprecedented level of new apartment supply over the last twenty years'. It is becoming an increasingly important contributor to new rental stock, with over half of all apartment stock being rented out in 2021 and apartments constituting 27% of all rental housing in Victoria.<sup>23</sup>

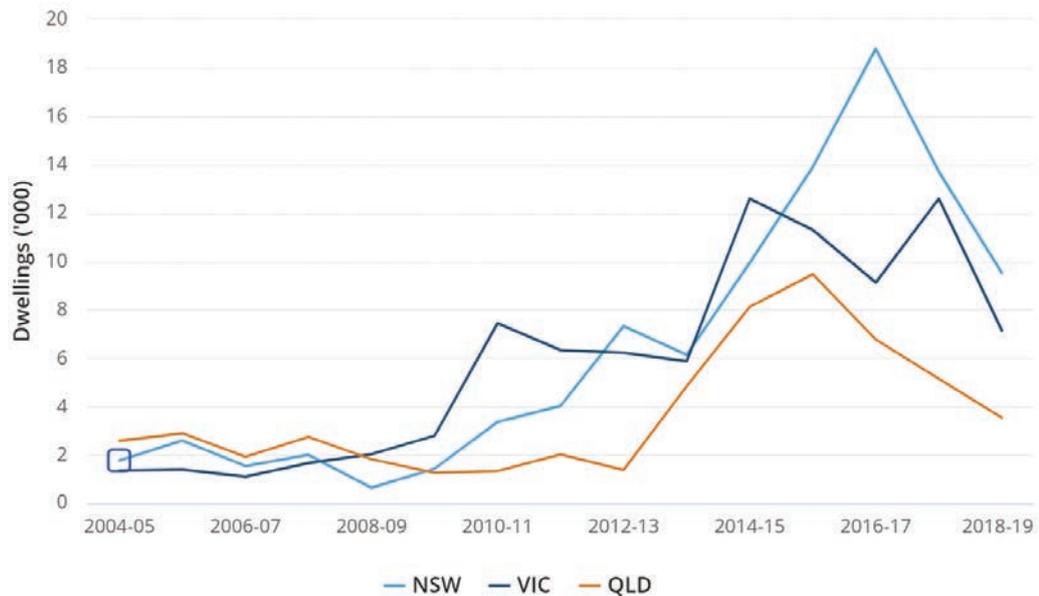
In *Plan Melbourne*, the Victorian Government provided an analysis of annual building approvals by selected types, which reflected an uptick in inner suburb high rise apartments over the preceding five years (see Figure 2.13, above).

<sup>22</sup> Hepburn Shire Council, *Submission 709*, p. 2.

<sup>23</sup> Australian Housing and Urban Research Institute (AHURI), *Submission 529*, p. 6.

In 2019, the Australian Bureau of Statistics compared new build rates for high rises in Victoria, New South Wales and Queensland (see Figure 2.15).

**Figure 2.15** Number of dwellings commenced in high and super high rise apartment buildings in NSW, Victoria and Queensland, 2004–2019



Source: Australian Bureau of Statistics, *Telling storeys - apartment building heights*, 15 April 2020, < <https://www.abs.gov.au/articles/telling-storeys-apartment-building-heights> > accessed 25 September 2023.

## 2.4.2 Unoccupied, underutilisation and misallocation of housing stock

Unoccupied properties (including spare bedrooms) are a complex aspect of housing provision in Victoria. On the one hand, low rental vacancy rates are often cited as a key cause of rising rental costs and affordability stress. On the other, estimates of vacant properties or unused bedrooms may reflect that housing shortages are not simply an issue of low supply but also reflect the underutilisation or misallocation of property stock. Both scenarios are considered in later Chapters of this Report.

In the 2021 census, 11% of Victorian homes were unoccupied. The unoccupied count is a very crude measure of underutilised property, as it includes properties being renovated, homes being sold as vacant possession, rentals awaiting tenants, people living temporarily away on census night, holiday homes, homes owned by people currently overseas – as well as homes being ‘land banked’.<sup>24</sup>

While noting the Census number and taking into account its limitations, VCOSS cited reports based on 2020 data that 69,000 homes were vacant across metropolitan Melbourne.<sup>25</sup>

<sup>24</sup> ‘Land banking’ for the purposes of this Inquiry refers to the practice of developers delaying development of land for greater capital growth.

<sup>25</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 10.

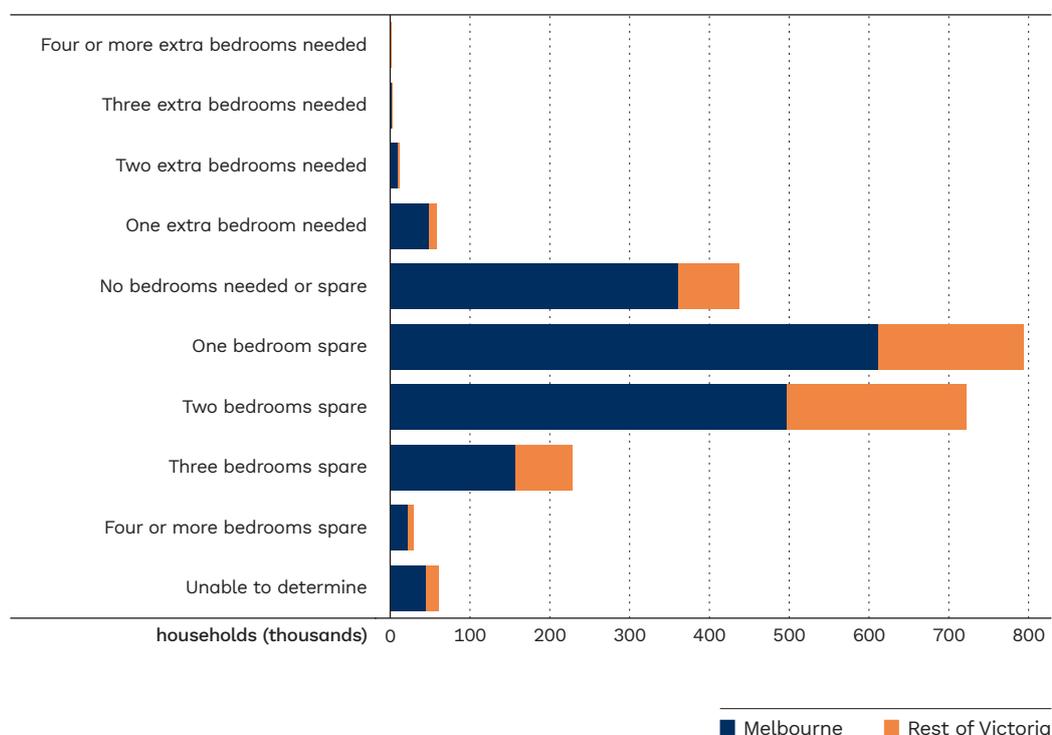
Table 2.3 Occupied versus unoccupied dwellings, Victoria, 2021 Census

Dwelling type	Occupied	Unoccupied	Unoccupied (%)
<b>Greater Melbourne</b>			
Separate house	1,250,313	89,097	6.7
Semi-detached	301,284	32,632	10.8
Flat or apartment	297,797	75,979	25.5
<b>Total</b>	<b>1,849,403</b>	<b>197,708</b>	<b>9.7</b>
<b>Rest of Victoria</b>			
Separate house	578,704	86,675	13.0
Semi-detached	47,677	8,617	18.1
Flat or apartment	13,166	3,150	23.9
<b>Total</b>	<b>639,547</b>	<b>98,439</b>	<b>13.3</b>

Source: Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria, 2022*, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

The Australian Bureau of Statistics also provides data on the number of empty bedrooms, which is another way of evaluating misallocated housing. Figure 2.16 below shows Census data from 2021 about the number of bedrooms a household reported it needed versus households which had spares.

Figure 2.16 Housing suitability, bedrooms needed and spare, Victoria, 2021



Source: Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria, 2022*, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

While concerns about misallocated housing stock pre-date COVID-19, the Committee received evidence that these trends had been exacerbated by the pandemic lockdowns. The Grattan Institute wrote:

The pandemic and the ensuing work-from-home revolution spurred a ‘race for space’. People wanted more space to themselves, either by taking an extra bedroom as a home office or by moving out of the family home or a share house. The result is that fewer people are living in each home, meaning we need more homes just to house the same number of people.<sup>26</sup>

Chapter 3 provides additional data on housing misallocation.

## 2.5 Tenure types

Since World War II, Victoria, as across Australia, saw relatively high rates of home ownership – around 70 per cent since the 1960s<sup>27</sup> – compared to other countries. This shaped social and cultural expectations about how housing should be provided. It is why declining rates of homeownership, especially among younger people, is prompting Victorians to ask if the State is facing a housing crisis that must be fixed or a fundamental transformation in the way housing is distributed and accessed that must be accepted.

According to the 2021 Census, most Victorians continue to live in homes they own either outright or with a mortgage (Figure 2.17).

**Figure 2.17 Housing status, 2021 Census**



Source: Australian Bureau of Statistics, *Census 2021: Snapshot of Victoria*, 2022, <<https://www.abs.gov.au/articles/snapshot-vic-2021>> accessed 15 August 2023.

These rates are broadly equivalent to Australian averages, with 31% of the country owning a house outright, 35% owning with a mortgage and 30.6% renting. However, one of the most discernible and commented upon characteristics of housing in Victoria, as across Australia – indeed, for some commentators a key feature of the housing ‘crisis’ – is the declining rate of homeownership over several decades. For example, in 1994–95, over 40% of Victorians owned a home outright.<sup>28</sup>

<sup>26</sup> Grattan Institute, *Submission 562*, p. 2.

<sup>27</sup> Parliament of Australia, *Declining home ownership rates in Australia*, prepared by Alicia Hall and Matthew Thomas, Commonwealth Parliamentary Library, 2019, <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/BriefingBook46p/HomeOwnership](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/HomeOwnership)> accessed 9 November 2023.

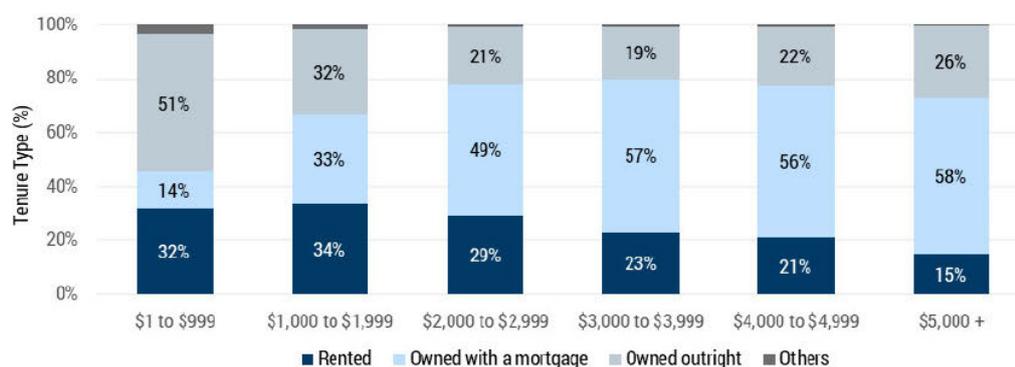
<sup>28</sup> See Figure 2.20.

Geographically, Victoria's tenure types hold true across many electoral districts. There are two major exceptions. First, a much larger proportion of mortgage holders reside in the peri-urban areas of Melbourne and Geelong. Second, those districts closer to the city centre (and to some degree in the western districts) have much more renters.<sup>29</sup> The concentrations of mortgage holders and renters (along with more significant numbers of younger adults or families with children below ten years of age) mean these areas are where higher levels of mortgage and rent 'stress' are also evident in the 2021 Census (see Chapter 3).<sup>30</sup>

### 2.5.1 Tenure by weekly household income

Income is a significant factor in determining tenure. Generally, higher incomes correlate with higher home ownership. However, Census data indicates that homeowners without a mortgage skew to the lower ends of the income distribution. This group is likely largely made up of retirees, who tend to have large asset wealth but limited income. Homeowners with a mortgage are more concentrated in the middle and top end of the income distribution.<sup>31</sup>

Figure 2.18 Tenure by weekly household income, 2021



Source: Parliamentary Budget Office, *Submission 947*.

Over the last decade, this distribution of tenure type by income has remained stable, however, there have been some changes. Renters have become more prominent in all income groups, except for those with income below \$1,000 a week, while homeowners without a mortgage are becoming less prominent among households which earn \$2,000 or more a week.<sup>32</sup>

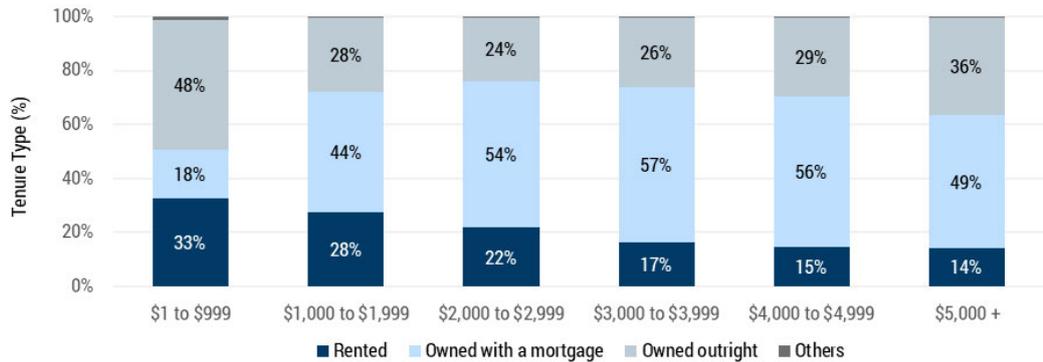
<sup>29</sup> Caley Otter, et. al., *Housing in Victoria: a quick guide*.

<sup>30</sup> Ibid., p. 12.

<sup>31</sup> Parliamentary Budget Office, *Submission 947*, p. 1.

<sup>32</sup> Ibid., p. 8.

Figure 2.19 Tenure by weekly household income, 2011



Source: Parliamentary Budget Office, *Submission 947*.

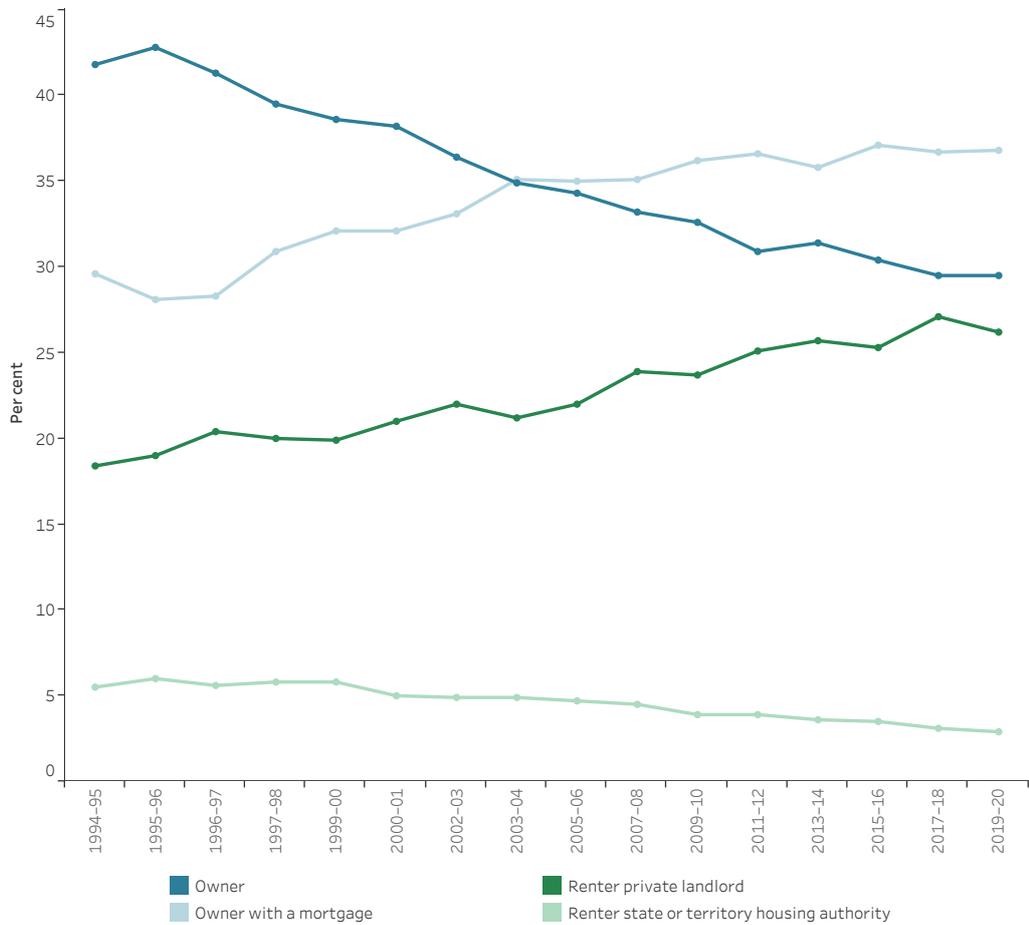
**FINDING 1:** In Victoria, most people live in home they own. However, the number of renters is growing in almost all income groups.

## 2.5.2 Home ownership

Two trends are especially notable in these declining home owning rates. First, the proportion of homes owned outright – as opposed to with a mortgage – has fallen steadily over several decades. Whereas close to 45% of homes were owned-outright in the mid-1990s, this rate had dropped to 35.9% in 2011 and further to 32.2% in 2021.<sup>33</sup>

<sup>33</sup> Australian Bureau of Statistics, *Census 2021*.

Figure 2.20 Proportion of households by housing tenure type, 1994–95 to 2019–20 (Australia)



Note: Values have been interpolated for non-survey years.

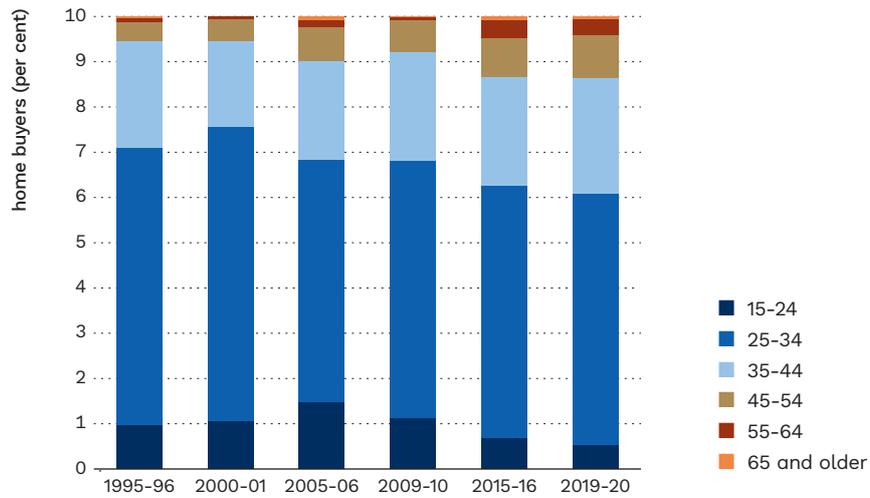
Source: Australian Institute of Health and Welfare, *Home ownership and housing tenure*, 2023, <<https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure#ownership>> accessed 25 August 2023.

The second trend is the significant decline of homeownership among younger households. In its submission to the Committee, the RACV reported that for Australians aged between 25 and 34, home ownership rates have decreased around 14% since the 1970s.<sup>34</sup>

Information for these trends is only available at a national level. The ABS’s periodic *Housing Occupancy and Costs* survey indicates a steady increase in the age of home buyers in Australia between 1995–96 and 2019–20 (the last time a survey was conducted). The proportion of recent home buyers aged 15–24 years declined from 9.6% to 5.3%, while the proportion aged 25–34 years declined from 61.4 to 56.1%.

<sup>34</sup> RACV, *Submission 921*, p. 4.

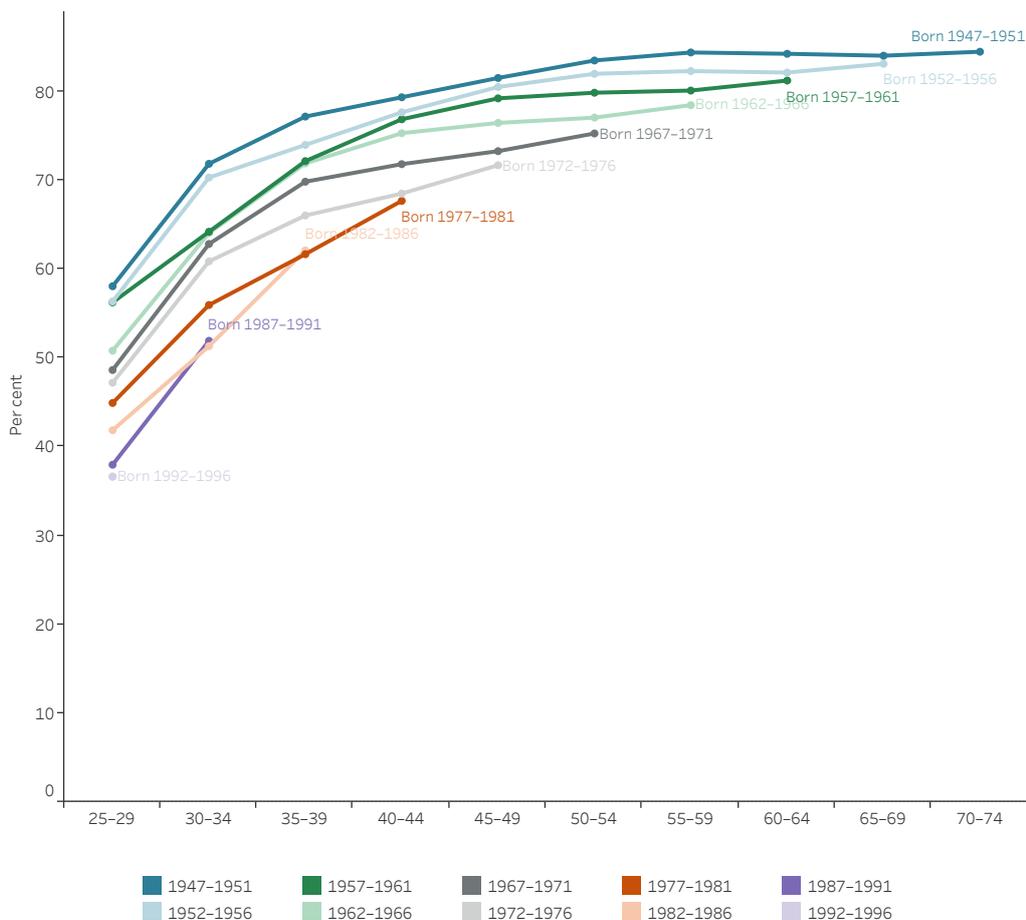
Figure 2.21 Percentage of home buyers by age, 1995–96 to 2019–20



Source: Caley Otter, Ben Reid and Caleb Triscari, *Housing in Victoria: a quick guide*, Victorian Parliamentary Library, paper No. 6, September 2023.

The Australian Institute of Health and Welfare has published data on home ownership among age groups by decade of birth. The data indicates people born more recently are buying houses later in life. Where between 50% and 60% of people born between 1947 and 1966 owned a house by the time they were 29 years old, that number has decreased to below 40% by for those born after 1987.

Figure 2.22 Home ownership by age group, Victoria



Source: Australian Institute of Health and Welfare, *Home ownership and housing tenure*, 2023, <<https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure#ownership>> accessed 28 August 2023.

Declining home ownership as a key indicator of the housing crisis in Victoria is discussed further in Chapter 3.

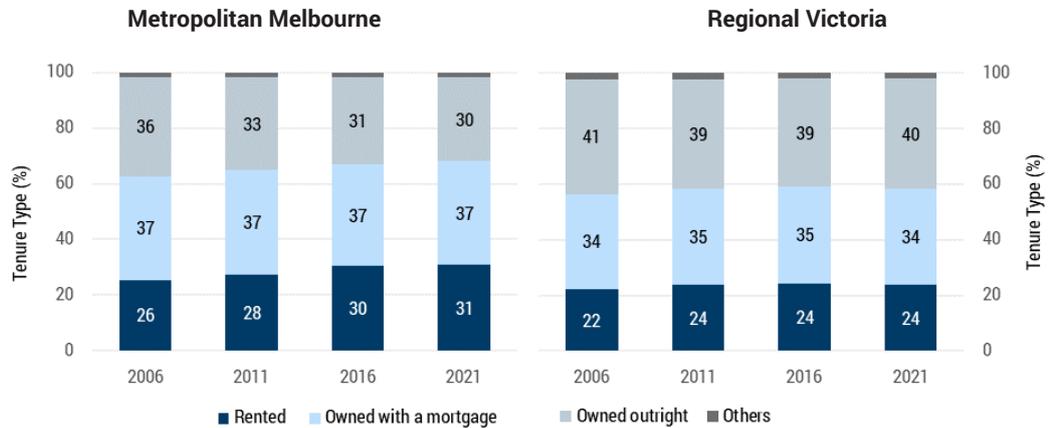
**FINDING 2:** In Australia, homeownership is declining, starting later in life and becoming concentrated in fewer hands.

### Regional differences

The trends in tenure type over the past 15 years vary significantly between metropolitan Melbourne and regional Victoria. Over this period, homeownership has remained proportionally higher in regional Victoria, with a consistently larger proportion of renters in metropolitan Melbourne. Homeowners with a mortgage make up a slightly larger share of metropolitan Melbourne households than regional Victorian households. The overall higher rate of home ownership in regional Victoria is accompanied by substantially higher rates of home ownership without a mortgage. Home ownership rates have been broadly steady in regional Victoria, while they have fallen significantly in metropolitan Melbourne.

Homeownership fell from 73% to 67.4% in Melbourne between 2006 and 2021, with renting households increasing from 25.5% to 30.9%. In regional Victoria, homeownership remained much stronger over this period, only falling from 75.4% to 74.1%, with renting increasing from 22.2% to 23.8%.<sup>35</sup>

**Figure 2.23 Tenure type, Metropolitan vs Regional Victoria**



Source: Parliamentary Budget Office, *Submission 947*, p. 9.

### Do people still want to own a home?

The Committee heard conflicting evidence as to whether homeownership remains an ambition for renters.

A large number of written submissions and public hearing evidence from renters indicated homeownership remains a strong ambition but feels increasingly unobtainable. The Housing Industry Association also provided results from research it recently commissioned, finding that 85% of renting households aspire to own their own homes, yet only 42% feel they will achieve it. It also noted that renting remains an important option for some people, such as for temporary workers.<sup>36</sup>

In its submission, the Municipal Association of Victoria provided results from a 2018 survey conducted by Bankwest that found across all age groups, over half rented because they were 'forced' to (see Table 2.4). According to this survey, people's desire to own a home increases with age.

<sup>35</sup> Parliamentary Budget Office, *Submission 947*, p. 9.

<sup>36</sup> Housing Industry Association, *Submission 487*, p. 14.

**Table 2.4 Reasons for renting: survey by 2018 Bankwest Curtin Economics Centre**

Reason to rent	18-24	25-34	35-44	45-54	55-64	65+
I can't afford to buy anything appropriate	20%	19%	22%	23%	26%	29%
I have no other option	16%	14%	19%	26%	34%	43%
I want to own but I don't have enough for a deposit	19%	25%	24%	20%	17%	8%
<b>Forced to rent</b>	<b>55%</b>	<b>58%</b>	<b>65%</b>	<b>69%</b>	<b>77%</b>	<b>80%</b>
I prefer renting at the moment	24%	21%	19%	18%	15%	14%
I want to retain the flexibility to move quickly	9%	11%	8%	7%	4%	3%
I can afford to buy but I am not ready to do so yet	12%	10%	9%	7%	4%	3%
<b>Choose to rent</b>	<b>45%</b>	<b>42%</b>	<b>36%</b>	<b>32%</b>	<b>23%</b>	<b>20%</b>

Source: Municipal Association of Victoria, *Submission 938*, p. 12.

As renter Erin Buckley told the Committee: 'I believe that yes, most people I know want to own a house. They would rather have the responsibility of taking care of their own repairs'.<sup>37</sup>

However, other renters stated a preference to continue renting.<sup>38</sup>

### Why have home ownership rates been declining?

Making sense of declining rates of homeownership has been one of the most scrutinised and contested features of housing provision in Victoria (and Australia) for some time. As an indicator of an ongoing crisis, these declining rates are discussed in Chapter 3 while rival explanations for declining rates are examined in Chapter 4. Prefiguring these later discussions, some notable reasons include:

- rising house prices relative to incomes
- rising mortgage costs driven by interest rates rises
- the time taken to save for a deposit and the cost of stamp duty
- intergenerational wealth transfers
- increasing competition for housing stock from investors incentivised by favourable tax conditions.

**FINDING 3:** Evidence to the Committee suggests home ownership remains an aspiration for most Victorians. However, many are increasingly questioning whether that aspiration is achievable or even desirable.

<sup>37</sup> Erin Buckley, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 43.

<sup>38</sup> For example: Alison Cooke, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 18.

### 2.5.3 Private rental market

There are two types of rental provision in Victoria: social housing from government or community organisation providers; and the private rental market where dwellings are supplied by private landlords or institutional investors. Overwhelmingly, most Victorians who rent are in properties owned by small investors. In 2021, just over 90% of Victorian tenants rented from private rental providers, compared to approximately 80% a decade earlier – reflective of the decline in social housing (see Section 2.5.4).<sup>39</sup>

An overview of renting in Victoria is provided in Chapter 3. Renters' experience and the role of regulations in monitoring the market are discussed in Chapter 5 and 6.

#### 'A cottage industry'? Rental providers in Victoria

According to taxation data, in 2020–21 more than 550,000 individual Victorian taxpayers reported at least a partial ownership of a rental property with 72% declaring a financial interest in only one property – down from 77% in 1999–2000. (Across Australia, 71% of landlords have an interest in one property). By contrast, only 1% of Victorian landlords reported an interest in six or more properties.

The proportion of taxpayers that at least partially own two or more properties has increased from 23% in 1999–00 to 28% in 2020–21. According to the Parliamentary Budget Office, 'this suggests that there may be greater concentration of rental property ownership'.

**Figure 2.24 Individual Victorian taxpayers with investment in rental properties**



Source: Parliamentary Budget Office, *Submission 947*.

Stakeholders in this inquiry have variously described rental provision in Victoria as 'small-scale' and 'non-professional', a 'cottage industry' comprising 'hobby landlords' or 'mum and dad investors'.<sup>40</sup>

<sup>39</sup> Caley Otter, et. al., *Housing in Victoria: a quick guide*.

<sup>40</sup> See: Centre for Equitable Housing, *Submission 925*; Australian Housing and Urban Research Institute (AHURI), *Submission 529*; Property Council of Australia, *Submission 545*.

This characterisation came under some scrutiny while this Inquiry was taking place. Writing in *The Guardian*, property expert Peter Mares noted that current figures suggest that over half of all rental dwellings in Australia are owned by investors with multiple properties.<sup>41</sup> The Centre for Equitable Housing noted that ‘just under half of all rental properties are owned by a landlord with a single investment property’.<sup>42</sup>

**FINDING 4:** Although the number of investors with an interest in multiple properties is relatively small, the number of properties they own is relatively large.

### Turnover and short leases: characteristics of Victoria’s ‘cottage’ rental industry

Per Capita told the Committee that Victoria’s and Australia’s reliance on small-scale rental providers makes the rental market more ‘liable to sudden price increases and more unpredictable in other ways’. A key aspect of the unpredictability is a high level of turnover within the rental market. Per Capita reports that 21% of property investors exit the market within the first year and 59% exit within five years. According to Per Capita, this frequent cycle of buying and selling causes a high turnover of dwellings in and out of the rental market. The result is ‘extremely short tenures and contract lengths’.<sup>43</sup>

Chapter 3 provides data on the duration of tenures in Victoria. This data showed that as of June 2023 the median duration of a lease agreement in metropolitan Melbourne was 20 months compared to 22 months in regional Victoria (an increase from 19 months and 21 months compared to June 2022 data).<sup>44</sup>

Per Capita also provided evidence that short tenures tend to ‘reset’ rental rates to the market maximum – that is, rents increase rapidly between leases – while in-tenancy rent increases tend to grow at a slower rate.

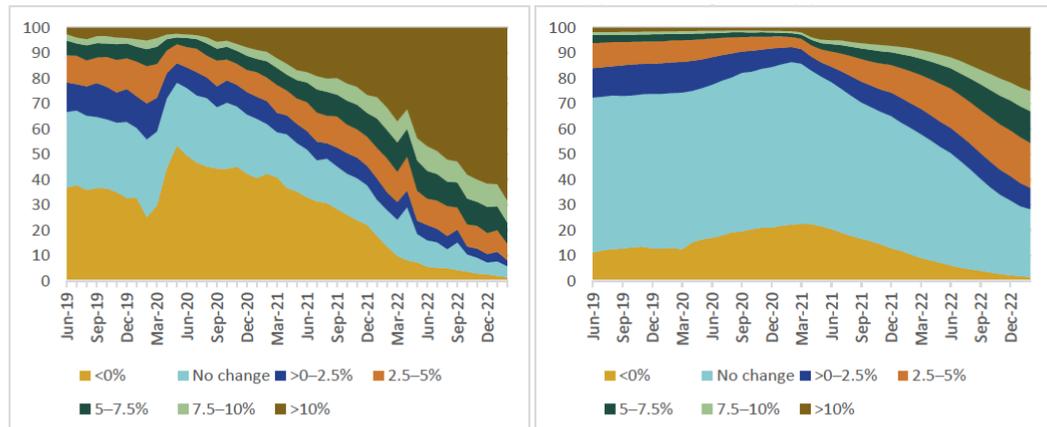
41 Peter Mares, ‘Australia needs to end the mythology of ‘mum and dad’ property investors. Landlords are not a cottage industry.’, *The Guardian*, 15 September 2023, <<https://www.theguardian.com/australia-news/commentisfree/2023/sep/15/australia-myth-mum-and-dad-landlords-property-investors>> accessed 18 October 2023.

42 Centre for Equitable Housing, *Submission 925*, p. 19.

43 Ibid.

44 Victorian Government, *Rental report: June quarter 2023*, report prepared by Homes Victoria, 2023, p. 15.

**Figure 2.25** Size of rent increases for new tenants (left) and existing tenants (right)



Source: Centre for Equitable Housing, *Submission 925*.

The Centre for Equitable Housing described these short leases as a ‘unusual’ element of the Australian housing market:

In countries with a higher share of institutional landlords and/or stronger rental market regulation, renters tend to enjoy a longer tenure. In Germany, the average rental tenure is 11 years. While Germany is an obvious outlier, it is worth noting that even in the weakly regulated US housing market, 30% of rental contracts are for two years or more.<sup>45</sup>

More generally, the Australian Housing and Urban Research Institute described the Victorian (and Australia) private rental sector as distinct from overseas markets in several key respects:

- an ownership structure which is dominated by small investors
- a high degree of integration with the owner occupation sector (i.e. properties regularly switch between the ownership and rental sectors)
- a high usage of real estate agents and property agents and a growth in other intermediaries
- weak laws in relation to security of tenure and rent regulation.<sup>46</sup>

### Institutional investors and build-to-rent

The Australian Housing and Urban Research Institute suggested that the small-scale nature of rental provision in Australia has a negative impact on investment and supply of new stock:

Because rental housing in Australia is a cottage industry comprised mostly of small-scale investors, market signals are weak. Supply responses are sluggish as it is difficult to

<sup>45</sup> Centre for Equitable Housing, *Submission 925*, p. 20.

<sup>46</sup> Australian Housing and Urban Research Institute (AHURI), *Submission 529*, p. 4.

coordinate new supply across a multiplicity of suppliers who are themselves often financially constrained. AHURI research shows that, relative to other countries, supply is relatively inelastic to price increases in Australia. This situation can be contrasted with other countries which have large-scale, long-term investors for dedicated rental housing (e.g. Austria), larger social housing sectors (e.g. UK) and laws that provide greater rights and protections for renters and those who are homeless (e.g. Finland).<sup>47</sup>

An alternative form of rental provision to individual landlords is the build-to-rent sector. This sector is funded by large-scale institutional investors who are interested in long-term profits as opposed to the short-term gains more commonly sought after in Australia by small investors.

The build-to-rent sector has historically not been a strong feature of Victorian, or national, construction or rental markets. According to Greystar International, a global build-to-rent developer, institutional build-to-rent stock across Australia currently stands at 5,475 completed apartments with 8,400 apartments under construction, and a further 26,350 apartments in the future pipeline, including pre-application. Greystar reports that Melbourne accounts for 53% of all build-to-rent apartment projects either operational or in planning across Australia.<sup>48</sup>

The Victorian Government recently introduced a 50% land tax discount for eligible built-to-rent projects. This is discussed further in Chapter 7.

### Real estate industry and rental provision

As an adjunct to small-scale landlords, real estate agents and property managers continue to grow as a key feature in managing rental properties in Victoria. Between 2016 and 2021, there was a 21% increase in private rentals provided by real estate agents.<sup>49</sup>

Renters in metropolitan Melbourne are more likely to rent properties through real estate agents than in regional Victoria. Other private owners, which includes rental providers who do not hire real estate agents to manage their rental property, relatives and residential park owners, are the second most prevalent landlords in Victoria.<sup>50</sup>

**Table 2.5 Administration of property by type, 2021**

Region	Real estate agent	Housing authority/ community housing	Other private owner	Employer
Metropolitan Melbourne	76%	6%	16%	2%
Regional Victoria	60%	11%	24%	5%

Source: Parliamentary Budget Office, *Submission 947*, p. 10.

<sup>47</sup> Ibid.

<sup>48</sup> Greystar Australia, *Submission 479*, p. 12.

<sup>49</sup> Australian Housing and Urban Research Institute (AHURI), *Submission 529*, p. 6.

<sup>50</sup> Parliamentary Budget Office, *Submission 947*, p. 10.

According to the Real Estate Institute of Victoria, real estate businesses employ more than 15,000 people in Victoria in a market that handles around \$76 billion in transactions annually, totalling 20% of Gross State Product.<sup>51</sup>

The role of the real estate industry in the rental market is also discussed in Chapter 6.

#### 2.5.4 Social housing

In addition to homeowning and private rental, a third – although increasingly diminishing – form of housing provision in Victoria is social housing. Social housing is rental housing funded or partly funded by government. It comprises two streams:

- public housing: housing which is government-owned and operated
- community housing: long-term rentals managed by not-for-profit organisations.

Social housing can also refer to state-owned and community-owned Indigenous housing.

Social housing allocations are made from the shared, single social housing waiting list, the Victorian Housing Register. In a response to questions from the Committee, Homes Victoria said that the 51,455 new applications at 30 September 2023 represented 93,602 people.<sup>52</sup> An additional 10,000 people in social housing are waiting to be transferred to a more suitable property.<sup>53</sup>

At the time of writing, more than 50% of applications on the Victorian Housing Register were in a priority category. This means they are either experiencing homelessness, at risk of homelessness, or urgently need to move to access safer, more appropriate housing for their needs. This includes people who currently live in a social housing home which cannot be modified to meet their health needs.<sup>54</sup>

Commonwealth funding for social housing is provided to State and Territory Governments through the National Housing and Homeless Agreement, with States and Territories responsible for delivering the services. Dwellings are constructed under several models, but increasing in partnerships between investors, developers and community housing groups, often using leased government land. These models, including those in the *Housing Statement*, are discussed in Chapter 7.

The rent model applied across social housing means that rents are capped at a percentage of the tenants' income or market rate.

<sup>51</sup> Real Estate Institute of Victoria, *Submission 646*.

<sup>52</sup> Homes Victoria, correspondence, 9 October 2023, p. 2.

<sup>53</sup> Community Housing Industry Association Victoria, *Submission 922*, pp. 2–3.

<sup>54</sup> Victorian Public Tenants Association, *Submission 499*, p. 8.

Table 2.6 Housing terms in Victoria

<b>Public</b>	State government run 25% of your income (includes Centrelink payments but not Commonwealth Rent Assistance) <sup>a</sup>
<b>Community</b>	Run by housing organisations About 25–30% of combined household gross income and for Centrelink payment recipients this could also include Commonwealth Rent Assistance <sup>b</sup>
<b>Affordable</b>	Run by housing organisations or private agents As defined by the developer but can be based on household income or set at below market rate (e.g. 75–80%) <sup>c</sup>
<b>Market</b>	Private agents Prices set by the market

- a. Victorian Public Tenants Association, *What is public housing?*, <<https://vpta.org.au/what-is-public-housing>> accessed 9 November 2023.
- b. Victorian Government, *Community housing, 2022*, <<https://www.housing.vic.gov.au/community-housing>> accessed 9 November 2023.
- c. Australian Housing and Urban Research Institute, *What is the difference between social housing and affordable housing – and why do they matter?*, 2023, <<https://www.ahuri.edu.au/analysis/brief/what-difference-between-social-housing-and-affordable-housing-and-why-do-they-matter>> accessed 9 November 2023; Australian Council of Social Service, *States’ housing step-up no substitute for federal action*, 2021, <[https://www.acoss.org.au/media\\_release/states-housing-step-up-no-substitute-for-federal-action/](https://www.acoss.org.au/media_release/states-housing-step-up-no-substitute-for-federal-action/)> accessed 9 November 2023.

## Public housing

According to the Australian Institute of Health and Welfare, in 2022 Victoria’s social housing stock comprised:

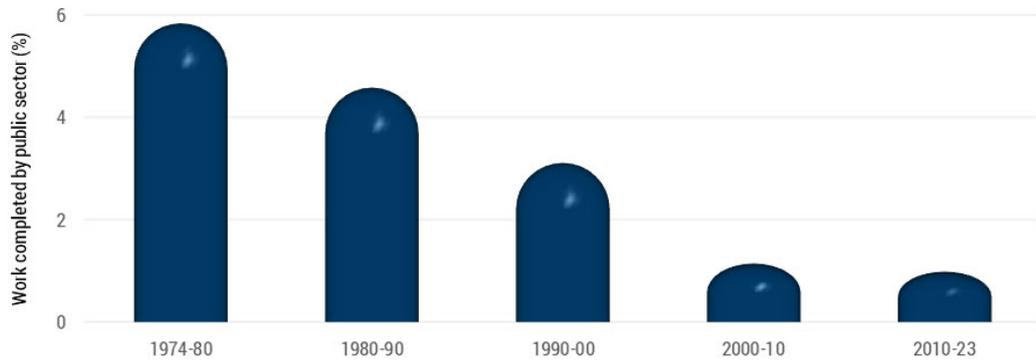
- 63,987 public housing dwellings, or 78% of all social housing stock
- 16,159 community housing dwellings, or 19.7%
- 1,864 Indigenous community housing dwellings, or 2.3%.

Census analysis conducted by the Australian Housing and Urban Research Institute shows that Victoria’s social housing stock decreased by 3.2% between 2011 and 2016, and a further 1.3% between 2016 and 2021.<sup>55</sup> While community housing has grown steadily, it has not nearly been enough to offset the decline in public housing.

Figure 2.26 below shows the public housing work completed as a percentage of overall housing stock from 1974–80 to 2010–23.

55 Australian Housing and Urban Research Institute (AHURI), *2021 Census reveals fewer social housing households across Australia*, 2022, <<https://www.ahuri.edu.au/analysis/brief/2021-census-reveals-fewer-social-housing-households-across-australia>> accessed 9 November 2023.

**Figure 2.26 Work completed by public sector as percentage of overall new housing stock, 1974–80 to 2010–23**



Source: Parliamentary Budget Office, *Submission 947*.

Despite its long-term decline, public housing provision has been a longstanding feature of housing in Victoria. The Australian Institute of Architects listed the personal and social benefits public housing has provided Victoria:

The Housing Commission provided many with more than just a home of their own. It provided financial and social security. It meant tenants could not be thrown out at a moment's notice or subject to unaffordable rent hikes. This stability afforded them the ability to concentrate on raising children in a stable environment, it allowed them to be able to budget for other necessities in life. It allowed many the comfort to study and improve their own financial security. Secure and affordable housing provides massive psychological benefits, just as insecurity of housing has strong negative impacts.<sup>56</sup>

As a proportion of overall housing stock, Victoria has the lowest ratio of social housing stock in Australia at less than 3%. When the Victorian Government's Big Housing Build ends, social housing will make up around 3.5% of housing stock. This figure will still lag behind the national average of 4.1% and further still behind the OECD average of around 6%.<sup>57</sup> As a comparison, countries which have prioritised social housing investment include the Netherlands (29.1%), Denmark (21%) and England (17%).<sup>58</sup>

**Table 2.7 Social housing as a share of all housing stock, by State and Territory**

State/Territory	NT	ACT	SA	Tas	NSW	Australia	WA	QLD	VIC
<b>Social housing as proportion of total stock (%)</b>	14.6	6.3	6.1	6.1	4.7	4.1	3.9	3.5	2.9

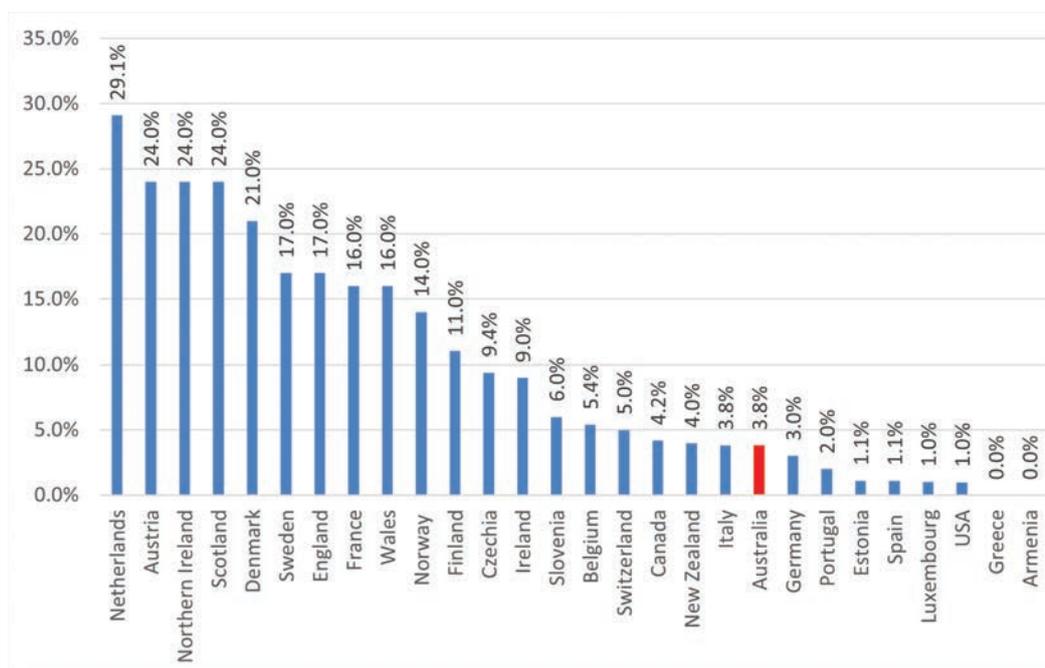
Source: Council to Homeless Persons, *Submission 934*.

<sup>56</sup> Australian Institute of Architects, *Submission 931*, p. 6.

<sup>57</sup> Katrina Raynor, 'Victoria's \$5.4bn Big Housing Build: it is big, but the social housing challenge is even bigger', *The Conversation*, 18 November 2020, <<https://theconversation.com/victorias-5-4bn-big-housing-build-it-is-big-but-the-social-housing-challenge-is-even-bigger-150161>> accessed 9 November 2023.

<sup>58</sup> Community Housing Industry Association Victoria, *Submission 922*, p. 3.

**Figure 2.27 Ranking highest to lowest % of social housing in the European Union (plus three others), Australia, New Zealand, Canada and United States (2016–2020)**



Source: Australian Housing and Urban Research Institute (AHURI), *What is the right level of social housing for Australia?*, 2022, <[https://www.ahuri.edu.au/analysis/brief/what-right-level-social-housing-australia#:~:text=In%20the%2040%20years%20between,\(from%202021%20ABS%20Census\)>](https://www.ahuri.edu.au/analysis/brief/what-right-level-social-housing-australia#:~:text=In%20the%2040%20years%20between,(from%202021%20ABS%20Census)>) accessed 9 November 2023.

Per Capita notes that at the national level, social housing has been in decline since the 1980s, and in severe decline from the early 2000s onwards. Between 2002–03 and 2019–20, the proportion of renters in social housing halved from 18% to 9%.<sup>59</sup>

The severe decline in social housing as against the significant increase in people either eligible for or seeking social housing is a key indicator of the housing crisis experienced in Victoria.

## Community housing

Community housing organisations are mission-driven not-for-profits that support renters with safe, secure and affordable homes. Victoria's community housing sector is regulated by the Housing Registrar, which is responsible for setting performance standards and monitoring and publicly reporting on those measures.

There are presently 44 community housing organisations in Victoria managing 22,000 tenancies (dwellings). This includes 7,000 properties that are owned by Homes Victoria and managed as community housing.<sup>60</sup>

<sup>59</sup> Centre for Equitable Housing, *Submission 925*, p. 13.

<sup>60</sup> Community Housing Industry Association Victoria, *Submission 922*, p. 2.

Community housing has grown since the early 2000s, beginning with a 2003 Victorian Government policy, *Strategy for Growth in Housing for Low Income Victorians*. This saw amendments to the *Housing Act 1983* to register and regulate housing associations to help grow social housing.

## 2.6 Financing and construction

Financing and construction are closely related but distinct variables in determining the supply of housing.

### 2.6.1 Mortgage products and housing costs in Australia

The structure of the Australian housing market is closely interwoven with the nature of the mortgage market. Per Capita told the Committee that ‘unlike most comparable countries, the vast majority of mortgages are variable rate rather than fixed rate products’. Accordingly, month-to-month costs for mortgage servicing rise and fall in line with Reserve Bank base rate increases.

The predominance of variable mortgages differs from a country like the United States of America, where mortgage holders commonly have a fixed rate thirty-year mortgage. These loans are often subsidised by the United States Federal Government, which buys loans in the ‘secondary market’ from other banks, allowing it to set social objectives in the mortgage market. During the COVID-19 pandemic, the United States also used these mechanisms to protect vulnerable mortgage holders, by instituting a moratorium on foreclosures and evictions.

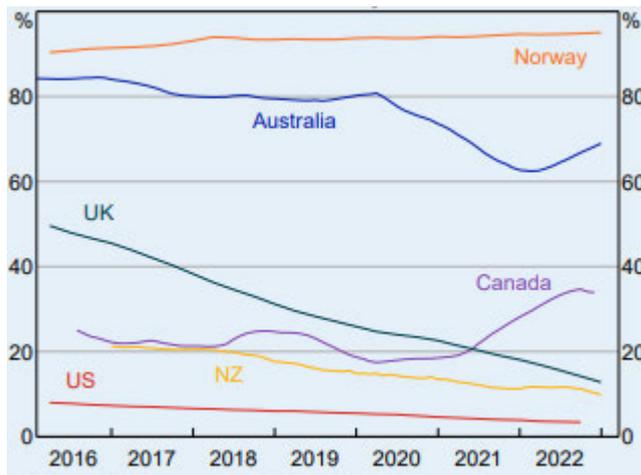
With reference to Figure 2.30, the Centre for Equitable Housing explained how this translates into a ‘structural weakness in our current mortgage market’, noting that even though:

as of February 2023, Australia had fewer rate increases than many comparable countries however, because of the high passthrough rate caused by such a high share of variable mortgages, the effect on residential mortgages has been very high. In the US, the 450 basis point increase from central bank led to barely any increase in average mortgage costs because so many mortgage holders were protected by fixed rates. The UK’s 390 basis point increase led to just a 50 point increase for mortgage holders but in Australia, a 320 basis point increase led to around 190 basis points being added to mortgage holders’ monthly bills.<sup>61</sup>

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<sup>61</sup> Ibid., p. 21.

Figure 2.28 Variable mortgages as a share of all outstanding mortgages

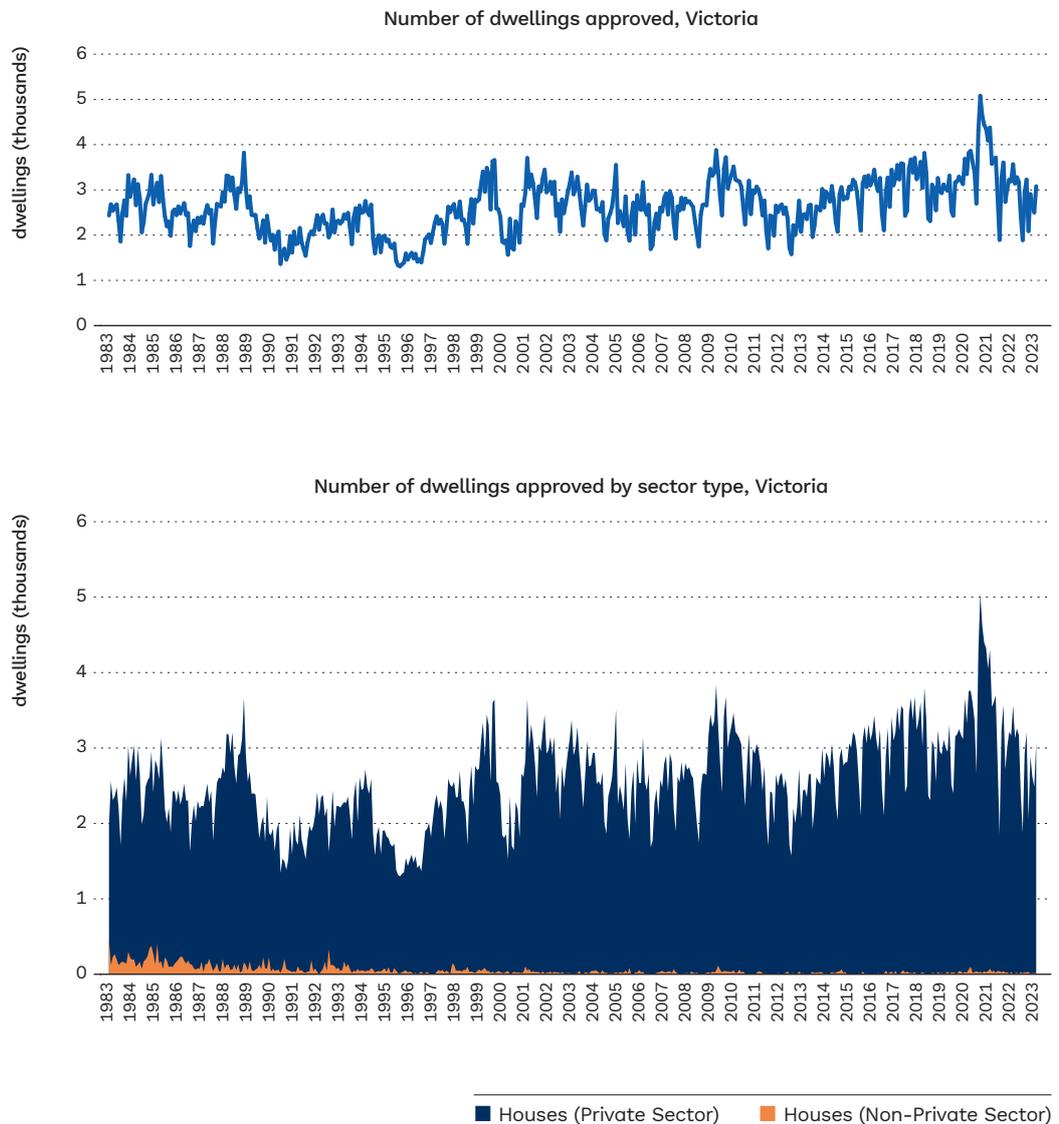


Source: Centre for Equitable Housing, *Submission 925*.

### 2.6.2 Construction rates

The Australian Bureau of Statistics provides monthly data on building approvals in Australia, including for new homes. Figure 2.29 below shows the number of building approvals for homes in Victoria from June 1983 to August 2023 and then further breaks this down by private versus all sectors. The data clearly shows the vast majority of homes approved are for private sector building, with the public sector accounting for an increasingly smaller number.

Figure 2.29 Number of homes approved, Victoria, June 1983 to August 2023



Source: Australian Bureau of Statistics, *Building Approvals: Australia*, October 2023, <<https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release>> accessed 18 October 2023.

In its submission, the Australian Housing and Urban Research Institute discussed approvals for residential builds noting that:

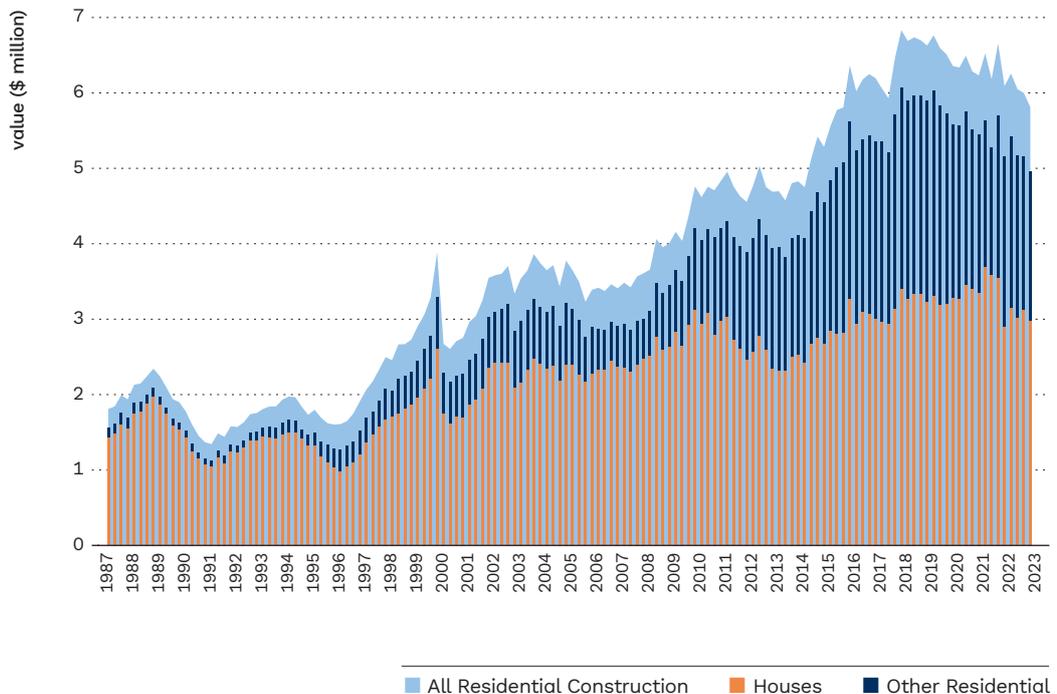
- there has been a very recent decline in future anticipated supply, particularly in investment in non-house dwellings (e.g. apartments)
- the decline in rental housing units is linked to the reduced capacity of households to accommodate additional financial debt, which is linked to higher interest rates.<sup>62</sup>

<sup>62</sup> Australian Housing and Urban Research Institute, *Submission 529*, p. 9.

Examining actual construction rates shows that there has been a recent increase in the number of homes built in Victoria. From 2010 to 2013, there were approximately 30,000 properties built per year, increasing to 65,000 per year on average from 2017 to 2021. More recent data suggests that the number of new dwellings relative to population growth has returned to pre-COVID levels. The number of new properties as a proportion of the increase in population grew from around 0.4 in 2016 to just under 0.6 in 2019. In 2020 and 2021, Victoria's population declined, yet over 60,000 new properties were built in each year.

The Australian Bureau of Statistics has published data on the value of construction in Victoria, including for residential projects. Figure 2.30 below shows the value of residential projects in Victoria from September 1987 to June 2023. It compares the value of house and other residential builds against all residential builds (which can also include alterations and conversions to existing residential dwellings).

**Figure 2.30 Value of residential construction work done, Victoria, September 1987 to June 2023**



Source: Australian Bureau of Statistics, *Construction Work Done: Australia*, August 2023, <<https://www.abs.gov.au/statistics/industry/building-and-construction/construction-work-done-australia-preliminary/latest-release>> accessed 18 October 2023.

The Bureau's data shows house builds account for most of the value of total residential builds. Further, since 2020 there has been a small decline in the value of residential builds.<sup>63</sup>

<sup>63</sup> Australian Bureau of Statistics, *Construction Work Done: Australia*, August 2023, <<https://www.abs.gov.au/statistics/industry/building-and-construction/construction-work-done-australia-preliminary/latest-release>> accessed 18 October 2023.

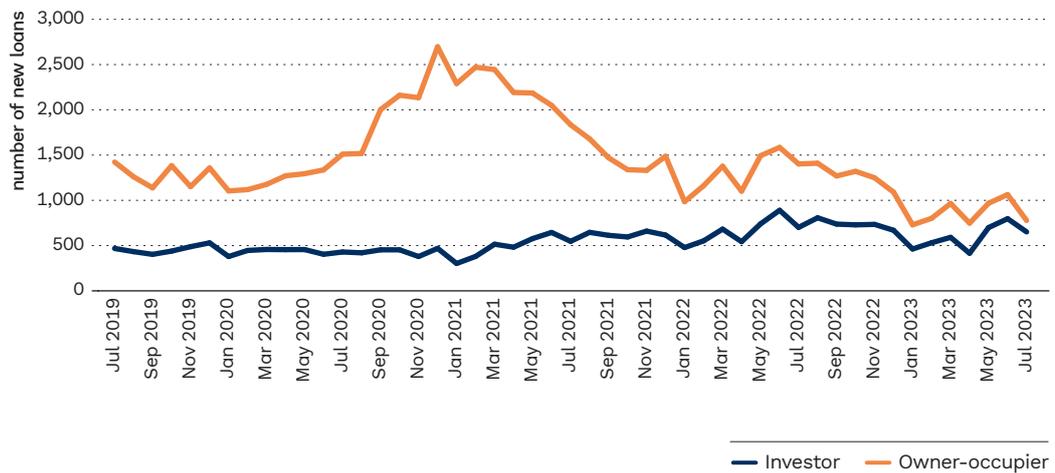
### 2.6.3 Existing or new builds: who buys what?

Data shows that home purchasers, whether they are owner-occupiers or investors, buy predominantly existing dwellings. Further, regardless of dwelling type, owner-occupiers are more active than investors. Data is only available at a national level.

In Australia, between 2008–09 to 2018–19 owner-occupiers accounted for 57.7% of the value of dwelling commitments. In recent years, the number of loans to purchase newly built properties taken out by owner-occupiers has been around two to three times the number of loans taken out by investors. This indicates that, on average, only around a quarter to a third of all new properties are increasing rental supply.<sup>64</sup>

Figure 2.31 below shows the number of new loans for residential builds from July 2019 to July 2023, comparing investors and owner-occupiers.

**Figure 2.31 Total number of new loans to owner-occupiers vs investors for new builds, Australia**



Source: Australian Bureau of Statistics, Lending Indicators, Table 6 and Table 16, <<https://www.abs.gov.au/statistics/economy/finance/lending-indicators/jul-2023>> accessed 15 September 2023

Purchase of new rather than existing housing is most likely occurring among established investors with more than one property. As a 2020 Annual Investor Sentiment Survey conducted by the Property Investors Council of Australia, 94% of first time property investors said they purchased an existing home.<sup>65</sup>

Chapter 3 provides additional data on purchases by owner-occupiers and investors.

**FINDING 5:** The vast majority of properties bought by investors are existing housing stock.

<sup>64</sup> Parliamentary Budget Office, *Submission 947*, p. 22.

<sup>65</sup> Property Investment Professionals of Australia, *Submission 655, Attachment 1*.

## 2.7 Housing marginalised cohorts

Marginalised or vulnerable cohorts often require specialised support to meet their housing needs. Navigating the housing system is more challenging if there are other intersecting factors which create, or reinforce, barriers. These barriers can exist across the housing process, from meeting the application and cost requirements to secure a private rental property, including employment and income history or providing of references, to being able to meet rent increases.

These marginalised cohorts often experience much higher rates of insecure housing or homelessness compared to the general population. The following Sections examine the housing experiences for some of Victorian's more vulnerable communities.

### 2.7.1 Indigenous housing

Aboriginal Community Controlled Organisations operate 1,562 social housing properties. This includes 1,448 properties recently transferred from the Victorian Government to Aboriginal community control.<sup>66</sup>

While around 28.5% of Victorians live in a rented dwelling, among Aboriginal and Torres Strait Islander Victorians it is much higher at 51.3%. Where 1 in 64 Victorians in the last year experienced homelessness, the rate among Aboriginal and Torres Strait Islanders was 1 in 6.<sup>67</sup>

The Victorian Aboriginal Child Care Agency explained that rates of homelessness among Aboriginal Victorians underrepresent reality. It states these figures do not include people 'staying with kin, transient or those who are sleeping rough but have not accessed homelessness support services'. The Agency estimated that in 2016 approximately 17% of Aboriginal people were not counted on Census night, contending this highlighted the 'challenges with adequately estimating' homelessness among the Aboriginal and Torres Strait Islander community.<sup>68</sup>

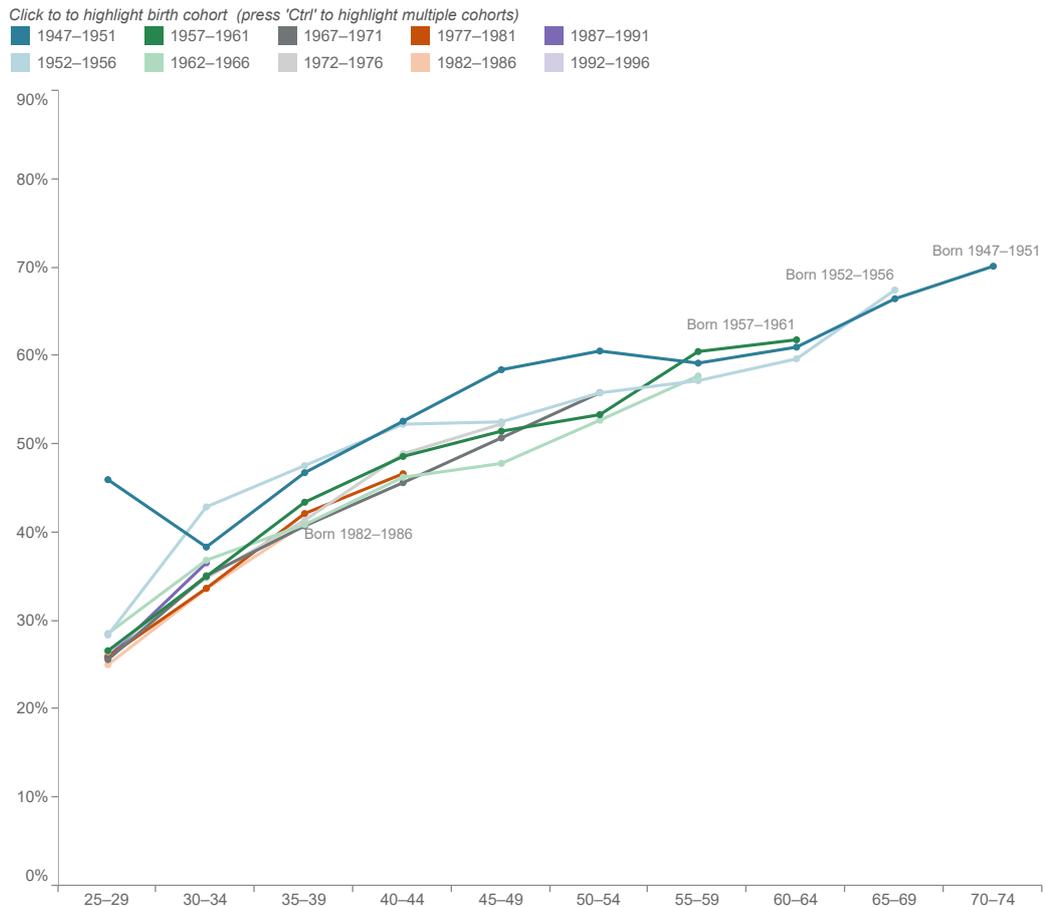
Aboriginal and Torres Strait Islander Victorians are less likely to own a home. For example, for people born between 1947-1951 (the age cohort with the highest rates of ownership), home ownership among non-Indigenous Victorians is 85% but only 70% among Aboriginal and Torres Strait Islander Victorians.

<sup>66</sup> Council to Homeless Persons, *Submission 934*, p. 10.

<sup>67</sup> Ibid.

<sup>68</sup> Victorian Aboriginal Child Care Agency, *Submission 606*, p. 6.

Figure 2.32 Indigenous home ownership rate, by age group, Victoria



Source: Source: Australian Institute of Health and Welfare, *Home ownership and housing tenure*, 2023, <<https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure#ownership>> accessed 28 August 2023.

To offer a closer analysis, Mallee District Aboriginal Services provided data on the average income in the community and percentage receiving Commonwealth Rent Assistance (Table 2.5). This data shows that the Aboriginal and Torres Strait Islander community is relatively less financially secure, noting that financial insecurity is a key indicator of housing stress.

**Table 2.8 Average weekly income, percentage of households receiving Commonwealth Rent Assistance and other data, Mallee district**

<b>Mildura</b> Aboriginal and Torres Strait Islander people	<b>Mildura</b> All persons	<b>Swan Hill</b> Aboriginal and Torres Strait Islander people	<b>Swan Hill</b> All persons	<b>Gannawarra</b> Aboriginal and Torres Strait Islander people	<b>Gannawarra</b> All persons	<b>Victoria</b> Aboriginal and Torres Strait Islander people	<b>Victoria</b> All persons
<b>Average weekly household income (\$)</b>							
1,180	1,341	1,184	1,379	1,080	1,071	1,565	1,759
<b>Unemployed (%)</b>							
14.9	5.2	15.7	3.5	12.4	3.6	9.6	5.0
<b>Single parent families (%)</b>							
52.8	27.3	54.6	23.4	50.2	24.4	45.0	18.2
<b>Households receiving Commonwealth Rent Assistance (%)</b>							
46.4	24.2	49.9	17.1	31.9	14.5	34.0	18.1

Source: Mallee District Aboriginal Services, *Submission 948*, p. 4.

The Victorian Aboriginal Child Care Agency highlighted that Aboriginal people are also more vulnerable to housing stress and experience barriers to accessing housing. It discussed the findings of a 2014 Auditor-General's report on the accessibility of mainstream services for Aboriginal Victorians, which found that this community was experiencing the following barriers:

- racism
- affordability
- lack of culturally safe services
- shame and fear
- lack of awareness of services
- complex administrative process.<sup>69</sup>

Mallee District Aboriginal Services advocated for the reinstatement of the Aboriginal and/or Torres Strait Islander Tenant Advocacy Service, which was not funded beyond its initial 12-month pilot, ending 1 June 2023. The organisation believed continuing this service would provide Aboriginal Victorians 'additional support to access and sustain long term tenancies during a period when competition for private rentals is unparalleled'.<sup>70</sup>

The need for tenant support services for Aboriginal Victorians was underscored by the fact that under Closing the Gap areas like Northwest Victoria are 'not considered

<sup>69</sup> Ibid., p. 12.

<sup>70</sup> Mallee District Aboriginal Services, *Submission 948*, p. 9.

remote or disadvantaged enough to be addressed by this housing plan, nor is it considered metropolitan enough to fit the [Victorian Government] response'.<sup>71</sup>

### 2.7.2 Older Victorians

The 2021 Census found that there were almost 1.5 million Victorians aged 60 years or older, approximately 22% of the total population. This number is expected to grow to more than 2.3 million people or approximately 25% of the anticipated population by 2046.<sup>72</sup> According to the State of the Older Nation survey conducted by the Council on the Ageing, 22% of older Australians are renting with higher rates among more marginalised groups.<sup>73</sup>

The number of older Victorians renting mirrors the increased cost of home ownership. Recent analysis of the 2021 Census data highlighted that those aged 55+ in Victoria are now less likely to own their home compared to a decade earlier. Older Victorians also experience higher rates of housing insecurity:

- approximately 370,000 older Victorians are still paying a mortgage, with approximately 10% of this cohort earning less than \$40,000 a year
- older people are particularly vulnerable to recent interest rate rises.<sup>74</sup>

### 2.7.3 Women, children and divorcees

Women and children are another cohort more susceptible to insecure housing. The Royal Commission into Family Violence found that family violence is the number one cause of homelessness for women and children. When victim survivors of family violence are forced to leave an unsafe home, emergency or temporary accommodation can only provide an interim space for them to recover and rebuild their lives.<sup>75</sup>

Currently, there are over 4,000 victim survivors of family violence on the Victorian Housing Register eligible for social housing. However, these victim survivors are waiting for vacancies on a list exceeding 90,000 applicants. Without access to affordable housing, many women and children are forced into inadequate and unsafe living arrangements, or homelessness. The Centre for Excellence in Child and Family Welfare told the Committee that they should be given priority for access to social housing.<sup>76</sup>

<sup>71</sup> Ibid.

<sup>72</sup> Council of the Ageing (Victoria), *Submission 916*, p. 4.

<sup>73</sup> Council of the Ageing, *State of the (Older) Nation*, 2023, <<https://cota.org.au/policy/state-of-the-older-nation/>> accessed 18 October 2023.

<sup>74</sup> Council of the Ageing (Victoria), *Submission 916*, pp. 3–4.

<sup>75</sup> Centre for Excellence in Child and Family Welfare, *Submission 898*, p. 2.

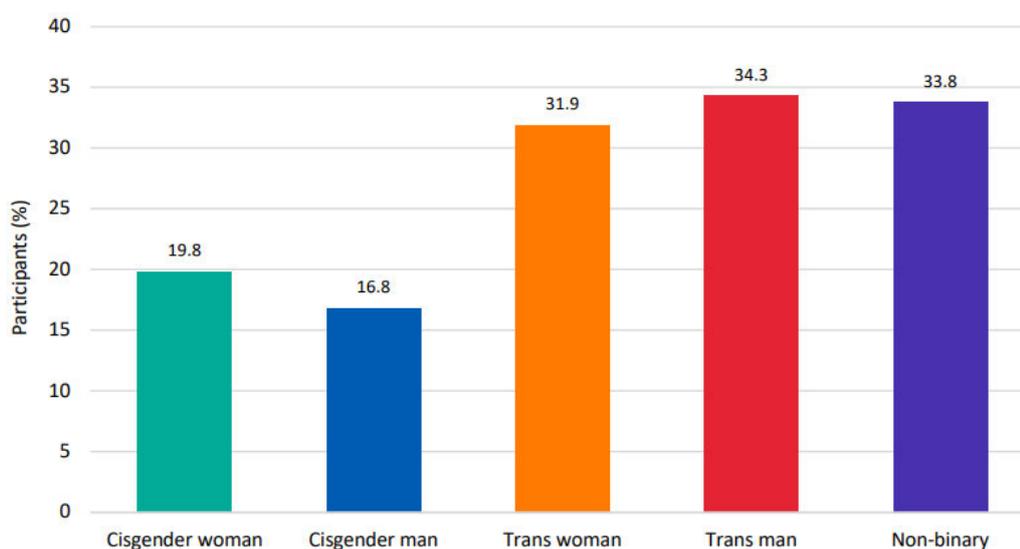
<sup>76</sup> Ibid.

## 2.7.4 LGBTIQ+

In addition, divorcees—predominantly women—are less likely to own a home again post-divorce. This was acknowledged in the recent *Inquiry into land transfer duty fees* conducted by the Legislative Council Economy and Infrastructure Committee.<sup>77</sup>

LGBTIQ+ Victorians experience homelessness at rates far higher than the general population. Research suggests that the incidence of at least one experience of homelessness across a lifetime in Australia is 13.4% for heterosexuals, 20.8% for bisexual people and 33.7% for lesbian/gay people.<sup>78</sup>

**Figure 2.33 Homeless rates among LGBTIQ+ people, by gender identity**



Source: Council to Homeless Persons, *Submission 934*.

<sup>77</sup> Parliament of Victoria, Legislative Council Economy and Infrastructure Committee, *Inquiry into land transfer duty fees in Victoria*, August 2023.

<sup>78</sup> Council to Homeless Persons, *Submission 934*, p. 11.

# Chapter 3

## What is a rental and housing affordability crisis?

### 3.1 Introduction

It is commonly accepted that Victoria, and Australia, is currently in a housing ‘crisis’. As the word crisis is a subjective term, this Chapter looks at the main factors that have led to this statement becoming commonplace.

By examining data on housing supply, rental prices, occupancy rates, and other factors, the Chapter puts the crisis into context and provides a comprehensive understanding of the challenges that have led to this issue being so frequently and widely discussed. In doing so, it lays the foundation for a deeper exploration of the various factors that contribute to our understanding of housing and which are further discussed throughout this Report.

### 3.2 Defining a ‘rental and housing affordability crisis’

**Housing costs have contributed to widening wealth inequality.**

Municipal Association of Victoria, *Submission 938*, p. 7.

A rental and housing affordability crisis is understood to be a multifaceted issue with significant social, economic and government policy implications.

At its most basic level, a crisis arises when there is a breakdown in the relationship between the cost of renting or purchasing a home and income levels – that is, it becomes increasingly difficult for people to afford a mortgage or their rent. This and other key features of a housing crisis, many of which are currently being experienced by Victorians, are listed in Box 3.1.

### Box 3.1 Key features of a rental and housing crisis

- **Rising costs:** Rental and housing affordability crises are typically marked by substantial increases in the cost of housing, whether through rent payments or home prices. These increases often outpace wage growth, making it difficult for many people to keep up. Inflation often accompanies, and compounds, these challenges.
- **Financial strain:** Increases in rental prices and housing costs leads to a higher number of households experiencing rental or housing stress. Households under stress find themselves allocating a significant portion of their income towards housing expenses. This affects their quality of life, leaving them with less money to cover other essential needs, such as healthcare, education and savings.
- **Unmet demand:** In areas facing a rental and housing affordability crisis, the supply of affordable housing options can be insufficient to meet the demand. This scarcity can lead to increased competition for available housing, driving prices even higher.
- **Economic implications:** Broader economic impacts of a rental and housing crisis include workforce mobility and productivity. If workers are unable to afford housing near their workplaces, this can lead to longer commutes, reduced job satisfaction and lower productivity.
- **Social inequality:** People from marginalised and vulnerable communities are disproportionately impacted by a housing crisis. This includes people on lower incomes, minority communities and other disadvantaged groups.
- **Displacement and homelessness:** Vulnerable households, particularly those on lower incomes, may be forced to relocate to cheaper areas or become homeless.

Source: Legislative Council Legal and Social Issues Committee.

### 3.2.1 A crisis built over time

**This is the most important moment in living memory to get housing policy right.**

Council to Homeless Persons, *Submission 934*, p. 3.

There is no obvious start or endpoint to a housing crisis. Many of the issues considered in this Inquiry have been occurring and discussed for decades, dipping in and out of public focus. They are also experienced by different sectors of the community with greater or lesser intensity over time.

The Grattan Institute stated that:

Victoria's housing crisis has been building for a long time. Within living memory, Victoria was a place where housing costs were manageable, and people of all ages and incomes had a reasonable chance to own a home with good access to jobs. But housing in Victoria has become increasingly expensive, and public anxiety about

housing affordability is rising. Home ownership is falling, renter poverty is rising, and more people are becoming homeless.<sup>1</sup>

Robert Pradolin told the Committee that:

we have got a housing crisis which has been brewing for 30 years. So do not be surprised that this housing crisis just happened all of a sudden. It has been brewing for a very long time.<sup>2</sup>

Other stakeholders contributing to this Inquiry likewise emphasised the long build up to the housing challenges discussed in this Report.<sup>3</sup>

## 3.3 Metrics for identifying a housing crisis

### 3.3.1 What is housing stress?

**A household is considered in housing stress if housing costs such as mortgage repayments or rent are more than 30% of the household disposable income, and the household is in the bottom 40% of the equivalised income distribution (disposable income adjusted by household needs).**

Australian Institute of Health and Welfare, *Housing affordability: Low income households in housing stress*, 2022, <<https://www.housingdata.gov.au/visualisation/housing-affordability/low-income-households-in-housing-stress>> accessed 16 August 2023.

There is general consensus, albeit with some variation, among stakeholders about how to define 'housing stress' (also referred to as 'rent stress' or 'mortgage stress'). According to the Australian Institute of Health and Welfare, housing stress occurs when a low income household is spending more than 30% of its income on housing costs. Generally, a household is considered low income if it is in the bottom 40% of the equivalised income distribution.<sup>4</sup>

Households outside this income range who spend more than 30% of their income on housing costs may not be in stress because their higher income suggests they are able to pay this amount without causing financial problems in other areas.

As housing stress increases, the capacity to pay for food, clothes, healthcare and other essentials decreases. In addition, the capacity to accumulate savings for any purpose, including home deposits, also decreases. Focusing on rental stress, the Municipal

1 Grattan Institute, *Submission 562*, p. 3.

2 Robert Pradolin, Founder, Housing All Australians, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 3.

3 See: Australian Housing and Urban Research Institute (AHURI), *Submission 529*; Council to Homeless Persons, *Submission 934*; Property Council of Australia, *Submission 545*; Prosper Australia, *Submission 362*.

4 Australian Institute of Health and Welfare, *Housing affordability: Low income households in housing stress*, 2022, <<https://www.housingdata.gov.au/visualisation/housing-affordability/low-income-households-in-housing-stress>> accessed 16 August 2023.

Association of Victoria stated: 'Home ownership for young people is increasingly unrealistic, contributing to worsening inter-generational inequality.'<sup>5</sup>

To demonstrate housing stress, the Committee has used the income ranges specified under the *Planning and Environment Act 1987* to determine what paying 30% of an income for housing looks like for different households.

**Table 3.1 30% of income based on legislated income ranges under the *Planning and Environment Act 1987***

	<b>Very low income range (annual)</b>	<b>30% of income</b>	<b>Low income range (annual)</b>	<b>30% of income</b>	<b>Moderate income range (annual)</b>	<b>30% of income</b>
<b>Greater Capital City Statistical Area of Melbourne</b>						
<b>Single adult</b>	Up to \$29,770	\$8,931	\$29,771 to \$47,630	\$8,931.3 to \$14,289	\$47,631 to \$71,450	\$14,289.3 to \$21,435
<b>Couple, no dependent</b>	Up to \$44,650	\$13,395	\$44,651 to \$71,450	\$13,395.3 to \$21,435	\$71,451 to \$107,170	\$21,435.3 to \$32,151
<b>Family (with one or two parents) and dependent children</b>	Up to \$62,510	\$18,753	\$62,511 to \$100,030	\$18,753.3 to \$30,009	\$100,031 to \$150,030	\$30,009.3 to \$45,009
<b>Rest of Victoria</b>						
<b>Single adult</b>	Up to \$21,700	\$6,510	\$21,701 to \$34,730	\$6,510.3 to \$10,419	\$34,731 to \$52,090	\$10,419.3 to \$15,627
<b>Couple, no dependent</b>	Up to \$32,550	\$9,765	\$32,551 to \$52,090	\$9,765.3 to \$15,627	\$52,091 to \$78,140	\$15,627.3 to \$23,442
<b>Family (with one or two parents) and dependent children</b>	Up to \$45,570	\$13,671	\$45,571 to \$72,930	\$13,671.3 to \$21,879	\$72,931 to \$109,400	\$21,879.3 to \$32,820

Source: Legislative Council Legal and Social Issues Committee.

### 3.3.2 Definition of rental stress in the Inquiry's context

For the purposes of this Inquiry, the Committee has adopted the following quantitative metrics to define 'rental stress':

- households in the bottom 40% income bracket spending 30% or more on rent
  - severe rental stress refers to households spending 30–60% of their income on rent
  - extreme rental stress refers to households spending 60% or more of their income on rent.

<sup>5</sup> Municipal Association of Victoria, *Submission 938*, p. 7.

### 3.3.3 Housing affordability

**‘The term ‘housing affordability’ usually refers to the relationship between expenditure on housing (prices, mortgage payments or rents) and household incomes. The concept of housing affordability is different to the concept of ‘affordable housing’, which refers to low-income or social housing.’**

Dr Matthew Thomas and Alicia Hall, *Housing affordability in Australia*, Parliamentary Library Briefing Book, Parliament of Australia, Canberra, August 2016.

#### Box 3.2 The language of affordability

Public discourse about Victoria’s current housing crisis has been complicated by language used to describe different concepts. It is important this language is explained so that the Committee’s Report is clear.

For many, the terms ‘housing affordability’ and ‘affordable housing’ are considered to mean the same thing. But they actually explain two separate considerations.

‘Housing affordability’ is a general concept explaining the value of housing compared to income. It describes the relationship between housing expenditure and a person’s capacity to afford those costs, whether it is rent, mortgage repayments or other housing costs.

‘Affordable housing’ refers to a type of housing where government interventions are in place to make it accessible to low-income or vulnerable cohorts. For example, social housing is a type of affordable housing.

Assessing housing affordability is not straightforward, clear metrics must be in place to determine what is meant by ‘affordability’. According to the Australian Institute of Health and Welfare, the ‘simplest measure of housing affordability compares housing costs to gross household income’. Housing costs are defined as the sum of rent payments, rate payments (water and general), or housing-related mortgage payments.<sup>6</sup>

The Rental Affordability Index, an annual report on rental affordability in Australia shown in Table 3.2, has been developed to determine the relationship between the percentage of income spent and rental affordability.

<sup>6</sup> Australian Institute of Health and Welfare, *Housing affordability*, June 2021, <<https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>> accessed 16 August 2023.

**Table 3.2 Rental affordability index and severity of rental affordability, Rental Affordability Index**

Index score	Share of income spent on rent	Relative unaffordability
<50	60% or more	Extremely unaffordable rents
51-80	38-60%	Severely unaffordable rents
81-100	30-38%	Unaffordable rents
101-120	25-30%	Moderately unaffordable rents
121-150	20-25%	Acceptable rents
>150	15% or less	Affordable rents

Note: RAI = (Income/qualifying income)\*100

Source: SGS Economics and Planning, Brotherhood of St Laurence, Beyond Bank Australia and National Shelter, *Rental Affordability Index: Key findings November 2022*, SGS Economics and Planning, 2022, p. 6.

### 3.3.4 What is 'affordable' housing?

As with housing stress, although there is no universally accepted definition of 'affordable housing', most definitions broadly align with each other.

In 2016, the Affordable Housing Working Group (established by the Australian Government under the Council on Federal Financial Relations) defined affordable housing in the following way:

Affordable housing is that which reduces or eliminates housing stress for low-income and disadvantaged families and individuals in order to assist them with meeting other essential basic needs on a sustainable basis, whilst balancing the need for housing to be of a minimum appropriate standard and accessible to employment and services.<sup>7</sup>

The Victorian Government has defined affordable housing in Section 3AA(1) of the *Planning and Environment Act 1987*:

#### Box 3.3 Meaning of affordable housing

- (1) For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—
- (a) very low income households;
  - (b) low income households;
  - (c) moderate income households.

Source: *Planning and Environment Act 1987* (Vic) s 3AA(1)

<sup>7</sup> Council on Federal Financial Relations, *Issues Paper*, report prepared by Affordable Housing Working Group, 2016, p. 3.

The Act specifies income ranges to define ‘very low’, ‘low’ and ‘moderate’ income households. These income ranges are outlined in Table 3.3 below.

**Table 3.3 Income ranges for affordable housing (which is not social housing) under s 3AB of the *Planning and Environment Act 1987* (Vic)**

	Very low income range (annual)	Low income range (annual)	Moderate income range (annual)
<b>Greater Capital City Statistical Area of Melbourne</b>			
Single adult	Up to \$29,770	\$29,771 to \$47,630	\$47,631 to \$71,450
Couple, no dependent	Up to \$44,650	\$44,651 to \$71,450	\$71,451 to \$107,170
Family (with one or two parents) and dependent children	Up to \$62,510	\$62,511 to \$100,030	\$100,031 to \$150,030
<b>Rest of Victoria</b>			
Single adult	Up to \$21,700	\$21,701 to \$34,730	\$34,731 to \$52,090
Couple, no dependent	Up to \$32,550	\$32,551 to \$52,090	\$52,091 to \$78,140
Family (with one or two parents) and dependent children	Up to \$45,570	\$45,571 to \$72,930	\$72,931 to \$109,400

Note: Section 3AB of the *Planning and Environment Act 1987* allows the Governor in Council, on the recommendation of the Minister, to specify household income ranges.

Source: Victoria, *Victoria Government Gazette*, No. G 25, 1 July 2023, p. 1095.

### Additional metrics for assessing affordable rentals

According to the Homes Victoria website, the Victorian Government broadly considers affordable rentals to be properties which are never ‘more than market rent’. More specifically, it is properties which are ‘set at least 10 per cent below the market rental cost in metropolitan Melbourne and at market rent in regional Victoria’.<sup>8</sup> Its affordable rental scheme is guaranteed by a minimum three-year lease and a rental increase cap set so that rents do not exceed 30% of a median income.<sup>9</sup>

Some stakeholders expressed concern that defining affordable rentals as properties which simply do not exceed market rent is insufficient. Growing rental prices inflates market rent indexes and if these are not matched by real wage growth even these ‘affordable’ options will become unaffordable for some people.

### Not just affordability and availability, but adequacy

The adequacy of available housing is also a marker of a crisis. An undersupply of affordable housing often means households rent, or buy, properties which do not meet their basic needs and may be of a poor standard.

<sup>8</sup> Victorian Government, *Homes Victoria affordable*, 2023, <<https://www.homes.vic.gov.au/homes-victoria-affordable>> accessed 22 August 2023.

<sup>9</sup> Ibid.

The Australian Bureau of Statistics' 2010 report *Measures of Australia's Progress* stated:

Low income households in rental stress are more likely to be renting basic shelter. In contrast, higher income households have the economic resources available to allow them to choose to consume a wider range of housing services. The indicator on rental stress therefore relates solely to low income households.<sup>10</sup>

**RECOMMENDATION 4:** That the Victorian Government set a consistent and clear definition of 'affordable housing' in legislation that is required to be adopted across all government departments, policy and agreements with the private sector.

## 3.4 Broader economic factors which compound a housing crisis

### 3.4.1 Australia's cost of living crisis

#### cost of living pressures have worsened into a cost of living crisis

Parliament of Australia, Senate Select Committee, *Inquiry on the Cost of Living: interim report*, May 2023, p. 7.

The current discussion around rental and housing affordability is occurring within what is said to be a cost of living crisis in Australia. Inflation, rising interest rates, wage stagnation and other economic factors are all contributing.

#### Box 3.4 What is a 'cost of living crisis'?

A 'cost of living crisis' occurs when the cost of essential items—such as housing, groceries, fuel and energy—increase at a much faster rate than household incomes; in particular, the 'real' (i.e. capacity for spending) income.

When the cost of living continues to increase faster than real wages for a prolonged period it can lead to an economic crisis with a growth in the number of households experiencing economic stress.

Source: Legislative Council Legal and Social Issues Committee.

In March 2022, the Parliament of Australia published a briefing on *Australia's cost of living* examining key data at the time. Table 3.4 below shows the long-term and short-term changes to the Consumer Price Index by group. It shows that 'Housing' is among the groups with the highest annual percentage increase.

<sup>10</sup> Australian Bureau of Statistics, *Measures of Australia's Progress*, 2010, <[https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0-2010-Chapter-Rental%20stress%20\(5.4.2.1\)](https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0-2010-Chapter-Rental%20stress%20(5.4.2.1))> accessed 16 August 2023.

**Table 3.4 Long-term and short-term changes in CPI indexes, by group, March 2000 to March 2022**

Annual change in index (%)				
CPI group	Long-term	Pandemic year 1	Pandemic year 2	Total 2 years of pandemic
	March 2000 to March 2020	March 2020 to March 2021	March 2021 to March 2022	March 2020 to March 2022
Food and non-alcoholic beverages	2.8	0.7	4.3	5.1
Alcohol and tobacco	5.4	7.9	1.8	9.9
Clothing and footwear	-0.1	0.0	-1.5	-1.5
Housing	3.7	-1.1	6.7	5.5
Furnishings, household equipment and services	0.9	2.7	4.9	7.7
Health	4.6	3.0	3.5	6.6
Transport	1.8	0.4	13.7	14.1
Communication	-0.4	-1.9	-0.8	-2.7
Recreation and culture	0.9	1.5	3.0	4.5
Education	4.8	-0.1	4.7	4.6
Insurance and financial services <sup>a</sup>	na	0.6	2.7	3.3

a. 'Insurance and financial services' as a separate group was only introduced to the CPI from June 2005.

Source: Australian Bureau of Statistics, Consumer Price Index (CPI), Australia, March 2022 (Canberra: ABS).

An increase in the cost of basic needs does not create a crisis. It is the inability of real wages to allow people to pay for these basic needs which does. According to the Senate Select Committee on Cost of Living in Australia, one of the driving factors of the rise in Australia's cost of living 'has been the failure of wages to keep pace with inflation'.<sup>11</sup>

The Parliament of Australia Library's briefing on price rises compared to income explained:

If household income does not increase in line with inflation, then wages are said to be decreasing in real terms. The ABS also produces the Wage Price Index (WPI) which measures changes in the price of labour.

While over the previous 20 years the WPI has generally kept pace with CPI, since the June 2021 quarter, CPI increases have out-weighted WPI increases.

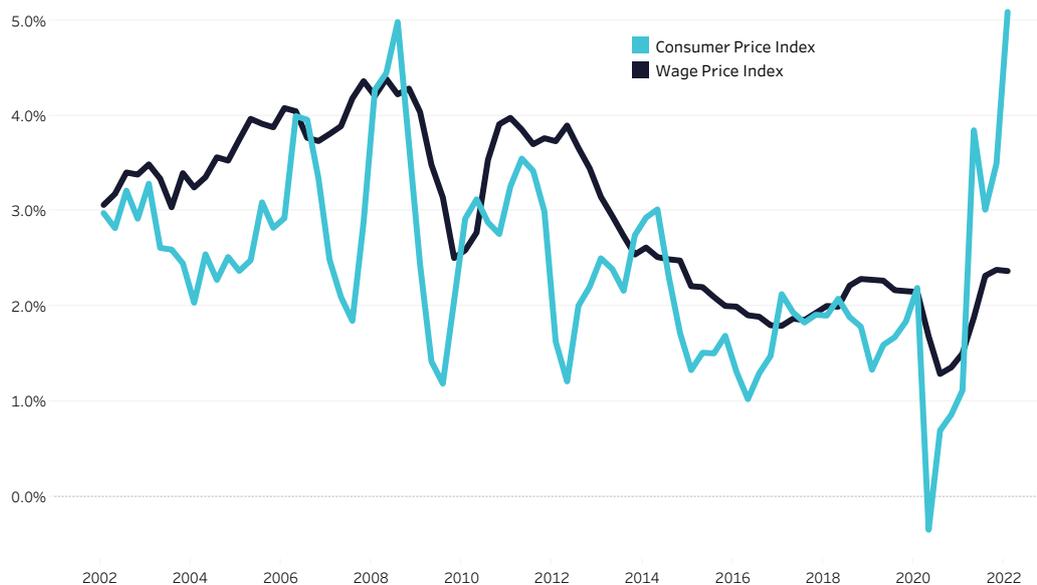
In the March 2022 quarter, the WPI annual increase for Australia was 2.4% compared with the CPI of 5.1%.<sup>12</sup>

<sup>11</sup> Parliament of Australia, Senate Select Committee, *Inquiry on the Cost of Living: interim report*, May 2023, p. 7.

<sup>12</sup> Peter McDonald, *Australia's cost of living*, Parliamentary Library Briefing, Parliament of Australia, Canberra, June 2022, <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_departments/Parliamentary\\_Library/pubs/BriefingBook47p/CostOfLiving](https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/CostOfLiving)> accessed 31 August 2023.

Figure 3.1 shows the annual change in the Wage Price Index versus the Consumer Price Index from 2002 to 2022. It shows that after many years of wages being mostly in line with or greater than inflations, in particular in the initial years of the COVID-19 pandemic, this rapidly changed around 2021. In March 2022, the Consumer Price Index was at its highest rate since 2008 at over 5%.<sup>13</sup>

**Figure 3.1 Annual change in Wage Price Index and Consumer Price Index, by quarter, March 2002 to March 2022**



Note: Data from Australian Bureau of Statistics.

Source: Parliament of Australia, *Australia's cost of living*, Parliamentary Library Briefing Book, 2022, <[https://www.aph.gov.au/About-Parliament/Parliamentary\\_departments/Parliamentary\\_Library/pubs/BriefingBook47p/CostOfLiving](https://www.aph.gov.au/About-Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/CostOfLiving)> accessed 15 August 2023.

The pandemic initially saw a decline in rental prices, however, this has reversed with rapid increases in the time since. The Parliamentary Library paper discussed changes to rental prices from the beginning of the pandemic to March 2022, stating:

In the June 2020 quarter rents declined for the first time in 45 years. The supply of properties available for long-term rental had increased since the outbreak of COVID-19 and the introduction of travel restrictions encouraged some landlords who were previously supplying short-term holiday accommodation to put their properties on the longer-term rental market. Around 5% of residential tenants successfully negotiated rent reductions in the quarter. In the March 2022 quarter, rents increased by 0.6% which was the highest quarterly increase since September 2014.<sup>14</sup>

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

It is not just renters facing higher housing costs. Entry into the property market is more difficult for prospective home buyers:

In the March 2022 quarter, continuing strong demand for housing construction enabled builders to pass through increases in costs for both materials and labour. Fewer grant payments this quarter from the Australian Government's HomeBuilder program and similar state-based housing construction programs also contributed to the rise in prices for the consumer.<sup>15</sup>

### 3.4.2 Impact of COVID-19

During the pandemic, Australia experienced historic low levels of inflation (as low as 0.1%) and lower rent prices (although for some jurisdictions including in Victoria rent prices increased). However, these proved short lived. The Senate Select Committee on the Cost of Living in Australia noted several disruptions caused by the COVID-19 pandemic that contributed to the recent increase in the cost of living:

- interruptions to the global supply chain leading to increasing costs for manufacturing, shipping and supply — a key contributor to current inflation
- stimulus and government support packages, creating strains which are now being addressed in post-pandemic budgets
- increased consumption and demand for goods increasing prices, which has continued in the post-pandemic period.<sup>16</sup>

These factors have since been compounded by Russia's invasion of Ukraine and severe weather events.<sup>17</sup>

The Victorian Government has acknowledged that COVID-19 has affected its capacity to fund programs and services. As part of the 2023/24 Budget, the Victorian Government developed a *COVID Debt Repayment Plan*. The Government noted that the estimated debt from the pandemic is \$31.5 billion (see Figure 3.2 for a breakdown of the COVID debt spending).

In explaining the Debt Repayment Plan, the Government has said the Plan will apply to 'big business, investors and those who pay land tax'.<sup>18</sup>

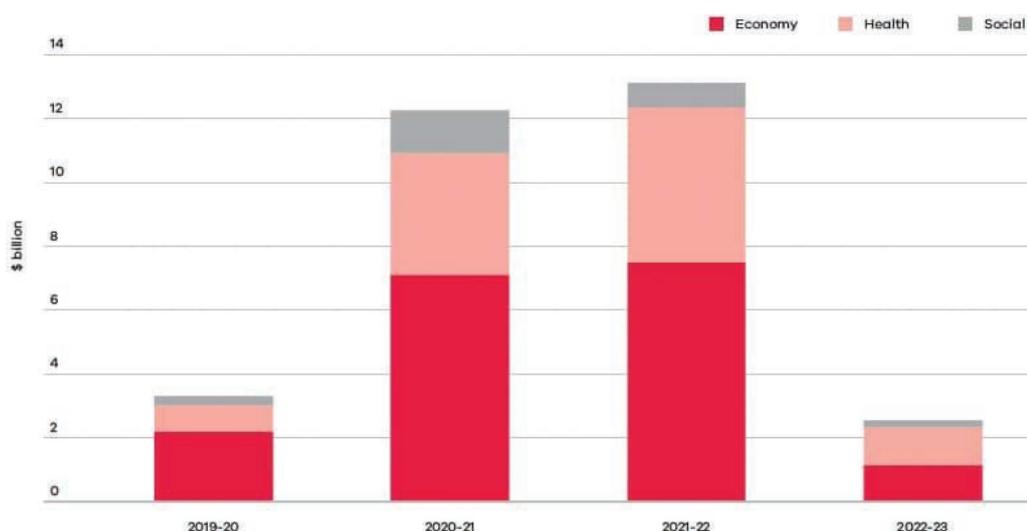
<sup>15</sup> Ibid.

<sup>16</sup> Parliament of Australia, Senate Select Committee, *Inquiry on the Cost of Living: interim report*, pp. 14–15.

<sup>17</sup> Ibid.

<sup>18</sup> Victorian Government, *COVID Debt Repayment Plan: Strengthening our finances, 2023*, <<https://www.budget.vic.gov.au/strengthening-our-finances>> accessed 31 August 2023.

Figure 3.2 COVID debt expenditure by category from 2019–20 to 2022–23



Source: Victorian Government, *COVID Debt Repayment Plan: Strengthening our finances, 2023*, <<https://www.budget.vic.gov.au/strengthening-our-finances>> accessed 31 August 2023.

The Committee received evidence from stakeholders on the impact of the pandemic on the housing sector. However, the full picture remains unclear as data continues to emerge.

The Australian Housing and Urban Research Institute argued that despite government interventions ‘the COVID pandemic still had adverse impacts on many renters’. These included rental stress, with 80% of low-income households in the private market experiencing stress.<sup>19</sup>

It contended that these impacts were ‘felt most by those experiencing lower incomes because of job loss, and in regional housing markets’.<sup>20</sup> The impacts on regional housing markets included:

- increased demand leading to reduced availability
- investors in high demand markets had to pay higher prices.<sup>21</sup>

In June 2022, Housing All Australians published its report *Give Me Shelter: The long-term costs of underproviding public, social and affordable housing*. It said that renters were ‘greatly impacted, with their employment, living environment, ability to pay rent and risk of eviction all being affected’.<sup>22</sup>

<sup>19</sup> Australian Housing and Urban Research Institute (AHURI), *Submission 529*, p. 6.

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

<sup>22</sup> SGS Economics and Planning, *Give Me Shelter: The long-term costs of underproviding public, social and affordable housing*, report for Housing All Australians, 2022, p. 16.

Referring to 2021 data from the Australian Institute of Health and Wellbeing, the report noted that since the beginning of the pandemic over 63% of renters had experienced changes to employment, including reduced income and/or hours and temporary layoffs. Figure 3.3 below summarises the Australian Institute of Health and Wellbeing's data on the experience of renters following the onset of COVID-19.

**Figure 3.3 Experience of renters, employment and economic**



Source: SGS Economics and Planning, *Give Me Shelter: The long-term costs of underproviding public, social and affordable housing*, report for Housing All Australians, 2022, p. 16.

## 3.5 Key indicators of a housing crisis: home ownership

**Australia's housing market is roughly divided into thirds: one-third of households rent; one-third own their home outright; and one-third are mortgage payers. Around 4 per cent of households live in social housing.**

Parliament of Australia, Senate Select Committee, *Inquiry on the Cost of Living: interim report*, May 2023, p. 55.

### 3.5.1 Declining homeownership rates

One indicator of a housing crisis is declining homeownership rates. Chapter 2 provides data on home ownership rates in Victoria, including historical data.

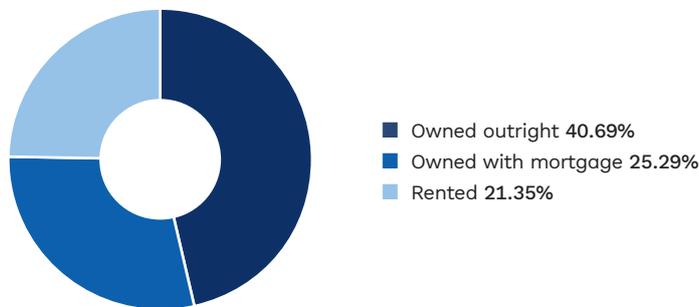
Assessing home ownership rates must factor in population changes. Factoring in population growth can paint a clearer picture as to whether more accessible or if growth is potentially occurring because the population is larger. The Committee has

used data from the Australian Bureau of Statistics to analyse homeownership trends in 1996 versus 2021, drawn from the Bureau’s data it has used the following assumptions:

- that the average number of people per household in 2021 was 2.5
- the average number of people per household is unknown so the 2016 figure of 2.6 has been used
- to calculate homeownership trends, the Committee has conducted the following calculation:  $(\text{Number of dwellings} \times \text{Average number of people per household}) / \text{Population} \times 100$ .

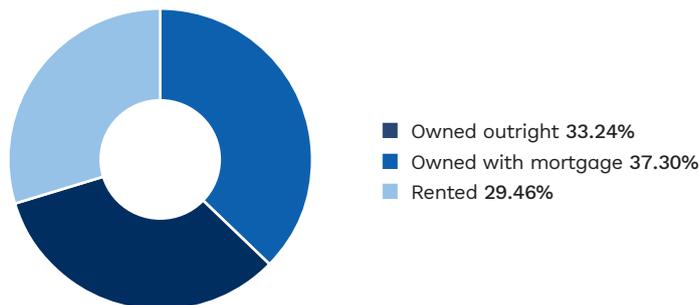
Figure 3.4 shows tenure type in 1996 based on the above assumptions. Figure 3.5 shows this data for 2021.

**Figure 3.4 Tenure type in Victoria, adjusted, 1996**



- a. Average number of people per household is based on 2016 figure.
  - b. Data from the Australian Bureau of Statistics, *Census of Population and Housing*.
- Source: Legislative Council Legal and Social Issues Committee.

**Figure 3.5 Tenure type in Victoria, adjusted, 2021**



- Note: Data from the Australian Bureau of Statistics, *Census of Population and Housing*.
- Source: Legislative Council Legal and Social Issues Committee.

## 3.5.2 Barriers to home ownership

### Prices to wages ratio

One of the biggest barriers to home ownership in Australia is that prices are rising much faster than wages. Since 2012, average wages have risen by about 30% while prices in the capital cities have increased by nearly 90%.

**Figure 3.6 Dwelling prices have risen faster than wages, 2012 to 2023**



Source: Tawar Razaghi, 'The graph that shows how buying a house just got even further out of reach', *The Age*, 27 October 2023, <<https://www.theage.com.au/property/news/the-graph-that-shows-how-buying-a-house-just-got-even-further-out-of-reach-20231024-p5eelo.html>> accessed 30 October 2023.

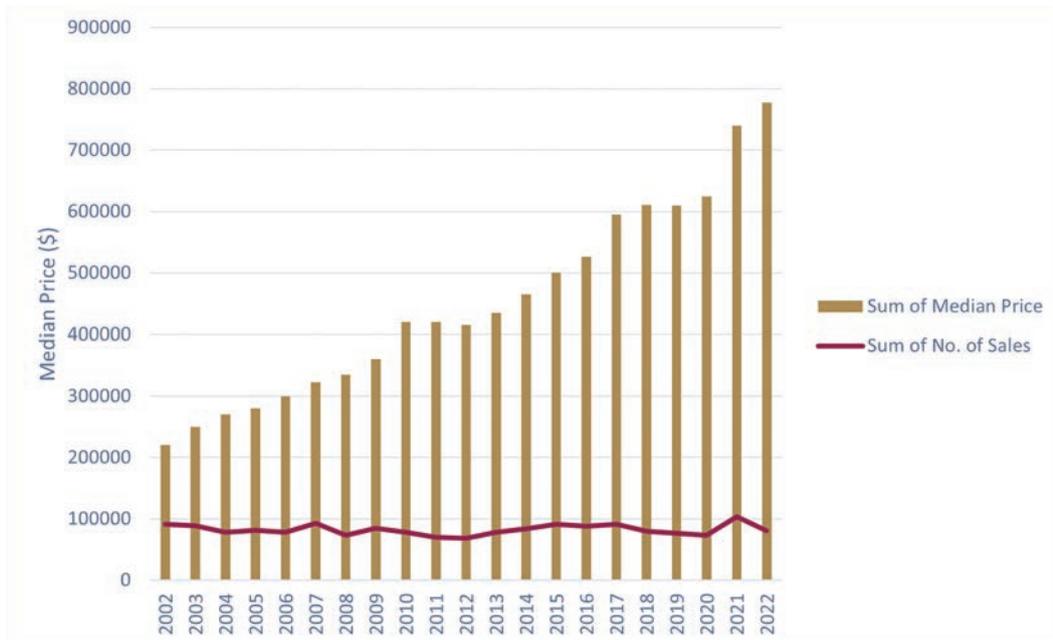
### House prices and saving for a deposit

Numerous stakeholders told the Committee that one of the biggest barriers to purchasing a home in an environment of rapidly rising house prices is saving for a deposit.<sup>23</sup>

The Department of Transport and Planning has published data on property sales and median prices in Victoria from 2002 to 2023. Figure 3.7 below shows data for homes, and Figure 3.8 shows data for units/apartments.

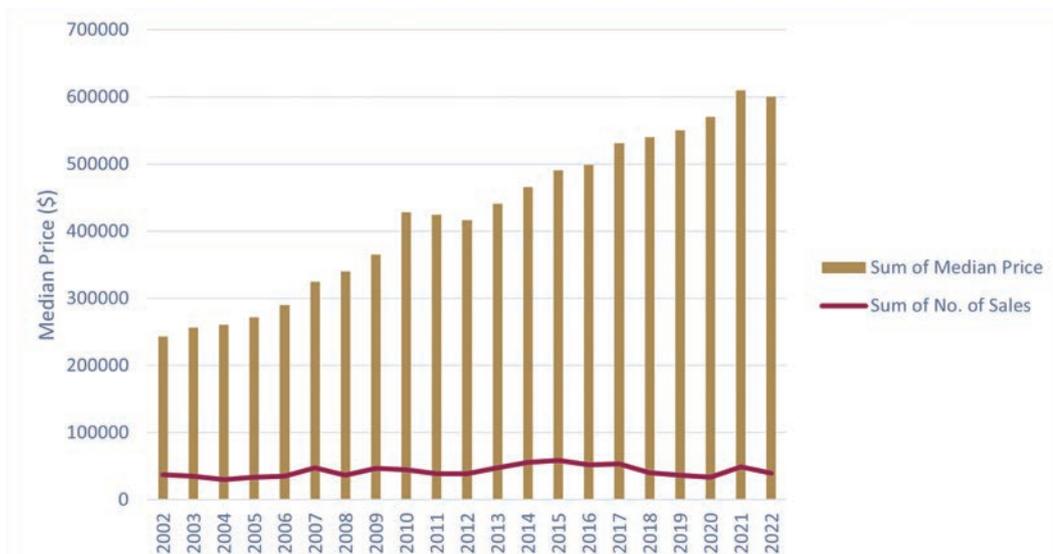
<sup>23</sup> For example, see: Centre for Equitable Housing, *Submission 925*.

Figure 3.7 Median property prices in Victoria, Homes, 2002 to 2022



Source: Department of Transport and Planning, *Property sale statistics*, 2023, <<https://www.land.vic.gov.au/valuations/resources-and-reports/property-sales-statistics>> accessed 23 October 2023.

Figure 3.8 Median property prices in Victoria, Units/Apartments, 2002 to 2022



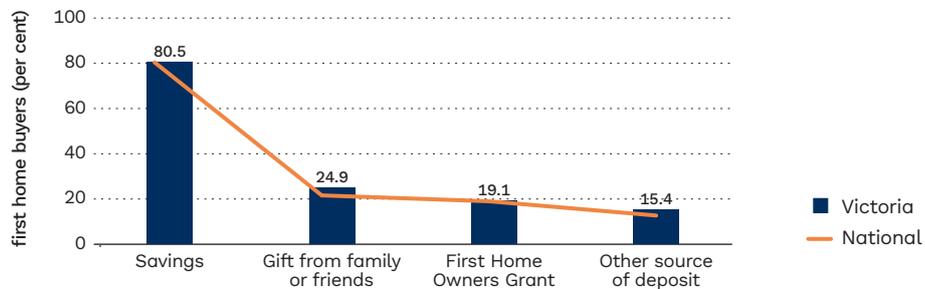
Source: Department of Transport and Planning, *Property sale statistics*, 2023, <<https://www.land.vic.gov.au/valuations/resources-and-reports/property-sales-statistics>> accessed 23 October 2023.

In December 2022, the Centre for Equitable Housing conducted an *Australian Housing Monitor* survey, which was completed by 4,735 people. The Centre surveyed people’s experiences and attitudes towards housing related issues, including barriers to home ownership. The survey found that of people strongly agreeing or agreeing that the ‘main reason I don’t own a house; it’s impossible to save up a deposit’:

- from Victorian respondents—
  - 63% of metropolitan people surveyed supported the statement
  - 69% of non-metropolitan people surveyed supported the statement
- from national respondents—
  - 72% of metropolitan 18–34 year old renters surveyed supported the statement
  - 75% of non-metropolitan 18–34 year old renters surveyed supported the statement.<sup>24</sup>

Figure 3.9 shows how Victorians compare to the whole of Australia regarding the source of their deposits.

**Figure 3.9 Home deposit funding, Victoria compared to nationally (2019–20)**



Note: Data from Australian Bureau of Statistics, *Housing Mobility and Conditions*.

Source: Legislative Council Legal and Social Issues Committee.

Table 3.5 below shows the Victorian and national average of home deposits as a proportion of property price based on data from the Australian Bureau of Statistics.

**Table 3.5 Deposit as a proportion of purchase price, Victoria and nationally (2019–20)**

Deposit as a proportion of purchase price	Victoria (%)	National (%)
Less than 10%	29.2	33.9
10% to less than 20%	36.2	32.0
20% or more	22.5	24.1

Source: Australian Bureau of Statistics, *Housing Mobility and Conditions 2019–20*, 2022, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 25 August 2023.

24 Centre for Equitable Housing, *Australian Housing Monitor: Opinions about buying a home*, 2023, <<https://housingmonitor.org.au/opinions-about-buying-a-home/>> accessed 24 August 2023.

In its submission, the Centre for Equitable Housing quantified the growing challenge of saving for deposit as house prices rise:

In 2019, a deposit of 20% on the national median house took 6.8 years to save for. By 2022, that gap had risen to 11.5 years. With deposit rates frequently rising faster than the ability of people to save, there is a question of whether governments can assist in mitigating such problems.

While Melbourne was relatively shielded from the worst of the price increases during the pandemic, the median home value increased by 18.6% - \$175,522 - between December 2020 and December 2021. That meant a deposit growth of \$34,054, or 83% of the median Victorian individual income that year. Such jumps can set back aspiring homeowners by years.<sup>25</sup>

According to the Real Estate Institute of Victoria, currently for properties in Melbourne:

- only 18.5% of properties were under \$600,000 (the threshold for the first home buyer land transfer duty exemption)
- the median price was \$975,000 (which is \$275,000 above the threshold).<sup>26</sup>

### Mortgage size

The average mortgage loan for Victorian households has more than doubled since 2005 (consistent with the national average trend). In July 2005, the average mortgage loan was \$249,145 compared to \$590,056 in July 2023. From around June 2010, Victoria's average mortgage loan has been slightly higher than the national average, with the increase becoming more pronounced in recent years. However, in June 2023 Victoria's average mortgage loan was 0.65% lower than the national average (\$593,912).

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<sup>25</sup> Centre for Equitable Housing, *Submission 925*, p. 37.

<sup>26</sup> Real Estate Institute of Victoria, *Submission 646*, p. 20.

**Figure 3.10 Average loan sizes for owner-occupier dwellings, Victoria versus Australia**



Source: Australian Bureau of Statistics, *Lending indicators*, 2023, <<https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release>> accessed 1 September 2023.

Compared to February 2020, in July 2023 the average mortgage loan was:

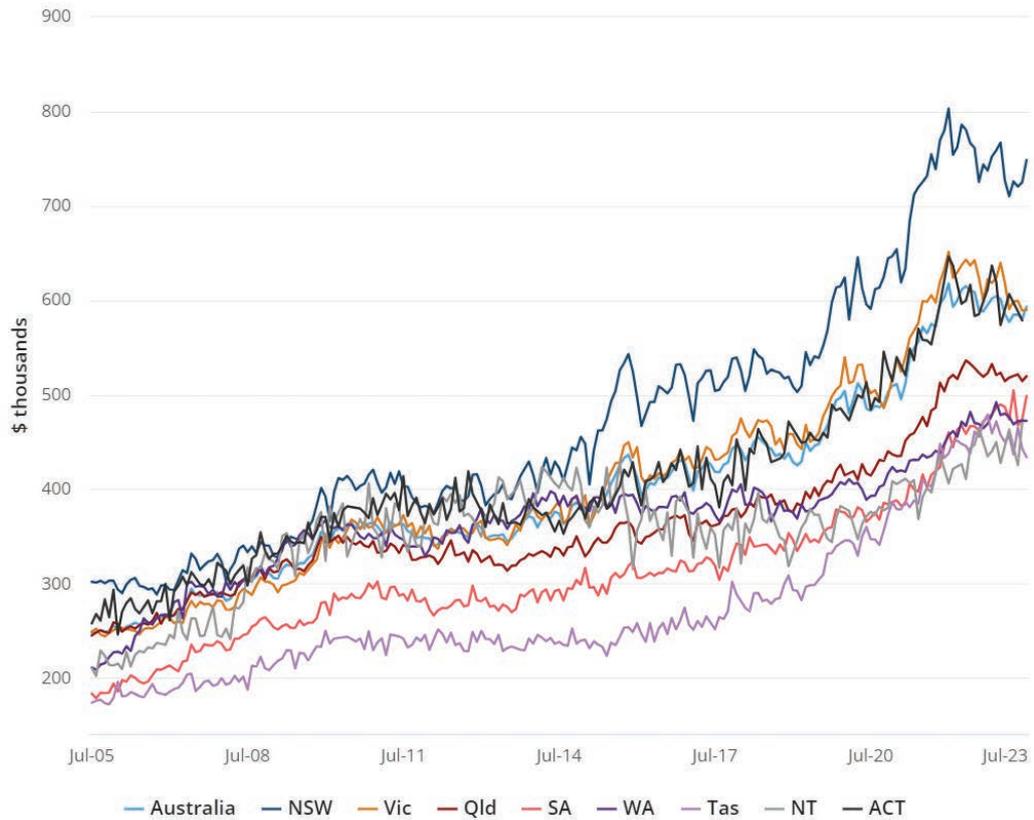
- at the national level, 23.6% higher
- at the Victorian level, 15.2% higher.<sup>27</sup>

Victoria has the second highest average mortgage loan across all Australian jurisdictions, closely followed by the Australian Capital Territory. Australia's highest average loan rate for owner-occupiers is in New South Wales, which in July 2023 was 26.78% higher than Victoria's average.<sup>28</sup>

<sup>27</sup> Australian Bureau of Statistics, *Lending indicators*, 2023, <<https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release>> accessed 1 September 2023.

<sup>28</sup> Ibid.

**Figure 3.11 Average loans for owner-occupiers, all Australian jurisdictions**



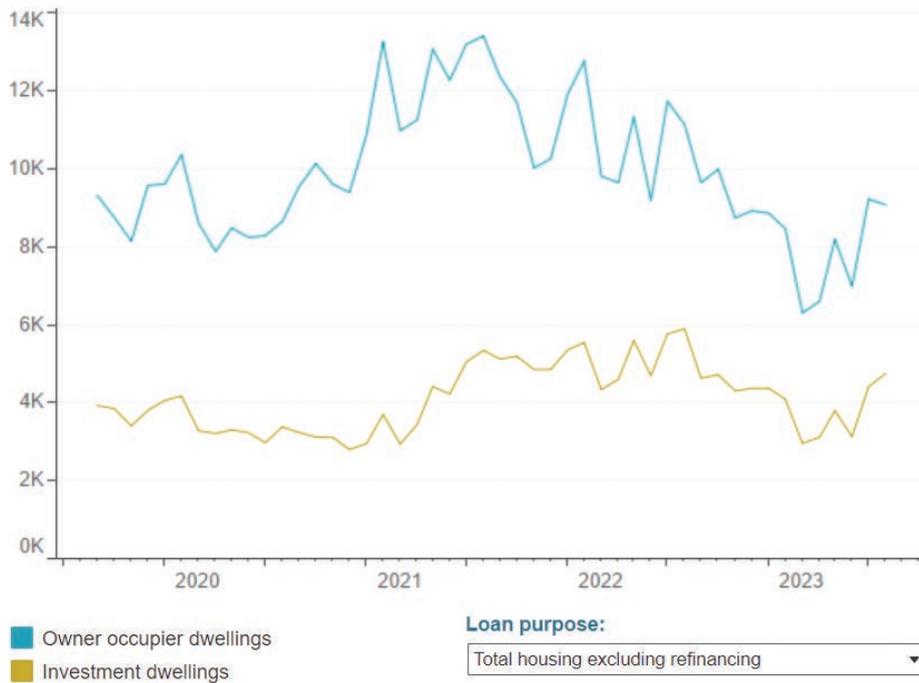
Source: Australian Bureau of Statistics, *Lending indicators*, 2023, <<https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release>> accessed 1 September 2023.

In Australia, between 2008–09 and 2018–19 owner-occupiers accounted for 57.7% of the value of dwelling commitments. The consistently higher value of commitments from owner-occupiers clearly shows that most people purchasing homes in Australia are living in them.<sup>29</sup>

New lending commitments for housing have been inconsistent in Victoria, with fluctuations in the number and value of new commitments year-on-year. However, since May 2022 there has been a relatively consistent decline in new lending commitments in Victoria, aligning with growing economic insecurity, wage stagnation and inflation. Figure 3.12 (a–b) shows new lending commitments for housing in Victoria from June 2019 to June 2023.

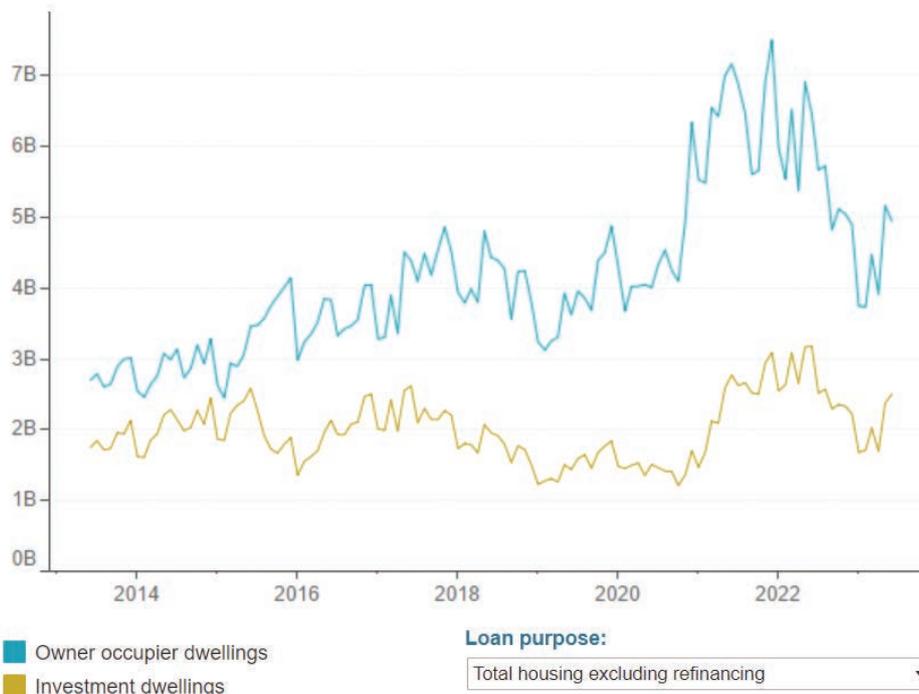
<sup>29</sup> Ibid.

**Figure 3.12 a. New lending commitments to households, number of commitments, housing (excluding refinancing), Victoria**



Source: Australian Institute of Health and Welfare, *Financial market: Lending commitments to households*, 2023, <<https://www.housingdata.gov.au/visualisation/financial-market/lending-commitments-to-households>> accessed 1 September 2023.

**Figure 3.12 b. Value of new lending commitments to households, \$, housing (excluding refinancing), Victoria**



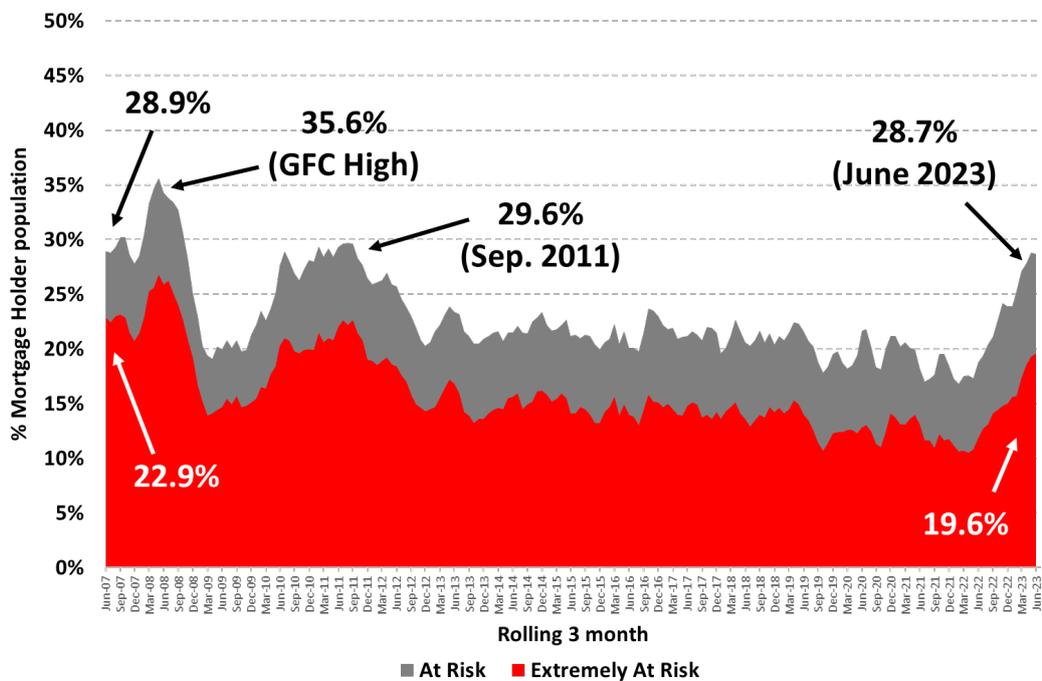
Source: Australian Institute of Health and Welfare, *Financial market: Lending commitments to households*, 2023, <<https://www.housingdata.gov.au/visualisation/financial-market/lending-commitments-to-households>> accessed 1 September 2023.

### 3.5.3 Mortgage stress

A June 2022 article from Mortgage Stress Victoria (a specialist service provided by community legal group WEstjustice) stated that 44% of Victorian households with a mortgage were experiencing mortgage stress and eight of the top 12 postcodes across Australia for mortgage stress were in Victoria. Notably, this was occurring before the recent interest rate rises.<sup>30</sup>

Research from Roy Morgan published in July 2023 found that 28.7% (1.43 million) of Australians with a mortgage were considered ‘at risk’ of experiencing mortgage stress in the three months to June 2023.<sup>31</sup> According to Roy Morgan, this was the ‘equal highest number of mortgage holders considered ‘at risk’ of mortgage stress (the same as for the three months to May 2023) since the Global Financial Crisis.<sup>32</sup>

Figure 3.13 Mortgage stress, owner-occupiers, Australia



Source: Roy Morgan, 1.43 million Australians ‘At Risk’ of ‘mortgage stress’ in June 2023 representing 28.7% of mortgage holders, media release, 25 July 2023, <<https://www.roymorgan.com/findings/9289-mortgage-stress-risk-june-2023>> accessed 1 September 2023.

30 Mortgage Stress Victoria, *Mortgage Stress Victoria helps homeowners across the state, as mortgage stress reaches a tipping point*, 2022, <<https://www.westjustice.org.au/media-and-events/mortgage-stress-victoria-helps-stressed-homeowners-in-victoria>> accessed 1 September 2023.

31 In this period, there were two interest rate increases of 0.25% taking interest rates up to 4.1%.

32 Roy Morgan, 1.43 million Australians ‘At Risk’ of ‘mortgage stress’ in June 2023 representing 28.7% of mortgage holders, media release, 25 July 2023, <<https://www.roymorgan.com/findings/9289-mortgage-stress-risk-june-2023>> accessed 1 September 2023.

## 3.6 Key indicators of a housing crisis: renters

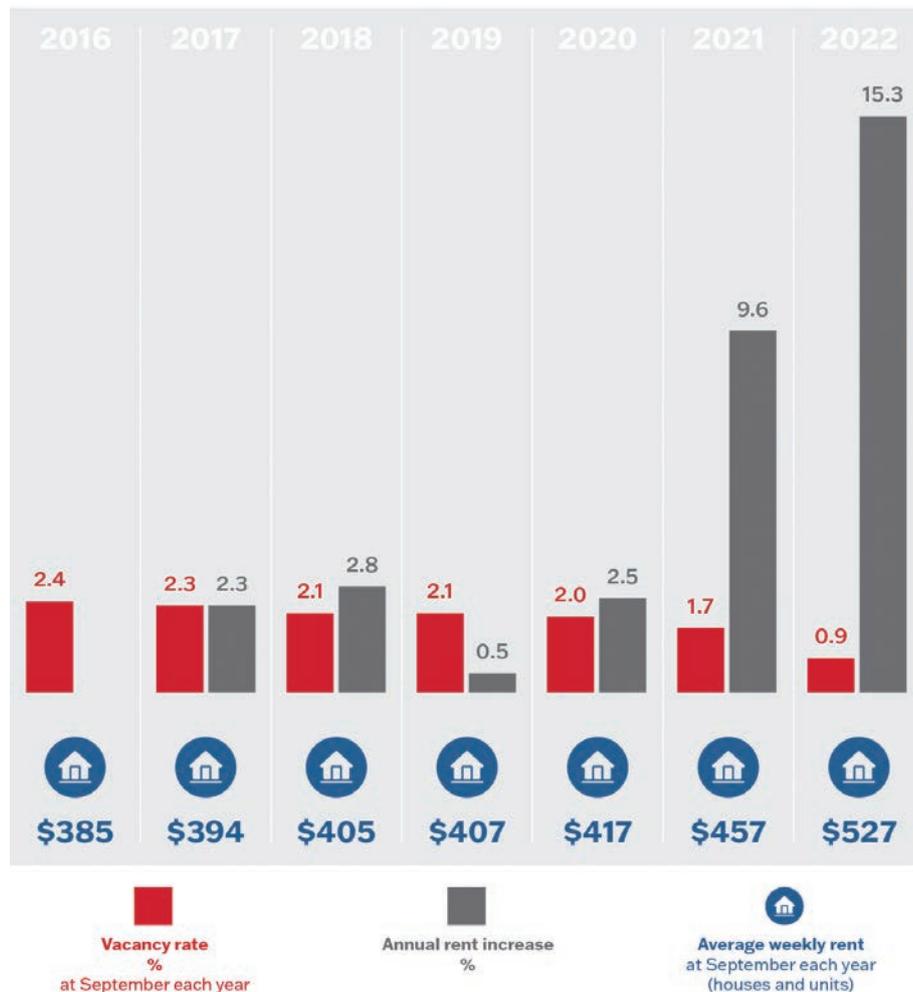
In Victoria in the mid-1990s around 22 per cent of all households rented, with 17 per cent in a private rental and almost four per cent in public housing. In 2020 these figures are drastically different, with almost 30 per cent renting, private rental account for 26 per cent and public housing accounts for two per cent.

RACV, *Submission 921*, p. 4.

### 3.6.1 Rental prices

Rental prices have been steadily increasing in Victoria for a long period of time. Data from many agencies shows this growth. Figure 3.14, taken from an Australian Housing and Urban Research Institute November 2022 publication, shows Australia's rental vacancy rates and rent increases from 2016 to 2022.

Figure 3.14 Rental vacancy rates and rent increases, Australia 2016–2022



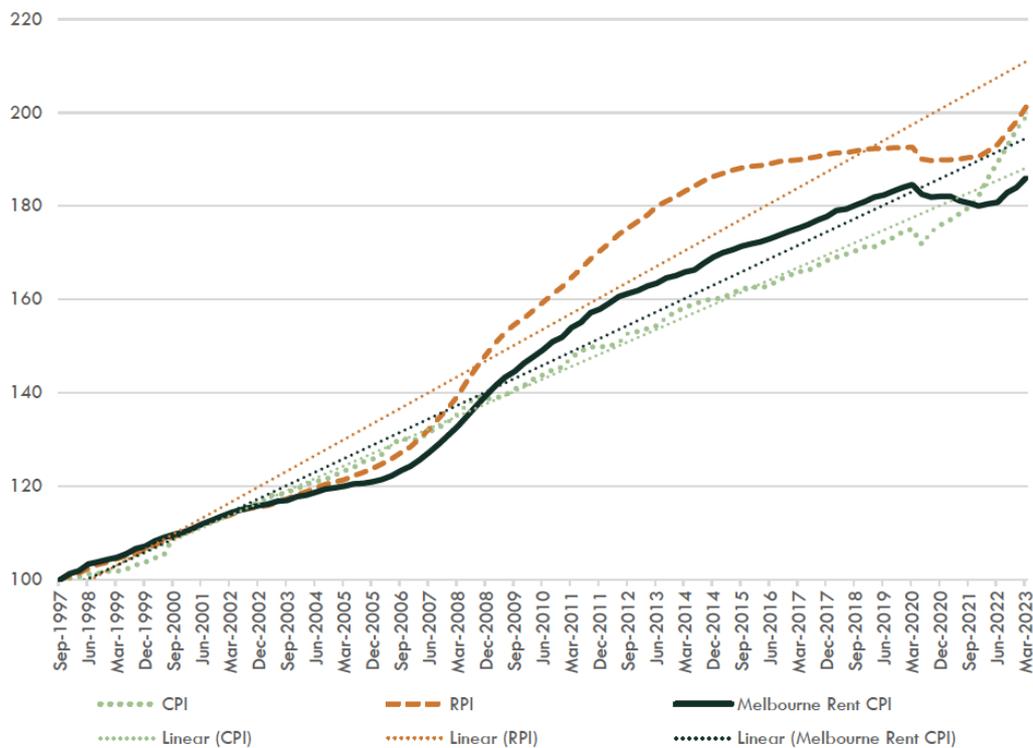
Note: Data from SQM Research.

Source: Australian Housing and Urban Research Institute (AHURI), *Why does Australia have a rental crisis, and what can be done about it?*, Brief, online, November 2022, <<https://www.ahuri.edu.au/research/brief/why-does-australia-have-rental-crisis-and-what-can-be-done-about-it>> accessed 28 August 2023.

The Institute characterised these years as a ‘period of very low rental vacancy rates and rising rent levels’. It noted that the current ‘very low vacancy rate has been sustained for most of 2022, a situation not seen in the last 20 years’. It added that rents peaked at their highest ever level in November at \$542 per week.<sup>33</sup>

The Centre for Equitable Housing’s submission included data from the Consumer Price Index of rents, which is based ‘on actual rents paid by a representative sample of the whole rental population’. This data shows that in March 2023, whole-of-market Melbourne rent prices were lower than pre-COVID-19 trends, however, the Centre cautioned this should be considered against the ‘12% rent decline in Melbourne during COVID-19’.<sup>34</sup>

**Figure 3.15 Melbourne rent prices compared to national rent prices, weekly**



Note: Data based on Australian Bureau of Statistics releases.

Source: Centre for Equitable Housing, *Submission 925*, p. 6.

Anglicare Victoria’s submission examined Victoria’s current rental market in terms of the availability of affordable rental properties. It found that in April 2023:

- affordable rentals in metropolitan Melbourne had declined sharply, with just 300 properties across the city deemed affordable for a family with one parent earning the minimum wage.

<sup>33</sup> Australian Housing and Urban Research Institute (AHURI), *Why does Australia have a rental crisis, and what can be done about it?*, Brief, online, November 2022, <<https://www.ahuri.edu.au/research/brief/why-does-australia-have-rental-crisis-and-what-can-be-done-about-it>> accessed 28 August 2023.

<sup>34</sup> Centre for Equitable Housing, *Submission 925*, p. 6.

- median rents in Melbourne had risen 10.8% over the previous year
- only 100 properties across the entire state were affordable for Victorians on income support. Not a single property met the affordability criteria for singles on Youth Allowance or JobSeeker payments.<sup>35</sup>

High rents are not a problem unique to Victoria. Data from the Centre for Equitable Housing comparing median rental prices across Australia's capital cities showed that Melbourne had the 'fastest growth of any capital and significantly worse than the national average of 2.5%; in the 12 months to March 2023 median rent prices increased by 10.8% in Victoria'. However, the data also showed that Victoria still had lower median rent prices than many other capital cities at \$526 per week (Sydney had the highest median rent at \$699 per week).

**Table 3.6 Changes in rents, rental yields and vacancy rates**

Region	Median rent (\$)	Changes in rents (all dwellings) (%)			Rental yields (all dwellings) (%)		Vacancy rates (all dwellings) (%)	
		Month	Quarter	12 months	Current	12 months ago	Current	12 months ago
Melbourne	526	1.50	3.70	10.80	3.40	2.81	0.70	2.00
Perth	573	1.30	3.60	12.80	4.85	4.34	0.60	1.10
Sydney	699	1.60	3.40	12.60	3.22	2.48	1.20	2.10
Brisbane	599	0.80	1.80	12.30	4.34	3.51	1.10	1.20
Hobart	563	0.40	1.80	4.70	4.39	3.65	1.70	1.10
Adelaide	531	0.70	1.70	11.50	4.09	3.77	0.30	0.40
Canberra	674	-0.10	-0.70	0.30	4.19	3.82	2.00	0.70
Darwin	588	-0.40	-1.00	4.60	6.39	6.04	1.80	1.70
Combined capitals	594	1.30	3.00	11.50	3.70	3.00	0.90	1.70
Combined regionals	507	0.40	1.20	6.60	4.60	4.10	1.40	1.30
<b>National</b>	<b>570</b>	<b>1.00</b>	<b>2.50</b>	<b>10.10</b>	<b>3.90</b>	<b>3.20</b>	<b>1.10</b>	<b>1.60</b>

Note: Data from CoreLogic.

Source: Centre for Equitable Housing, *Submission 925*, p. 5.

The Centre for Equitable Housing explained that, using the national figure, for people with lower incomes the median rent would require them to pay just over half of their income.<sup>36</sup> Importantly, the Centre further noted despite asking rents increasing 'most people do not pay current new rent prices'.

<sup>35</sup> Anglicare Victoria, *Submission 367*, p. 4.

<sup>36</sup> Centre for Equitable Housing, *Submission 925*, p. 5.

## Affordable rental lettings

The Victorian Government's June 2023 quarter Rental Report provided an update on the number of affordable rental lettings in Victoria, by dwelling size and region (Table 3.7). The data shows that in metropolitan Melbourne only 6.5% of all properties are indicatively affordable for households on Centrelink incomes. Comparatively, 26.7% of properties in regional Victoria were indicatively affordable.

**Table 3.7 Rental affordability by indicative households on Centrelink incomes**

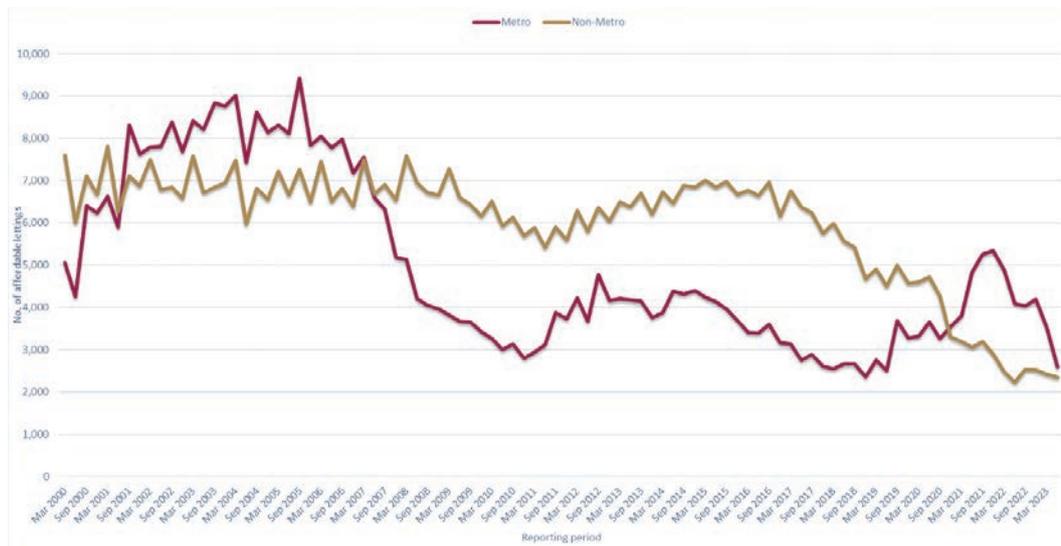
Household type		Singles on	Single	Couple on	Couple on	Total
		Jobseeker	parent with 1 child	Jobseeker with 2 children	Jobseeker with 4 children	
Assumed property size		1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Weekly income (net of RA)		\$347	\$667	\$952	\$1,182	
Affordable weekly rent		\$185	\$295	\$380	\$460	
Affordable rentals (number)	Metropolitan	71	207	948	1,362	<b>2,588</b>
	Regional	39	395	1,177	740	<b>2,351</b>
	State total	110	602	2,125	2,102	<b>4,939</b>
Affordable rentals (% of total)	Metropolitan	1.0%	1.5%	8.1%	19.0%	<b>6.5%</b>
	Regional	9.5%	19.1%	29.3%	31.9%	<b>26.7%</b>
	State total	1.4%	3.8%	13.5%	22.1%	<b>10.2%</b>

Source: Victorian Government, *Rental report: June quarter 2023*, report prepared by Homes Victoria, 2023, p. 19.

An historical examination of affordable rental lettings in Victoria shows a consistent decline since March 2007, with a brief uptick for metropolitan Melbourne during the peak COVID-19 pandemic years (2020–21). However, the Victorian Government's June 2023 quarter Rental Report shows that the number of affordable rental lettings is at the lowest point since March 2000 for both metropolitan and non-metropolitan regions (Figure 3.16).<sup>37</sup>

<sup>37</sup> Homes Victoria, *Affordable lettings by local government area - June quarter 2023*, 2023, <<https://www.dffh.vic.gov.au/affordable-lettings-local-government-area-june-quarter-2023-excel>> accessed 30 August 2023.

**Figure 3.16 Affordable lettings in Victoria, metropolitan versus non-metropolitan**



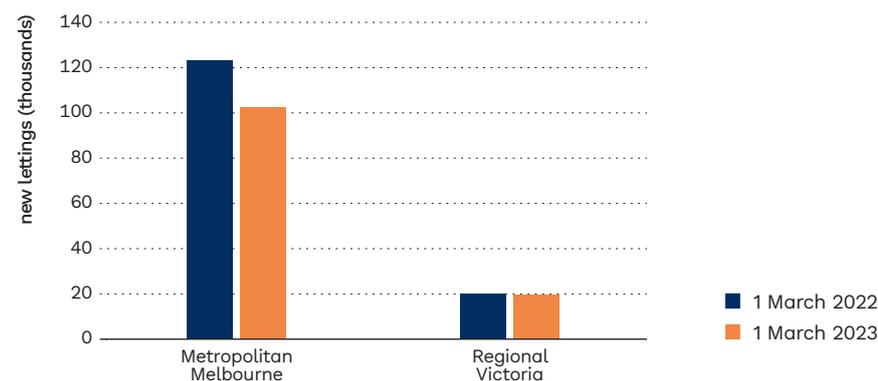
Source: Homes Victoria, *Affordable lettings by local government area - June quarter 2023, 2023*, <<https://www.dffh.vic.gov.au/affordable-lettings-local-government-area-june-quarter-2023-excel>> accessed 30 August 2023.

### New rental lettings

Recent data shows that the number of new rental lettings annually is declining.

Figure 3.17, based on data from the March 2023 Rental Report, shows that between March 2022 to March 2023 new lettings decreased by 16.88% (from 123,190 to 102,393 new lettings) for metropolitan Melbourne and by 1.1% (from 20,128 to 19,907 new lettings) for regional Victoria.<sup>38</sup>

**Figure 3.17 Number of new lettings, March 2022 to March 2023**



Source: Homes Victoria, *Affordable lettings by local government area - March quarter 2023*.

The number of new lettings continued to decrease into the June 2023 quarter. The Victorian Government’s June 2023 quarter Rental Report stated that between

<sup>38</sup> Victorian Government, *Rental Report: March quarter 2023*, report prepared by Homes Victoria, 2023.

June 2022 and June 2023 there was a 16.4% decrease. In June 2023, there was a total of 48,622 new lettings. By region, new lettings in:

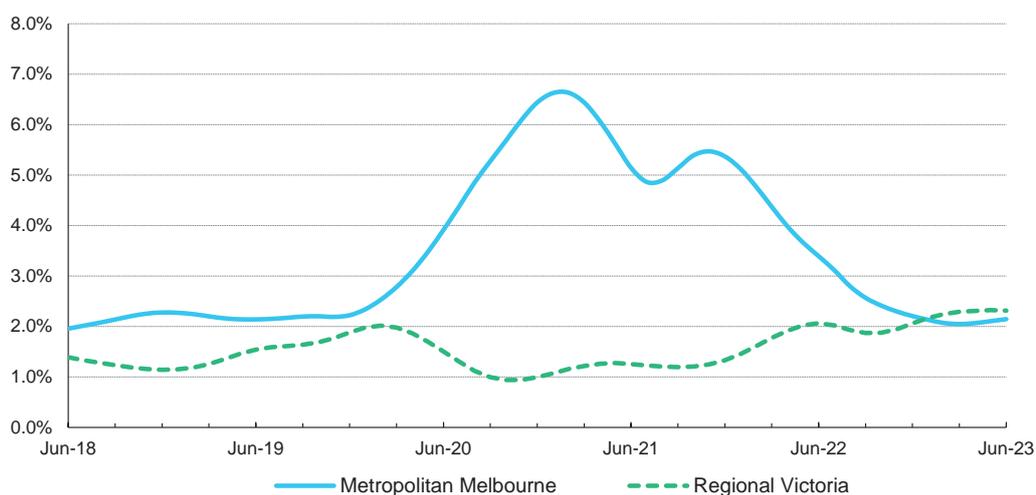
- metropolitan Melbourne decreased by 18.8% between June 2022 to June 2023
- regional Victoria decreased by 3.7% between June 2022 to June 2023.<sup>39</sup>

Approximately 82% of new lettings overall were in metropolitan Melbourne.<sup>40</sup>

### 3.6.2 Vacancy rates

In its June 2023 quarter rental report, the Victorian Government provided data on vacancy rates in Victoria across a 5-year period. The data shows that during the peak COVID-19 pandemic years (2020–2021) there was a significant jump in vacancy rates for metropolitan Melbourne (topping at over 6%), while vacancies declined in regional Victoria. In general, Victoria has experienced low vacancy rates across the State.

**Figure 3.18 Rental vacancy rate, June 2018 to June 2023**



Source: Victorian Government, *Rental report: June quarter 2023*, report prepared by Homes Victoria, 2023, p. 17.

### 3.6.3 Duration of tenancy

As stated in Chapter 2, according to the Victorian Government's June 2023 rental report, the median duration of tenancies in metropolitan Melbourne was 20 months and in regional Victoria 22 months. This was a small increase from 19 months and 21 months from June 2022.<sup>41</sup> Table 3.8 below shows median tenancy duration and turnover rates by dwelling size, for both metropolitan Melbourne and regional Victoria.

<sup>39</sup> Victorian Government, *Rental report: June quarter 2023*, report prepared by Homes Victoria, 2023, p. 4.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid., p. 15.

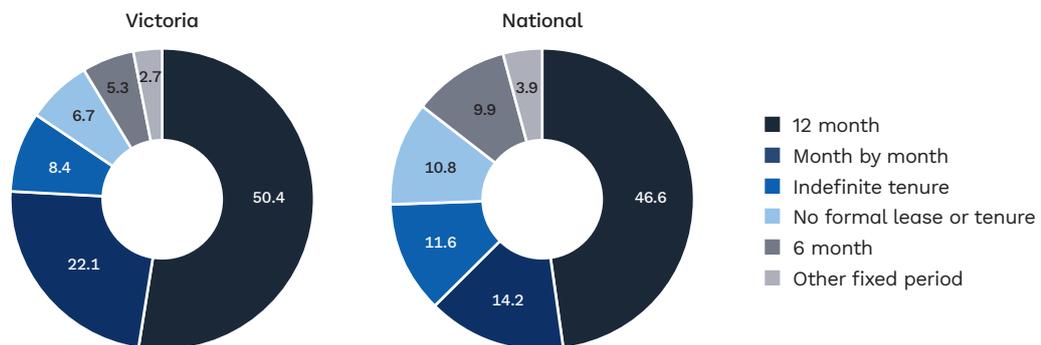
**Table 3.8 Median tenancy duration and turnover by dwelling size**

	Metropolitan Melbourne		Regional Victoria	
	Duration (months)	Turnover (%)	Duration (months)	Turnover (%)
1 bedroom	14	10.4	19	7.5
2 bedrooms	20	7.9	23	7.1
3 bedrooms	23	6.7	22	7.5
4+ bedrooms	22	7.0	20	7.9
<b>All properties</b>	<b>20</b>	<b>7.6</b>	<b>22</b>	<b>7.4</b>

Note: 'Turnover' refers to the percentages of rental properties which changed tenants, or were vacated.

Source: Victorian Government, *Rental report: June quarter 2023*, report prepared by Homes Victoria, 2023, p. 15.

Data from the Australian Bureau of Statistics for 2019–20 shows that Victorian lease lengths are generally consistent with national averages, with nearly half of renters on 12-month leases. Figure 3.19 shows length of tenure for Victoria and Australia, showing that apart from 12 months leases most renters are on a month-to-month lease.

**Figure 3.19 Length of tenure, Victoria versus Australia, 2019–20**

Note: Original graph.

Source: Australian Bureau of Statistics, *Housing Mobility and Conditions, Australia: Summary of Results, 2019–20, 2022*, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 31 August 2023.

As shown in Table 3.9, the Bureau has also published data showing that in 2019–20, most Victorian renters saw no change in their rent (62.7%), but of those that did (14.6%) the primary reason according to those surveyed was changes to the Consumer Price Index. This was broadly consistent with national figures.

Table 3.9 Reason for changes in rental agreements, 2019–20

Reason for change in rental agreement	Victorian households (%)	National households (%)
Change in income	1.9	2.4
Other reason	5.0	7.1
New lease	6.1	6.3
Reason not known	10.9	7.9
CPI index change	14.6	13.1
Rent not changed	62.7	64.9

Note: Original table.

Source: Australian Bureau of Statistics, *Housing Mobility and Conditions, Australia: Summary of Results, 2019–20, 2022*, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 31 August 2023.

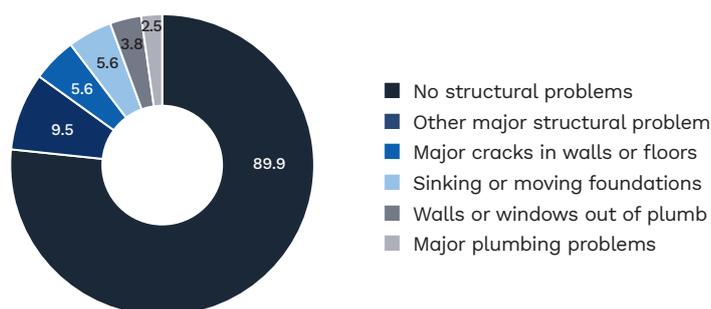
### 3.6.4 State of rental properties in Victoria

In 2019–20, the Australian Bureau of Statistics conducted the *Survey of Income and Housing*, which examined housing mobility and property conditions across Australia. The survey results included data on the condition of rental properties and renters' satisfaction with their properties.

The results indicated that 16.6% of renters surveyed reported structural damage in their properties, which was higher than the rate of homeowners surveyed (9.2%).<sup>42</sup>

In Victoria, the majority of people surveyed reported no structural damage (89.9%). Figure 3.20 provides an overview of Victoria's structural report based on survey responses to the *Survey of Income and Housing*.

Figure 3.20 Damage report on Victoria properties



Note: Results based on all Victorian properties surveyed and is not disaggregated by tenure type.

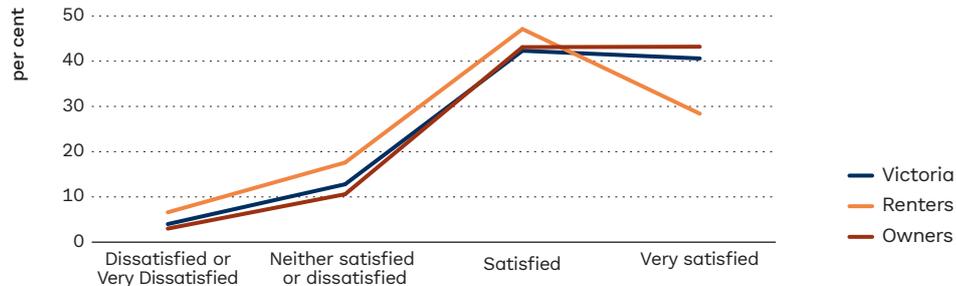
Source: Australian Bureau of Statistics, *Housing Mobility and Conditions, Australia: Summary of Results, 2019–20, 2022*, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 31 August 2023.

<sup>42</sup> Australian Bureau of Statistics, *Housing Mobility and Conditions, Australia: Summary of Results, 2019–20, 2022*, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 31 August 2023.

## Renters' satisfaction with rental properties

The 2019–20 survey also asked respondents to rate their satisfaction with their homes. As shown in the figures below, most people are either satisfied or very satisfied with their dwellings, with renters only slightly less satisfied.

**Figure 3.21 Satisfaction with dwelling**



Source: Australian Bureau of Statistics, *Housing Mobility and Conditions, Australia: Summary of Results, 2019–20, 2022*, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 31 August 2023.

Chapters 5 and 6 discuss the condition of rental properties in Victoria and avenues to address issues raised by stakeholders.

## 3.7 Housing misallocation

Another measure of a housing crisis is housing misallocation. This refers to the inefficient use of housing stock either due to underutilisation of space (exceeds needs) or overcrowding (does not meet needs). The Australian Institute of Health and Welfare assesses housing misallocation using the Canadian National Occupancy Standard, as seen in Box 3.5.

### Box 3.5 Canadian National Occupancy Standard

Measures the suitability of a dwelling according the following criteria:

- no more than two people sharing a single bedroom
- parents/couples may share a bedroom
- children under 5 years (same sex or opposite sex) may share a bedroom
- children under 18 years of the same sex may share a bedroom
- a child aged 5–17 should not share a bedroom with a child under 5 of the opposite sex
- single adults 18 years and over (or unpaired children) require a separate bedroom.

**(Continued)**

**Box 3.5 Continued**

Based on these standards, housing utilisation is described as:

- suitable or adequate: if it meets the Standard's household bedroom requirements
- underutilised: if it has two or more bedrooms surplus to bedroom requirements for the household
- overcrowded: if it requires one or more bedrooms to meet the Standard.

Note: Based on information from Statistics Canada.

Source: Australian Institute of Health and Welfare, *Housing assistance in Australia*, July 2023, <<https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/suitability-of-dwelling-size>> accessed 24 August 2023.

The Australian Institute of Health and Welfare assessed the suitability of dwellings in Australia's social housing stock (including Indigenous housing). It found that in June 2022:

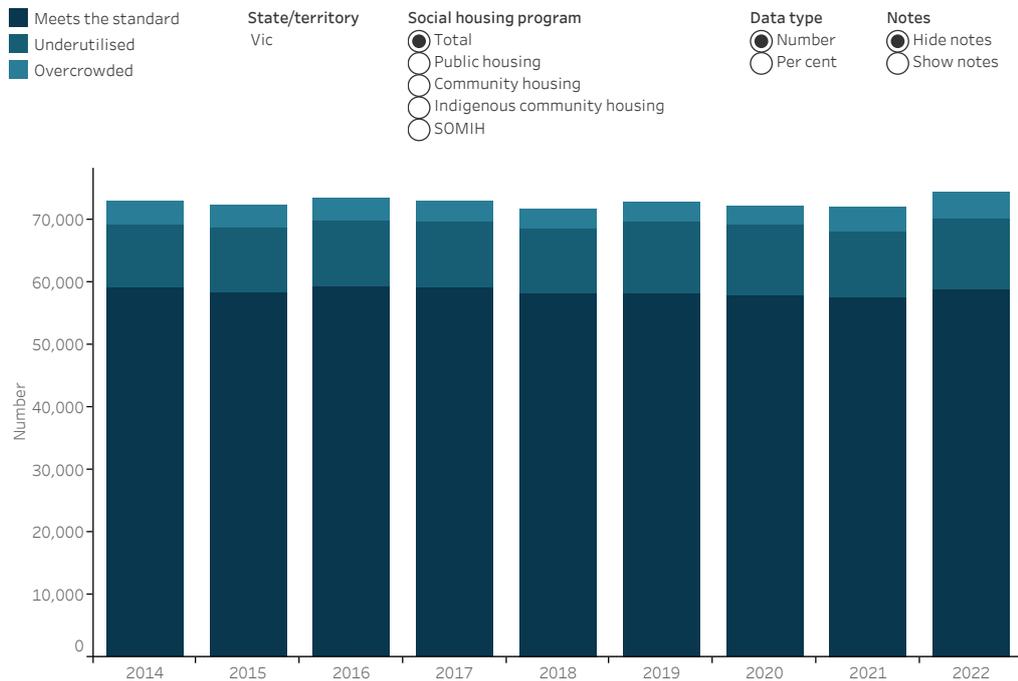
- 79% of social housing households met the standards based on their household composition
- 4.5% of public housing, 26% of state owned and managed Indigenous housing, 2.6% of community housing and 14% of Indigenous community housing were considered to be overcrowded based on their household composition
- 17% of public housing, 26% of state owned and managed Indigenous housing and 11% of community housing were considered to be underutilised based on their household composition.<sup>43</sup>

The Institute reported that in Victoria between 2014 and 2022 the misallocated social and community housing stock increased by 13.2%, from 13,762 dwellings to 15,582 dwellings.<sup>44</sup> Figure 3.22 below shows households by suitability of dwelling size across Victoria's social housing program.

<sup>43</sup> Australian Institute of Health and Welfare, *Housing assistance in Australia*, July 2023, <<https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/suitability-of-dwelling-size>> accessed 24 August 2023.

<sup>44</sup> Ibid.

**Figure 3.22 Households by suitability of dwelling size and social housing program, 30 June 2014 to 2022 (Victoria)**



Source: Australian Institute of Health and Welfare, *Housing assistance in Australia*, July 2023, <<https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/suitability-of-dwelling-size>> accessed 24 August 2023.

In terms of Victoria’s housing misallocation more broadly, the Grattan Institute provided data from the Reserve Bank of Australia which showed that during COVID-19 housing stock was increasingly underutilised as people moved into homes larger than they needed.<sup>45</sup>

There has also been media coverage on underutilised housing stock in Victoria. These reports are not new, with many predating the COVID-19 pandemic. For example, in 2017, the *Sydney Morning Herald* asserted that New South Wales and Victoria are ‘sitting on a glut of 100,000 underused houses, with more than 2000 six-bedroom homes across Sydney and Melbourne occupied by just one person’.<sup>46</sup>

The article discussed housing underutilisation in Melbourne in more detail stating:

In Melbourne city, where 35 per cent of people suffer from rental stress, there are 43 six-bedroom homes with one occupant.

In Port Phillip, where one in five struggle to balance rent with bills, there are 167 four bedroom homes, 30 five bedroom homes and 29 six bedroom homes with just one person living in them.<sup>47</sup>

<sup>45</sup> Grattan Institute, *Submission 562*, p. 2.

<sup>46</sup> Eryk Bagshaw, ‘Housing affordability: thousands of large homes occupied by one person in Sydney and Melbourne’, *The Sydney Morning Herald*, 12 August 2017, <<https://www.smh.com.au/politics/federal/thousands-of-mansions-occupied-by-just-one-person-across-sydney-and-melbourne-20170731-gxlzga.html>> accessed 24 August 2023.

<sup>47</sup> Ibid.

### 3.8 Accessibility of housing options for vulnerable populations

As noted in Section 3.6 above, there is a severe lack of affordable rental housing in Victoria. This reduces the availability of suitable housing options for low-income households, marginalised and vulnerable populations. Compounding this issue is the equally severe lack of social housing in Victoria.

Neither of these issues are unique to Victoria and have been noted by many inquiries and reports for over a decade, for example:

- *Options to improve access to existing and alternate accommodation to address the social housing shortage* (Parliament of New South Wales, 2022)
- *Inquiry into homelessness in Australia* (Parliament of Australia, 2021)
- *Inquiry into affordable housing* (Parliament of Australia, 2014).

Homes Victoria publishes data each financial year on social housing allocations in the State. For the 2021/22 financial year, 5,553 households were allocated social housing (Table 3.10).

**Table 3.10 Allocations into social housing, 2021/22**

	Community housing allocations	Public housing allocations	All social housing allocations
New allocations <sup>a</sup>	1,290	2,131	3,421
Transfer allocations	220	1,912	2,132
<b>Total allocations</b>	<b>1,510<sup>b</sup></b>	<b>4,043</b>	<b>5,553</b>

a. 'New allocations' refers to households entering social housing. This can include households which were experiencing homelessness, housing/rental stress, or living with others in private housing prior to entering social housing. 'Transfer allocations' refers to households already living in community or public housing.

b. 12% of community housing allocations were to rooming houses, a form of housing not offered by public housing.

Source: Homes Victoria, *Social housing allocations 2021/22, 2023*, <<https://www.homes.vic.gov.au/social-housing-allocations-202122>> accessed 31 August 2023.

Homes Victoria further breaks down new social housing allocations by certain demographics, such as household composition, Aboriginal and Torres Islander Victorians, and region. Table 3.11 summarises this data.

**Table 3.11 New allocations into social housing by selected demographics, 2021/22**

Demographic	Community housing allocations	Public housing allocations	All social housing allocations
<b>Household type</b>			
Single youth	42	81	123
Single general	509	594	1,103
Elderly single	284	653	937
Elderly couple	29	47	76
Couples	18	23	41
Couple with children	38	44	82
Single person with children	287	562	809
Group household	83	126	254
<b>Aboriginal Victorians</b>			
Aboriginal households	172	291	463
Non-Aboriginal households	1,118	1,840	2,958
<b>Region</b>			
Inner metro Melbourne	334	382	716
Middle metro Melbourne	413	572	985
Outer metro Melbourne	233	308	541
Regional and rural Victoria	310	869	1,179
<b>Total new allocations</b>	<b>1,290</b>	<b>2,131</b>	<b>3,421</b>

Source: Homes Victoria, *Social housing allocations 2021/22, 2023*, <<https://www.homes.vic.gov.au/social-housing-allocations-202122>> accessed 31 August 2023.

Victoria's current rate of social housing allocation does not come close to meeting demand with the social housing waiting list being significantly larger than the allocations. Between March 2022 and March 2023, the social waiting list increased by 6.17% from 64,034 applications to 67,985 applications (Table 3.12).

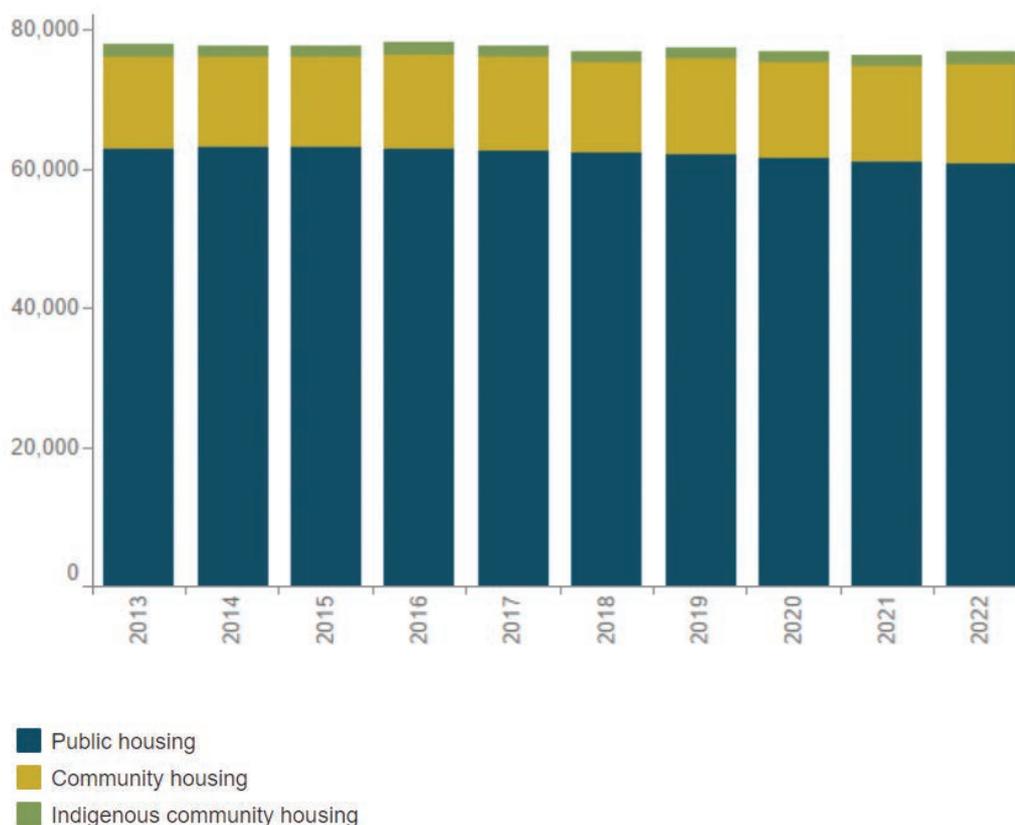
**Table 3.12 Social housing applications by type, March 2022 to March 2023**

Application type	March 2022	June 2022	September 2022	December 2022	March 2023
Priority	36,237	36,223	36,448	36,459	37,079
Register of interest	28,067	27,945	28,862	30,661	30,096
<b>Total</b>	<b>64,304</b>	<b>64,168</b>	<b>65,310</b>	<b>67,120</b>	<b>67,985</b>

Source: Homes Victoria, *Applications on the Victorian Housing Register (VHR), 2023*, <<https://www.homes.vic.gov.au/applications-victorian-housing-register-vhr>> accessed 31 August 2023.

Data further shows that the number of social housing households remained stagnant from 2013–2022 at just under 80,000 (Figure 3.23). Over this time social housing declined compared to the previous year on five separate occasions.

**Figure 3.23** Number of social housing households, by social housing program, Victoria, June 2013 to June 2022



Source: Australian Institute of Health and Welfare, *Social housing: Dwellings, households and household occupants*, 2023, <<https://www.housingdata.gov.au/visualisation/social-housing/dwellings-households-and-household-occupants>> accessed 1 September 2023.

### Committee comment

The issue of housing has attracted significant attention in recent years, with concern only growing over time. Stakeholders, experts and various commentators have discussed the confluence of escalating housing costs, stagnant wage growth and an inadequate supply of affordable housing.

The growing disparity between the cost of housing and people's ability to pay is particularly pronounced in urban centres and growth corridors, where demand for housing remains high due to factors such as population growth and employment opportunities.

The consequences of this crisis extend beyond financial strain. Many Victorian households, especially low and middle-income households, are facing increasing challenges to secure stable housing. A lack of stable housing can decrease a household's mobility and disrupt education, employment and social networks.

Concurrent with this, as people rent for longer, is increased commentary on what should be an acceptable standard for rental properties. An increasing number of Victorians feel they have no choice but to live in substandard accommodations or relocate frequently. Vulnerable populations, including low-income households, Aboriginal and Torres Strait Islander Victorians and other marginalised groups, are disproportionately affected, exacerbating existing inequalities.

**FINDING 6:** A housing crisis can be said to exist when the following factors are evident:

- State and Federal Governments over time have failed to provide enough public and community housing to meet demand
- more people than ever experience rental and mortgage stress
- rent and mortgage costs increase at a significant rate in comparison to wages
- the liveability of rental housing declines and existing standards are poorly enforced
- rental vacancy rates are extremely low
- more people rent for longer and cannot buy their own homes until later in life than previously, if at all.



# Chapter 4

## Supply or demand: crisis narratives and their solutions

### 4.1 Introduction

The Terms of Reference to this Inquiry call for the Committee to investigate, among other things, 'factors leading to low availability and high costs', 'options to address insecurity, availability and affordability issues facing Victorian renters' and 'barriers to homeownership'. While the indicators examined in Chapter 3 demonstrated that these issues are certainly evident in Victoria, the causes of and solutions to these issues are contested.

The Committee heard a wide range of views as to the causes of Victoria's housing problems, many of which have now become commonplace in housing debates in Australia:

- housing supply not keeping up with population growth
- a lack of supply exacerbated by a 'broken' planning system and 'nimbyism'
- developers 'land banking' i.e. delaying building to achieve higher profits
- the misallocation of an otherwise sufficient housing stock
- tax settings that promote housing as a wealth-accumulating asset, creating excessive demand and competition between owner-occupiers and property investors
- a period of low interest rates making for cheap money, allowing bidding up of housing prices, followed by rate rises and mortgage stress
- rental providers under mortgage stress passing increases on to renters
- 'investor flight' from the housing market due to increased taxes and onerous regulations and minimum standards contracting rental supply, increasing rental demand and thereby increasing rents
- long-term rental properties being converted into short-term accommodation, exacerbating shortages
- 'greedy' landlords unreasonably lifting rents
- underregulated and unenforced rental legislation leading to high prices and poor quality of rental properties
- 'opportunistic' real estate agents exploiting the rental system to raise rents

- long-term government underinvestment in social housing
- the dominance of small investors as rental providers lacking capital or expertise to provide large-scale dwellings
- a rental system historically intended as ‘temporary’ now failing to meet the needs of long-term renters.

The challenge facing policy makers is that these are ‘rival explanations’ and arguments about housing in Victoria. When combined with the complexity of the issue, this highlights how difficult it is to both quantify and qualify the problem and come up with a solution.

This Chapter examines these competing explanations under four headings:

- supply narratives
- demand narratives
- government intervention
- market and government failures.

In this Chapter, the Committee largely abstains from adjudicating between these rival positions. Aside from a Recommendation at the end of Section 4.2 regarding disputes between developers and councils on the blocking of planning permits, the Committee reserves its discussion of the merits of these different arguments until later in the Report when they are discussed in the context of specific policy measures.

## 4.2 Supply narratives

Supply and demand narratives are now well established in housing policy debate in Australia. The most recent Inquiry into housing affordability at a federal level, the Falinski Inquiry, described housing policy as a debate between two ‘tribes’:

- planners and academics who ‘believe the tax system has turned housing into a speculative asset, thereby leading to price increases’
- those who ‘believe planning, the administration of the planning system and government intervention have materially damaged home ownership in Australia’.<sup>1</sup>

Put more simply, there is a divide between those that emphasise demand-side issues and those that emphasise supply. Falinski fell squarely into the latter camp. This Inquiry also heard evidence from both of these ‘tribes’, along with considerable critiques of each side.

The dominant explanation of housing affordability issues in Victoria, as across Australia, is a supply story: there is a shortage of dwellings, driving competition

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<sup>1</sup> Parliament of Australia, House of Representatives Standing Committee on Tax and Revenue, *Inquiry into housing affordability and supply in Australia*, March 2022.

among owners and investors for insufficient stock, which pushes up prices and rents. This view has been reflected in recent reports, not just Falinski but the Federal Productivity Commission and two recent NSW Productivity Commission reports.<sup>2</sup>

The Real Estate Institute of Victoria framed the issue in simple economic terms:

The prices are being driven up by the fact that there is a lack of supply and an increased demand, and in any economy if you put supply and demand together and you have an increased demand for a commodity and a lack of supply, it increases the prices.<sup>3</sup>

This was also the view of the Victorian Government in its recent *Housing Statement*:

It all comes back to supply. It's a simple reality: as a country, we need to do more to build enough houses for all of the people who need them. Because it's only when there are enough homes to go around that more people will be able to afford them ... the fundamental truth is this: we're not building enough homes for all of the people who will need them in years to come. Right now, the system just isn't working like it should – and decisions aren't getting made fast enough.<sup>4</sup>

In contrast to these supply narratives, housing experts from RMIT noted in their submission:

... we argue that housing affordability and availability issues cannot solely be solved by supply-side changes. A recent AHURI report outlines that assumptions underpinning proposals for filtering as a source of affordable housing are misplaced: “there is little corresponding evidence that these age-related price dynamics are sufficient to generate a supply of affordable housing for low-income households. Under the prevailing housing market and planning conditions, the evidence does not support relying on filtering as a substitute for the non-market provision of affordable housing for low-income households.”

We argue that rather than the housing system suffering from a lack of availability, the rates of housing insecurity reported both in Victoria and across the country are due to a problem with distribution. Policy incentives encourage and accelerate the supply of ‘asset housing’ which positions private rental as a passive income vehicle that seeks the highest possible rent. When the asset can no longer maximise rent due to cost neutral/prohibitive factors such as repairs and maintenance, equity growth of the asset offsets potential rent thus incentivising vacancy.

The current housing system in Victoria has a massive undersupply of non-market housing. Recent research states that the unmet need for non-market housing in Victoria will grow to at least 727,300 properties over the next 15 years. Without a significant rise in social security payments and corresponding real wage growth to match increased housing

<sup>2</sup> Centre for Independent Studies, *Submission 372*.

<sup>3</sup> Quentin Kilian, Chief Executive Officer, Real Estate Institute of Victoria, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 43.

<sup>4</sup> Victorian Government, *Victoria's Housing Statement*, 2023, p. 7.

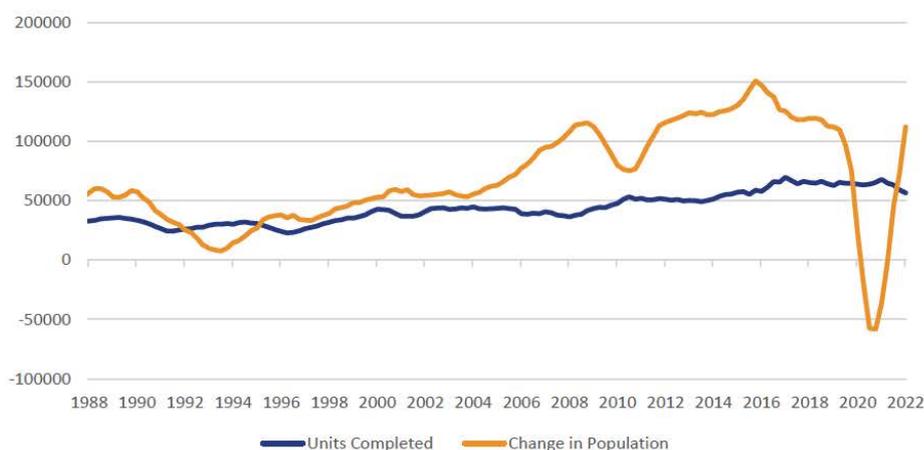
costs, it is unlikely that an increase in housing supply inattentive to the type of housing stock being generated will improve the dwelling conditions of low-income households.<sup>5</sup>

As the *Housing Statement* suggests, inherent to supply-side arguments are two propositions: housing construction is not keeping up with population growth; and the planning system is putting a break on that supply being realised. Evidence of both propositions presented to the Committee is noted below.

### 4.2.1 Population growth and housing supply

A standard way of establishing supply-side arguments is to demonstrate that population growth is outstripping housing supply. As noted in Chapter 2, the Master Builders Association of Victoria included this kind of evidence in its submission to the Inquiry:

**Figure 4.1 Population growth and new home building in Victoria, 1988 to 2022**



Source: Master Builders Association of Victoria, *Submission 567*, p. 5.

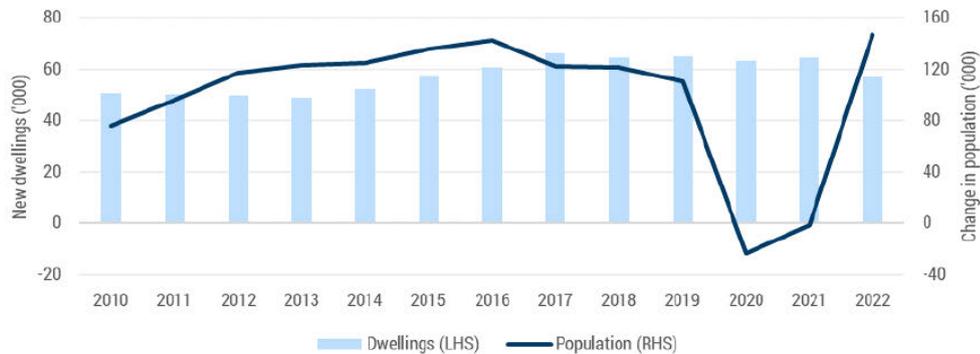
The Master Builders Association of Victoria said that while housing demand can increase significantly over short periods – whether from migration and population increases or favourable market conditions – the supply of new housing usually responds to these changes very slowly, ‘meaning that prices in the market rise to achieve some degree of balancing between supply and demand’. According to Figure 4.1, aside from the population exodus during COVID-19, this lag between population growth (implying demand) and completion of new units has been widening since the early 2000s.

The Committee received contrasting evidence from the Parliamentary Budget Office, which provided analysis arguing that ‘data may indicate that new dwelling construction has broadly kept pace with population growth in Victoria’ (see Figure 4.2). It qualified that finding, stating that the data ‘does not account for compositional

<sup>5</sup> Joint Submission, *Submission 923*, pp. 7–8.

requirements – whether the new dwellings align with the type of housing Victorians are seeking’. This issue is further discussed in Section 4.2.3.<sup>6</sup>

**Figure 4.2 New property builds compared to changes in the population, 2010–2022, Victoria**



Source: Parliamentary Budget Office, *Submission 947*, p. 20.

A joint submission from social enterprise housing providers Assemble and Nightingale similarly observed that the ‘private housing market has performed well; delivering housing in line with population growth over the past 15 years’. It noted that ‘between 2006 and 2021 both the population and the supply of housing increased by 28%’.<sup>7</sup>

At any rate, economists tend to work with different measures to estimate the shortage of housing supply. Peter Tulip, an economist at the Centre for Independent Studies, told the Committee that while comparing population growth with new builds ‘helps to communicate simple ideas to the general public, it does not provide an adequate basis for policy’, for it is fraught with assumptions such as average household size.

A more rigorous approach, Mr Tulip said, was to measure ‘excess demand for housing as the gap between prices and the marginal cost of supply’.<sup>8</sup>

## 4.2.2 Land and planning regimes: what causes supply shortages?

As both the Centre for Independent Studies analysis and the *Housing Statement* above state, inherent to supply-side arguments are concerns that the existing planning regulations and rules are a brake on supplying new housing. These concerns relate broadly to two main areas in the planning system: the development of greenfield land; and the rezoning of established residential areas.

<sup>6</sup> Parliamentary Budget Office, *Submission 947*, p. 20. See also: Xavier Rimmer, Parliamentary Budget Officer, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 58.

<sup>7</sup> Joint Submission, *Submission 915*, p. 8.

<sup>8</sup> Centre for Independent Studies, *Submission 372*, p. 7.

## Land shortages

In its submission to the Inquiry, the Housing Industry Association criticised restrictions on greenfield development, particularly the Victorian Government's current urban growth boundary strategy (see Chapter 2) to manage urban growth. The Association argued that:

- urban growth boundaries 'create distortions in the market for land development'
- boundaries can essentially create 'quarantined' land that 'may otherwise have capacity for urban use and servicing capability'
- Precinct Structure Plans, which determine future zoning and land use, are 'taking 5–6 years to complete in Victoria'.<sup>9</sup>

Drawing on data from the Department of Transport and Planning Urban Development Program, the Housing Industry Association reported that the total supply of greenfield land in Melbourne's growth areas fell from 423,000 lots in 2018 to 370,000 lots in 2021:

There is therefore a compelling case for the Victorian Government to promote and streamline an efficient regulatory process to ensure there is an adequate minimum land supply to meet future demand (i.e. a rolling 15 years supply). With stock levels running low, some areas have fallen below 15 years supply (i.e. Wyndham 12 years) and others are nearing the mark (i.e. Casey, Cardinia, Melton 16 years, Whittlesea 17 years).

The Housing Industry Association added that to meet demand for land in Melbourne's growth areas, developers are now creating smaller lots and increasing density. According to one report, while the average price lot remained stable in these growth areas for the year to March 2023, the average lot size reduced by 7–8 per cent. Developers are now paying more than \$2m per hectare – double the price of 10 years ago – for increasingly scarce greenfield zoned land.

## Land supply issues in regional and rural areas

Local councils and housing groups in regional and rural areas more specifically identified a shortage of properly serviced land – i.e. with necessary infrastructure – as a key issue constricting housing supply. Regional Cities Victoria described challenges around new infrastructure in detail:

All regional cities are facing challenges in the lead time between identification-of-land and supply-to-market. Ensuring there is appropriate enabling infrastructure to support land development in a timely manner is a universal challenge. Water and sewerage infrastructure is a consistent problem during development projects. Essential Services Commission-regulated Water Plans are failing to provide water authorities with the adequate scope to meet the infrastructure demands of regional Victoria's growing population (partly to protect existing residents/ ratepayers from excessive price increases).<sup>10</sup>

<sup>9</sup> Housing Industry Association, *Submission 487*, p. 9.

<sup>10</sup> Regional Cities Victoria, *Submission 687*, pp. 5–6.

Regional Cities Victoria added that even though Development Contribution Plans do contribute to infrastructure costs ‘they are limited in scope and fail to provide for inclusion of other authorities involved in water and sewerage infrastructure development’.<sup>11</sup>

According to Regional Cities Victoria, the ability for councils to accurately forecast land supply is constrained by a lack of planners, an issue also stated by several councils during this Inquiry. It cited similar problems in having access to adequate expertise in population forecasting, with many cities now far exceeding original estimates. Rather than a general deregulating of planning and zoning regimes, Regional Cities Victoria recommended investment in greenfield site development and changes to the *Planning and Environment Act 1987*, removing some responsibilities from councils to the State Government to expedite planning approvals. Both issues are discussed in Chapter 7.

While some of these arguments are familiar from previous Inquiries conducted by the Victorian Parliament (see Chapter 1), most evidence submitted to this Inquiry was more concerned with restrictions on densifying established residential areas rather than new greenfield development (see Section 4.2.3).

### Planning problems in established suburbs

A second kind of restrictions relates to planning rules and regulations controlling the development of existing low-density suburban areas. These refer to what Dr James Lennox called ‘extensive use of restrictive zoning, blanket heritage overlays in many inner suburbs, and protracted approval systems that give unreasonable weight to the interests of current owner-occupiers over those of rental tenants and prospective residents’.<sup>12</sup>

The Centre for Independent Studies put this argument most directly:

A mountain of academic research finds zoning restricts supply, and this increases prices and rents. More specifically, researchers find: less building in jurisdictions with tight planning restrictions; more building when restrictions are eased; lower prices and rents when restrictions are eased; prices exceed marginal costs for both detached houses and apartments; substantial economic harm from zoning restrictions.<sup>13</sup>

Peter Tulip added that ‘as a general rule of thumb’ every extra per cent increase in supply reduces the cost of housing by about 2.5%.<sup>14</sup>

The Grattan Institute stated: ‘Irrespective of its cost, each additional dwelling adds to total supply, which ultimately affects affordability for all home buyers.’<sup>15</sup>

<sup>11</sup> Ibid.

<sup>12</sup> Dr James Lennox, *Submission 506*, p. 8.

<sup>13</sup> Centre for Independent Studies, *Submission 372*, p. 4.

<sup>14</sup> Peter Tulip, Chief Economist, Centre for Independent Studies, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 15.

<sup>15</sup> Grattan Institute, *Submission 562*, p. 2.

YIMBY Melbourne criticised other planning regulations, pointing out that in the City of Yarra, there are 22,505 heritage properties and in the City of Melbourne there are 12,867 heritage properties.<sup>16</sup> It also highlighted carparking minimum requirements in new developments that are near existing public transport infrastructure. YIMBY Melbourne cited Merri-bek Council's 2019 Parking Implementation Plan that found building costs increased upwards of \$46,000 per parking space, and in some apartment spaces by more than 10%. It says these costs are passed on to inner-city homeowners and renters who increasingly don't own cars and recommend an opt-in system for carparking.<sup>17</sup>

### 4.2.3 'Upzoning', 'densification' and 'housing abundance'

Arguments to relax or reform planning regulations in established residential relate to broader visions to 'upzone' and 'densify' Melbourne's 'middle-ring' or 'missing middle' suburbs as a key solution to housing shortages. Upzoning refers to reclassifying inner and middle suburban areas from predominantly single detached homes to denser housing developments. YIMBY Melbourne refers to this as achieving 'housing abundance', a 'framework in which it is easy to build within our cities, and where growth happens around amenities and infrastructure, augmenting our existing communities with more resources and citizens'.<sup>18</sup>

Advocates for developing inner- and middle-suburban residential areas argue these options have several advantages over opening new greenfield sites. This include:

- making better use of existing infrastructure and avoiding the need to provide expansive new infrastructure
- capturing the land value that follows upzoning through windfall gains taxes to fund further social housing and amenity
- social justice outcomes
- minimising the environmental costs associated with greenfield development.<sup>19</sup>

Several stakeholders looked to recent experiences in Auckland, which in 2016 upzoned about three-quarters of its residential land from neighbourhood residential to general residential. This encouraged a building spree of multi-residential dwellings. The Grattan Institute reported that the upzoning increased housing supply by up to 4% of the housing stock in just five years and a decline in rents of 14–35% for two- and three-bedroom dwellings.<sup>20</sup> Dr James Lennox drew on similar research that found that dwellings in Auckland 'are 21–33% cheaper than they would have been without the reform'.<sup>21</sup>

<sup>16</sup> YIMBY Melbourne, *Submission 556*, p. 5.

<sup>17</sup> *Ibid.*, p. 7.

<sup>18</sup> *Ibid.*, p. 3.

<sup>19</sup> See: Dr James Lennox, *Submission 506*; Brendan Coates, Economic Policy Program Director, Grattan Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 12.

<sup>20</sup> Grattan Institute, *Submission 562*, p. 3; Jonathan O'Brien, YIMBY Melbourne, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 40; Centre for Independent Studies, *Submission 372*, pp. 4–5; Dr James Lennox, *Submission 506*, p. 9.

<sup>21</sup> Dr James Lennox, *Submission 506*, p. 9.

## The 70/30 principle

The Committee notes that Victorian Government policy is already geared in the direction of middle-ring development. In its 2019 urban strategy document, *Plan Melbourne*, the Victorian Government committed to a '70-30 split', which designated that 70% of new homes to be built over the next 50 years should be built in established areas and the remaining 30% in new growth areas, thereby limiting urban sprawl.

In announcing plans to update *Plan Melbourne*, the *Housing Statement* confirmed a commitment to this 70/30 split.

## NIMBYism

Advocates of upzoning strategies to increase housing supply across Melbourne highlight resistance to these proposals. NIMBYism (not-in-my-backyard) is the colloquial term to refer to residents in established areas who use restrictions and protections in the planning system to contest or block densification projects.

Many stakeholders expressed a clear perception that local councils can be captured by 'NIMBY' politics, where local residents put pressure on councils to reject larger residential developments in an effort to protect local amenity. Dr James Lennox told the Committee the Victorian Government is failing on its stated 70-30 development, 'in part due to a planning system in Victoria which is inconsistent due to the subjective nature of individual local council's political pressures'.<sup>22</sup>

Reece Agland from the Australian Institute of Architects, told the Committee:

Currently all the councils say the lovely things about needing to densify, but there is nothing forcing them to do it or pushing them to do it, and they get a lot of pushback from their local people, which is understandable, so you need to find a way to change that dynamic.<sup>23</sup>

This view extends beyond metropolitan Melbourne. For example, referring to how best use a \$600 million grant under the Big Housing Build in its area, Latrobe Health Advocate noted:

Relying on local government to lead these consultations risks triggering a 'nimby' response as the transformative opportunities of this extraordinary investment can be missed if the State Government does not have a significant presence in the consultations. A more collaborative approach to frame individual projects within a State context has the potential to avoid locally focused issues delaying the implementation of this vital initiative.<sup>24</sup>

<sup>22</sup> Joint Submission, *Submission 915*, p. 13.

<sup>23</sup> Reece Agland, Policy and Advocacy Manager, Australian Institute of Architects, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 77.

<sup>24</sup> Latrobe Health Advocate, *Submission 509*, p. 4.

Developer Greystar International told the Committee that it found it easier to work directly with the State Government than individual councils.<sup>25</sup>

Despite this, some councils are pushing ahead with upzoning strategies. The Greater City of Dandenong told the Committee at a public hearing that it had recently rezoned a large area of land to become residential growth zones, adding: 'We are supportive of increased densities in the right location.'<sup>26</sup>

### New designs, new ways of living

Stakeholders recognised that increased densification in established middle-ring areas requires more than planning deregulation but also a cultural shift in how Victorians and Melbournians think about housing. The McKell Institute told the Committee:

I do hope that one good thing that comes out of the fact that we have reached this really dreadful housing crisis is that the nimby argument no longer carries weight anymore, and I hope that that really emboldens people politically, at all levels of government, to really turn their backs on those sorts of views.<sup>27</sup>

Peter Tulip told the Committee addressing affordability involved educating communities on how zoning restrictions can contribute to affordability issues.<sup>28</sup>

As the Australian Institute of Architects told the Committee, achieving this transition will require making living in built-up urban areas more appealing:

If we are going to stop the spread, we have to make living in an apartment an attractive option for mums and dads as well, and at the moment they do not generally see that. But if they see some of these designs, they see how open they are, how much light and air comes through, they do not need these massive houses. Those design elements might actually allay some of the concerns and some of the nimbyism about 'Oh, not in my backyard. We don't want all these people. It's just going to ruin the environment.'<sup>29</sup>

The Committee notes that the Victorian Government's *Future Homes* initiative offers a series of approved architecturally designed apartment plans to be purchased and adapted to privately-owned vacant land through a streamlined planning process.<sup>30</sup> The Grattan Institute recommended the Government should 'push ahead' with this initiative.<sup>31</sup>

25 Sean Ryan, Senior Director, Development, Greystar Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 66.

26 Brett Jackson, Manager, Strategic and Environmental Planning, Greater Dandenong City Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 62.

27 Rebecca Thistleton, Executive Director, McKell Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 24.

28 Peter Tulip, *Transcript of evidence*.

29 Reece Agland, *Transcript of evidence*, p. 83.

30 Department of Transport and Planning, *Future Homes*, 2023, <<https://www.planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/future-homes>> accessed 9 November 2023.

31 Grattan Institute, *Submission 562*, p. 3.

## Denisification, land values, windfall taxes and the question of affordability

The Committee received conflicting evidence on whether increasing density per se in established urban areas would improve either housing supply or affordability. A major implication of rezoning and reconstruction on existing sites may be a significant increase in land values and accompanying decrease in affordability. Professor Terry Burke told the Committee:

If you are going to build 50 units to a particular allotment where back in the 1980s you could only build three, what is the impact on the land value? There is going to be a huge increase in the land value. Flowing from that, you are going to have a major reduction in affordability. I actually think that is what is going to occur if we accelerate the densification of Melbourne now.

Professor Burke largely agreed with arguments about the social benefits of increasing density in middle suburbs and encouraged consultation and education as well as mandating inclusionary zoning to overcome ‘nimbyism’.

However, in specifically addressing the question of supply and affordability, Professor Burke was unconvinced. He noted that supply-side arguments involving the deregulation of planning laws tended to ‘neglect’ one of the ‘distinctive attributes of the Australian housing system compared to many other countries’ – the contract building system – and that increasing density may simply shift where houses are built from outer suburbs to inner suburbs. He said:

The problem with the contract building system is it does not matter whether you have got a regulated system or a deregulated system, you will only build as many as households or investors contract to build ... Densification, my argument is, will not build one more additional dwelling. It will increase the diversity of stock, it will change the urban form of our cities and it might reduce infrastructure cost – I am actually uncertain of that – but I do not think it is a solution to the shortage of housing. It has got other objectives.<sup>32</sup>

The Committee notes the Victorian Government’s recent introduction of a windfall gains tax anticipates land values increasing following rezoning. The *Windfall Gains Tax Act 2021*, established in Victoria from 1 July 2023, charges 50% on any uplift in value on a property if rezoned as residential. In October 2023, the Government announced it intended to introduce further legislative changes limiting the ability of developers to pass on the costs of land tax and windfall gains tax to homebuyers by attaching it as items in sales contracts.

Those advocating an increased windfall tax implicitly acknowledged the increased land values that follow rezoning. The McKell Institute identified Fisherman’s Bend as Victoria’s ‘best example of why land rezonings should have a windfall gains tax

<sup>32</sup> Professor Terry Burke, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 28.

attached, after values soared to more than three times their value from the stroke of the then Minister for Planning's pen'.<sup>33</sup>

Similarly, Brendan Coates from the Grattan Institute told the Committee that governments should use increased profits created by upzoning to improve public infrastructure in those areas.<sup>34</sup>

### Committee comment

The Committee acknowledges that density is an issue for all cities and towns in Victoria. However, as the vast majority of evidence it received related to Melbourne, it is restricting its comments here to Melbourne and its suburbs.

The Committee agrees that increasing density in established suburbs has many social and economic benefits, not the least of which is ensuring more people can access established infrastructure such as schools public transport. Yet the Committee did not receive conclusive evidence that increased density necessarily increases overall housing supply and affordability.

For example, it may simply shift housing from being built in new areas on the urban fringe to being built in established suburbs. As well, increased density only increases land values.

Any increase in supply will make housing more affordable. Therefore, the Committee believes that increased density can only be a part, albeit a critical part, of the overall discussion about increasing overall housing supply and affordability in Melbourne.

**FINDING 7:** Increasing density in established inner- and middle-urban areas has important social and broader economic benefits.

All of these issues are discussed further in Section 7.4.

#### 4.2.4 Land banking and delayed construction

Some stakeholders pointed to the issue of 'land banking' as a counterargument to claims of councils being captured by strategic 'nimby' uses of the planning system that impeded increased supply of housing. Land banking occurs when sites are left undeveloped after applications have been approved because developers can afford to wait for higher future capital returns.

The extent of land banking is unknown. In September 2023, *The Age* reported a joint analysis with the Municipal Association of Victoria suggesting there are 119,536 houses,

<sup>33</sup> McKell Institute, *Submission 937*, p. 15.

<sup>34</sup> Brendan Coates, *Transcript of evidence*, p. 20.

townhouses and units in Victoria that have been approved but where construction has not begun.

*The Age* said the finding suggests that ‘local governments are not solely responsible [for housing supply shortages], with builders and developers cancelling and shelving approved projects due to soaring building costs, rising interest rates and uncertainty linked to labour shortages’. It added that the analysis had found more than 98% of housing permits were granted by councils’ planning officers without interference from elected councillors.<sup>35</sup>

The Municipal Association of Victoria pre-empted this report in its submission to the Committee:

Planning approvals and rezoning are often asserted as being a contributing cause to having sufficient supply of dwellings, both owner-occupied and those available for long-term rental. Contrary to this assertion, however, analysis of planning permit approvals show that councils have facilitated tens of billions of dollars’ worth of development every year while maintaining a high degree of community input. Since 2018 council-led planning processes across metropolitan Melbourne have approved 96% of multi-unit applications to a value of over \$7 billion.<sup>36</sup>

Several stakeholders cited a 2022 report by Prosper Australia, which investigated the rate of plot sales across major master-planned housing development. The report found that over a ten-year period, only 23.8% of sites released by governments across Australia to developers had been sold to home buyers, while of the three Victorian examples provided, an average of 63% of housing lots remained vacant after nine years.<sup>37</sup>

The Municipal Association of Victoria noted: ‘This sort of land banking not only occurs on Melbourne’s urban fringe, inner-city brownfield sites are also vacant, with developers holding onto vacant land or permit-approved developments to await more ideal market conditions.’<sup>38</sup>

Steve Holland, Mayor of Frankston, told the Committee data on approvals that had not commenced did not exist but suspected councils were not the culprits:

it would be interesting to see the statewide data as far as the number of approved dwellings across the state which councils have approved but have not actually been built or constructed. I think that would demonstrate a very clear picture that there is no real backlog from a council approval and planning perspective but there is a question as to why those approved developments are not actually being constructed.<sup>39</sup>

35 Josh Gordon and Rachael Dexter Royce Millar, ‘The 120,000 homes that are ready to be built – but work hasn’t started’, *The Age*, 20 September 2023, <<https://www.theage.com.au/national/victoria/the-120-000-homes-that-are-ready-to-be-built-but-work-hasn-t-started-20230919-p5e5t7.html>> accessed.

36 Municipal Association of Victoria, *Submission 938*, p. 15.

37 Australian Institute of Architects, *Submission 931*, p. 13; Municipal Association of Victoria, *Submission 938*, p. 15.

38 Municipal Association of Victoria, *Submission 938*, p. 15.

39 Steve Holland, Mayor, Mornington Peninsula Shire Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 65.

Dandenong City Council believed land banking occurred more on greenfield edges than in established suburbs.<sup>40</sup>

The Australian Institute of Architects, also suspecting land banking practices among developers, recommended governments discourage such practices by setting strict rules on land usages when new tracks are released for housing development, such as placing timeframes on which land must be developed before being surrendered and taxing empty land.<sup>41</sup> It added: 'It should also be recognised that there are financial benefits to landlords and landholders of a degree of housing stock scarcity. Therefore, we cannot simply rely on market forces to correct the social problem of high rental costs.'<sup>42</sup>

In Victoria, houses in Melbourne's inner- and middle-ring suburbs unoccupied for more than six months attract a vacant residential land tax. In October 2023, the Victorian Government announced that the tax would be expanded across Victoria, while empty lots in these Melbourne suburbs would attract higher land tax bills if not developed after five years. The changes are due to come into place on 1 January 2025.

The Centre for Independent Studies submission rebutted concerns about land banking, saying that competition among developers ensures this is not a problem:

Their mistake is assuming that the housing market is monopolistic. In a competitive housing industry like Victoria's, which has thousands of builders and developers, if one firm withholds supply, its competitors will take its business. To be clear, competitive firms have an incentive to *time* the market – selling when prices are unusually high. But that smooths prices, it does not increase them.<sup>43</sup>

Brendan Coates from the Grattan Institute largely echoed this assessment:

If you think of the townhouses that go up all around Melbourne, they are not being built by a cartel of four to five big developers; they are being built by many developers. We do not see much in the way of evidence that says that at the aggregate that kind of strategic behaviour by developers, or landowners generally, is going to be a constraint on supply if upzoning occurs across much of the city, which is what we are advocating for ... If that strategic behaviour did not occur, you would probably get more. Is it a constraint that means that you will not meet your housing targets if you upzone? I do not think so.<sup>44</sup>

Jonathan O'Brien from YIMBY Melbourne suggested that developers may delay building because of changes in the economy while waiting for approvals:

When applications are submitted, they are submitted on the proviso of a given economic context. When councils take upwards of a year to accept a development

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40 Brett Jackson, *Transcript of evidence*, p. 62.

41 Australian Institute of Architects, *Submission 931*, p. 4.

42 *Ibid.*, p. 6.

43 Centre for Independent Studies, *Submission 372*.

44 Brendan Coates, *Transcript of evidence*, p. 17.

permit, yes, it changes the context in which those developments then exist and actually the feasibility of it. So speeding up council processes is really important.<sup>45</sup>

The Committee notes that Section 68 of the *Planning and Environment Act 1987* specifies that a permit lapses after two years unless another timeframe has been specified when the permit is approved.<sup>46</sup>

#### 4.2.5 Vacancy rates or vacant houses? Supply or distribution?

As noted in Chapter 3, a key housing affordability indicator in Victoria is the current low vacancy rate for rental dwellings. Many stakeholders, ranging from the Real Estate Institute of Victoria to VCOSS, cited tight vacancy rates as symptomatic, if not the cause, of the current rental affordability crisis in Victoria.<sup>47</sup>

Rental vacancy rates across Melbourne eased to historic highs through COVID-19, peaking at over 6%. As the city has come out of lockdowns Melbourne's vacancy rates have contracted, with family compositions changing (see Chapter 2) and migration resuming (see below).

The Centre of Independent Studies, for example, drew attention to 'the very tight housing market', citing the Real Estate Institute of Victoria's calculation of a 2.1% vacancy rate, near its lowest levels since 2005.<sup>48</sup> Under such conditions, the Council to Homeless Persons, citing similar figures, has described finding a rental as more like a 'lottery'.<sup>49</sup>

Many stakeholders highlighted that property investors, some seeking to circumvent recent taxation and regulatory changes imposed upon rental providers (see Section 4.4.1 below), are removing stock of long-term housing and placing it on the short-stay market, thereby exacerbating supply issues.

According to some stakeholders, however, rental vacancy rates are only one aspect of a broader story. As discussed in Chapter 2, the 2021 census reflected a different kind of vacancy occurring in Victorian housing: unoccupied bedrooms and dwellings. This, it is argued, means the 'supply' problem in Melbourne is also one of 'distribution'.

Libby Porter from the RMIT Centre for Urban Research told the Committee:

There have been some studies done recently that have shown, for example, in Melbourne we could solve rough sleeping tonight, because we have sufficient numbers of actual shelter that could actually shelter humans right now that are sitting vacant. So we have a vacancy problem. Part of it is driven by the fact that housing is a wealth creation asset, so we think of housing as a commodity rather than perhaps a human

<sup>45</sup> Jonathan O'Brien, *Transcript of evidence*, p. 34.

<sup>46</sup> *Planning and Environment Act 1987* (Vic) s 68.

<sup>47</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 5.

<sup>48</sup> Centre for Independent Studies, *Submission 372*, p. 12.

<sup>49</sup> Council to Homeless Persons, *Submission 934*, p. 11.

right, and so that engenders particular kinds of policy and intervention in this space and even ways of thinking about it and talking about it. So supply becomes the thing that we talk about.<sup>50</sup>

Similar evidence was also received by the Commonwealth Falinski Inquiry, with several experts making the case that housing supply in fact *exceeded* housing demand, but location and distributional issues, together with various tax settings, meant many people seeking housing cannot access it.<sup>51</sup>

The importance of unoccupied housing and maldistribution rather than undersupply was downplayed by other stakeholders. Brendan Coates from the Grattan Institute doubted whether the empty bedrooms argument was important. Referring to the 11 per cent vacant home number recorded at the 2021 Census, he told the Committee:

Of those homes that are seen to be vacant, most of them were in use as a primary residence. The rate of vacant dwellings from successive censuses has not really increased very much. Historically I think 9 per cent of homes have been vacant – maybe it is like 9 to 10. That is a result of homes being renovated, homes currently empty and vacant because they are for sale – lots of different reasons. It is natural to see a certain number of homes vacant.<sup>52</sup>

Multiple submissions noted that increasing the supply of government funded housing was an essential part of the supply equation and that it cannot be left to the private sector alone to address this.

For example, Quentin Kilian from the Real Estate Institute of Victoria, stated:

The problem stems back over many decades, and it sits firmly in the seat of government in not providing a continual and growing supply of public and social housing. We have seen over the last two decades or three decades the public housing being built dropping off so dramatically but the need for that growing at an equal rate to how it is actually disappearing. The issue comes not now. The issue came three or four decades ago, when it should have been attended to.<sup>53</sup>

There were also views that the private sector was capable of addressing this issue. Robert Pradolin, Founder of Housing All Australians, said:

we are over waiting for government. It has gone far, far too far. And this is a collective problem. Australia's housing crisis is not one for government to solve. It is our collective problem, and that includes business, because unless we get together, we are never going to solve this for our future generations.<sup>54</sup>

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50 Professor Libby Porter, Professor of Urban Planning, Centre for Urban Research, RMIT University, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 34.

51 Cameron Murray, submission to Parliament of Australia, House of Representatives Standing Committee on Tax and Revenue, Inquiry into housing affordability and supply in Australia, September 2021.

52 Brendan Coates, *Transcript of evidence*, p. 18.

53 Quentin Kilian, *Transcript of evidence*, p. 47.

54 Robert Pradolin, Founder, Housing All Australians, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 7.

Discussing the same issue, Peter Tulip added that the focus on vacant homes was misplaced. He said a more constructive approach was to think about the '10, 20, 30 storeys' that could set above a single-family dwelling, but where currently only '5 or 10 per cent of that potential space is being used'. Mr Tulip concluded: 'The focus on the vacancy rate, which ... is typically for good reasons – holiday homes, people in transition and so on – it is just trivial relative to the unused space currently being used for detached housing that could be used for high density.'<sup>55</sup>

Yet other stakeholders were sympathetic to issues of unoccupied dwellings and misallocation. Noting that dwelling construction had broadly kept pace with population growth in Victoria, the Parliamentary Budget Office added that such analysis 'does not account for compositional requirements – whether the new dwellings align with the type of housing Victorians are seeking'.<sup>56</sup> Similarly, Dr James Lennox noted that while there had been a massive increase of stock in certain areas, given institutional features of housing in Victoria, it did not fulfil broader social needs and so remained underutilised:

The rapid growth of the inner city apartment stock has supplied a relatively large amount of housing in very accessible locations. However, the reliance of this market on small landlords (less interested in the liveability of properties than owners or institutional landlords) and the inadequacy of regulation and enforcement of design and building standards has often led to provision of poor quality (or even defective) housing. Large-scale developments have also been compromised by government failure to plan for and deliver supporting infrastructure (e.g. schools for Docklands or the light rail connection to Fisherman's Bend).<sup>57</sup>

Recent policy announcements regarding vacant land and properties are addressed in Section 7.3.7.

#### 4.2.6 Critiquing supply narratives

Concerns about densification, land value inflation and underutilised properties indicate that supply arguments, although dominant in recent government reports, are not uncontested.

In his submission, Professor Burke gave a strong rebuke to the 'fashionable ... solution to the supply problem is deregulation of the planning system, just build more dwellings':

We have now had over 30 years of increasing deregulation and is there any evidence that it has increased housing supply, improved affordability, mitigated homelessness, increased housing security or housing quality? No! it has increased housing diversity, reduced urban sprawl over what might have been and probably (this is an unknown) reduced government infrastructure costs but it is difficult to see any contribution

<sup>55</sup> Peter Tulip, *Transcript of evidence*, p. 18.

<sup>56</sup> Parliamentary Budget Office, *Submission 947*, p. 20.

<sup>57</sup> Dr James Lennox, *Submission 506*, p. 5.

to mitigating the problems besetting the rental sector and, in some cases, it has accentuated them, e.g. affordability, quality.<sup>58</sup>

For other stakeholders, arguments for increased land supply are based on politics and self-interest. The Municipal Association of Victoria noted research on ‘policy capture’ of housing politics, and ‘the success of both the development industry and certain think tanks in establishing a land supply problem as the dominant narrative of housing affordability in Australia’.<sup>59</sup>

Regional Housing Victoria also argued that ‘there has never been more land in the supply pipeline across the State – it does not appear that land supply by itself is the problem’. It cited a variety of obstacles that can delay building, including servicing and infrastructure timing and cost, workforce capacity, provision and coordination of state-controlled trunk (telephone) services and roads, and supporting community services.<sup>60</sup>

### Committee comment

The Committee acknowledges the complexity of debates regarding increased supply as a solution to housing affordability and access. While experiences in other jurisdictions and cities provide some guidance, policies need to consider the wider implications of demographics and tax and institutional settings, many of which are set at the Commonwealth level. As was noted several times throughout this Inquiry, any long-term solution to housing policy in Victoria, as across Australia, requires a nationally coordinated approach with clear principles on the outcomes desired.

One area of contention in these debates the Committee notes can be readily addressed is with the publication of data on building permit approvals. This would help solve disputes as to whether councils, the Victorian Government or developers – or a combination of all three – are culpable for blocking supply.

The Master Builders of Victoria, for example, noted ‘significant data gaps exist with respect to the residential building pipeline’, making it difficult to pinpoint the areas needing action. Data gaps include:

- the volume and price of land at all stages in the residential pipeline.
- the time taken for land and new home building projects to navigate the zoning, planning, development approval and building approvals, construction and occupation processes
- the number of new homes built annually in the public, community and affordable housing spheres.<sup>61</sup>

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<sup>58</sup> Professor Terry Burke, *Submission 519*, p. 3.

<sup>59</sup> Municipal Association of Victoria, *Submission 938*, p. 9.

<sup>60</sup> Regional Housing Victoria, *Submission 823*, p. 5.

<sup>61</sup> Master Builders Association of Victoria, *Submission 567*, p. 6.

**RECOMMENDATION 5:** That the Victorian Government establish an online public portal showing the status of all planning applications across the State, from application through to approval, construction and occupation. The information will make it clear where any backlogs in the planning system occur.

## 4.3 Demand narratives

As noted at the beginning of this Chapter any discussion around housing must address both supply and demand.

Most demand-side concerns lay beyond the remit of State Governments as they are under the control of the Commonwealth. This is true of major tax and financial settings (including housing subsidies and tax concessions) and immigration. Nonetheless, this Inquiry received a considerable body of evidence touching on these issues, many arguing that certain measures – especially tax concessions – have not only made housing more unaffordable but also changed the very nature of housing.

### 4.3.1 Interest rates: ‘cheap money’ and big loans

As was noted in Chapter 2, the dominance of variable rate mortgages in Australia means the Australian housing market is closely – and, in comparison to many other similar economies, uniquely – tethered to the fluctuations of the Reserve Bank of Australia’s monetary policy.

Here it is important to note that the current cash rate (at the time of writing this Report) of 4.1% is still lower than it was when the Reserve Bank of Australia began cutting the rate towards the end of 2011.

It is widely acknowledged that the low interest rate environment maintained by the Reserve Bank of Australia until recently created a high demand for ‘cheap money’. Much of this was used to buy or invest in property leading to a surge in property prices.<sup>62</sup>

Despite wages not keeping up with increasing housing prices in recent decades (see Chapter 3), historically low interest rates since the Global Financial Crisis mitigated this declining ratio. Per Capita note that between 2008–09 and 2019–20, median mortgage repayments as a share of incomes declined, despite rising house prices. It qualifies this finding, noting that the decline is partly a cohort effect, as a large proportion of older established homeowners with rapidly shrinking mortgage debts significantly outweigh a smaller number of younger homeowners.<sup>63</sup>

<sup>62</sup> Ibid., p. 4.

<sup>63</sup> Centre for Equitable Housing, *Submission 925*, p. 16.

Conversely, rising interest rates since May 2022 have led to declining consumer confidence and a slowdown in building and construction activity across Victoria. Stakeholders also noted rental providers passing increased mortgaged costs on to renters. These forces, paired with the recent increase in immigration, exacerbated strains on the rental and housing market.<sup>64</sup>

### 4.3.2 Tax concessions

The most commonly cited demand-side measure that affects Australian housing affordability is tax concessions offered to property owners: negative gearing; and the 50% Capital Gains Tax discount for properties owned for more than 12 months introduced in 1999.

These concessions have come under scrutiny as contributing to housing affordability issues in Australia for some time. Criticisms tend to focus on the excess demand these concessions create by commodifying housing as a financial asset rather than a form of shelter, with competition between owner-occupiers and investors pushing up prices. One argument is that an investor outbidding a potential owner-occupier creates demand for rental properties.

The Municipal Association of Victoria told the Committee: 'Currently many landlords see themselves in the business of making capital gains, not providing housing.'<sup>65</sup>

The Australian Institute of Architects said: 'Given their advantage in existing capital, together with the tax advantages conveyed to them (both in terms of CGT and the ability to reduce their taxable income through negative gearing), this provides investors the ability to outbid others, particularly first-home buyers.'<sup>66</sup>

The Centre for Equitable Housing noted: 'Prior to the introduction of negative gearing and CGT discounting, 30 per cent of housing investment went to the construction of new dwellings. Now we are down to 15 per cent because people choose to trade houses like assets.'<sup>67</sup>

The Centre suggested tax discounts should only be available after a longer period of time, perhaps 10 years. This would mean 'people would have to be in the market for the long term not just jumping in and out buying and selling as though they were any other widget in the store'.<sup>68</sup>

Some stakeholders defended the tax concessions, some of whom benefited from the concessions. On negative gearing, the Property Investors Council of Australia told the

<sup>64</sup> Master Builders Association of Victoria, *Submission 567*, pp. 4–5.

<sup>65</sup> *Ibid.*, p. 16.

<sup>66</sup> Australian Institute of Architects, *Submission 931*, p. 2.

<sup>67</sup> Matthew Lloyd-Cape, Director, Per Capita, Centre for Equitable Housing, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 25.

<sup>68</sup> *Ibid.*

Committee that as property investors are small businesses they should have the same ability to offset losses as any other business.<sup>69</sup>

**RECOMMENDATION 6:** That the Victorian Government advocate to the Commonwealth Government to examine its range of housing-related tax concessions, including negative gearing and the capital gains tax discount on investment properties, with the goal of reducing the distorting effects these tax concessions have on the housing market, to achieve the dual outcomes of increased home ownership and better rentals.

### 4.3.3 Housing as a wealth accumulating asset

Evidence received throughout this Inquiry confirms the way in which housing in Australia is treated as a wealth accumulating asset. For example, the Property Investors Council of Australia talked of property investors ‘choosing to invest their dollars into residential property as opposed to investing into shares or any other type of scheme’.<sup>70</sup>

Property Manager Carmen Littley told the Committee that one reason she recommends rental providers increase their rent is ‘because if that rental provider did decide to sell down the track, he has to make it saleable – you know, with the return and everything on it’.<sup>71</sup>

The link between rents and the value of property is also evidence that rents are not simply a matter of supply and demand. One reason they increase is to increase the value of property.

The Real Estate Institute of Victoria pointed out:

Investors often choose rental property as an investment option in order to generate an income in retirement ... These people have made the prudent decision to self-fund their retirement by saving during their working lives and planning for a secure and independent retirement.<sup>72</sup>

The Committee heard the views of housing advocacy groups, renters and aspirational homeowners that investors’ treatment of housing as a wealth accumulating asset contributes to housing unaffordability through creating excessive demand. Some of these views are contained in Box 4.1.

<sup>69</sup> Ben Kingsley, Chair, Property Investors Council of Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 54.

<sup>70</sup> *Ibid.*, p. 52.

<sup>71</sup> Carmen Littley, Wyndham Property Management, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*.

<sup>72</sup> Real Estate Institute of Victoria, *Submission 646*.

#### Box 4.1 Housing in Victoria: an asset or a human right?

**Housing is a basic human right, it shouldn't be treated as an investment with endless and increasing returns for landlords.**

Name withheld, *Submission 82*.

**The cost of housing is artificially high because it's allowed to be used as an investment vehicle instead of a place where you actually live ... ('breaking into the housing market', a truly psychotic turn of phrase).**

Thoms Ingram, *Submission 111*.

**I don't believe housing should be seen as an investment, it should primarily be somewhere to live and grow a family. This shouldn't be seen as a wild or odd concept. Housing is just that, a home. It is ridiculous how many homes are bought simply as an investment and it is unfair.**

Liam Mantesso, *Submission 114*.

**Treating housing as an investment portfolio rather than a basic human need/right is leading to an impossible living situation where home ownership or affordable and practical renting are beyond the reach of the average Australian.**

Adam Noble, *Submission 147*.

**Housing should be seen as a right, not a wealth creation tool.**

Name withheld, *Submission 266*.

#### 4.3.4 Financial assistance for homebuyers

Stakeholders generally agreed on the ineffectiveness if not deleterious impacts of government-funded homebuyer grant schemes, arguing they simply inflate house prices. The efficacy of homebuyer grants, particularly compared to government rental assistance schemes, is discussed in Chapter 7.

#### 4.3.5 Immigration

As noted in Chapter 2, migration plays a significant role in creating demand for housing in Victoria. For the three years prior to the closure of borders during COVID-19, Victoria was receiving around 150,000 people from overseas each year for a net migration intake of between 85,000 and 90,000 people.

Many stakeholders argued that with the resumption of immigration into Australia following the lifting COVID-19 restrictions, existing housing shortage issues have been exacerbated by increased demand for housing. The Property Council of Australia described present circumstances as a 'perfect storm': new residential building

approvals in inner-ring councils (excluding standalone houses) declined from 13,000 in 2017/2018 to 5,000 in 2021/22, just at the moment immigration was set to grow with a net increase of 400,000 in Australia in 2022–23, 30 per cent arriving in Victoria.<sup>73</sup> (It should be noted, such arguments rest on differentials between housing construction and population change, the limits of which were discussed in Section 4.2.1).

Some stakeholders warned against drawing these arguments too quickly. While noting the historic tightness of rental vacancy rates (discussed above), the Centre for Equitable Housing said ‘blaming immigration for rising housing costs is simply wrong. Net immigration stock numbers in Victoria are actually still lower than the pre-COVID-19 levels, not higher’.<sup>74</sup>

### Committee comment

Different parts of society think about housing differently. Economists, industry bodies, councils and other expert commentators tend to focus on technical and aggregative issues of supply, construction and regulation. As these stakeholders noted, this was the focus of their submission as these are the areas State Governments can influence.

Although federally controlled, tax concessions, subsidies and immigration also impact the lives of Victorians. As noted in Box 4.1 above, which was only a small sample of similar views shared with the Committee, the consequences of demand-side policies are significantly reshaping Victorians’ aspirations for homeownership and their sense of place within Victorian society.

These reflections further reinforce the Committee’s view that any future housing policy requires input from all levels of government.

The need for a national housing policy is discussed in Section 7.6.

## 4.4 Government intervention in the market

As discussed in Section 4.2, the planning system is considered by many stakeholders to be a large impediment to supply. The central concerns of these stakeholders – and reflected in the Victorian Government’s *Housing Statement* – is for less government intervention in regulating housing construction, to streamline the approvals process and remove statutory protections that empower anti-development interests.

The planning system is not the only form of governance that is considered by some housing stakeholders as problematic. The Committee received evidence from housing industry groups, investors groups and individual rental providers that Victoria’s current mix of property taxes and tenancy regulations are proving significant disincentives for private sector investment in housing.

<sup>73</sup> Property Council of Australia, *Submission 545*, p. 5.

<sup>74</sup> Centre for Equitable Housing, *Submission 925*, p. 23.

Given that property investment in Victoria is dominated by small investors, these concerns raise further questions regarding the impact of investors exiting the rental market:

- Is the impact neutral?
- Are small investors best placed to provide they type of rental dwellings necessary for a large, renting population?

The first question is addressed in this Section with the second returned to in Section 4.5.

#### 4.4.1 Taxes, regulation and investor flight

The Victorian Government has been active in recent years updating taxes that pertain to housing and land in Victoria. Recent tax changes include:

- reducing the tax-free threshold for general land tax rates from \$300,000 to \$50,000, from 1 January 2024
- a 'COVID-19 debt temporary surcharge' will apply in addition to existing land tax:
  - a \$500 flat fee will apply for taxable landholdings between \$50,000 and \$100,000
  - a fixed fee of \$975 will apply to taxable landholdings between \$100,000 and \$300,000
  - for taxable landholdings above \$300,000, a \$975 fixed surcharge will apply and an increased rate of land tax by 0.10 per cent of the value of the landholdings
  - for a trust over \$250,000, a flat \$975 fee will apply and an increased rate of land tax by 0.10 per cent of the value of the landholdings.
- a windfall gains tax
- new vacancy taxes
- a 7.5% levy on short stay accommodation platforms.

Additionally, in 2021 the Victorian Government also established a new set of tenancy regulations under the *Residential Tenancies Act 2018*.

#### Regulatory costs, stamp duty

The Housing Industry Association of Australia described housing as 'one of the most heavily taxed sectors of the economy'. The Association's modelling, submitted to the Committee, found that 38 per cent of the cost of a house and land package in a Melbourne greenfield estate is made up of statutory taxes and charges, planning and regulatory costs, and zoning/supply premiums. It also cited case studies sourced by the National Housing Finance and Investment Corporation that showed that developer contributions can ultimately amount to between \$37,000 and \$77,000 per dwelling in

Victoria (indexed to 2020 prices) and recommended a cap be applied to government infrastructure contribution charges based on annual CPI forecasts.<sup>75</sup>

The Municipal Association of Victoria, however, argued that infrastructure contributions are simply one factor in determining residual land value, which is ‘the maximum price a developer is willing to pay to obtain a development site. Residual land value can be found by taking the eventual price the property will sell for and subtracting all the costs of getting the land to that point.’<sup>76</sup>

Stakeholders were also generally critical of land transfer duty fees, better known as stamp duty. For example, the Housing Industry Association was one of many to point out that stamp duty forces buyers to borrow more than they otherwise would if it did not exist. This issue was covered by the Legislative Council Economy and Infrastructure Committee’s *Inquiry into land transfer duty fees* in early 2023. As it did to that Inquiry, the Housing Industry Association recommended:

- remove stamp duty for homes valued up to \$750,000 and give a concession for properties valued up to \$1 million
- in the absence of this reform, indexing stamp duty thresholds annually to keep pace with rising house prices. At a minimum they should be indexed to inflation, but ideally adjusted to reflect median house price growth.<sup>77</sup>

### New taxes and regulations

The major focus of rental industry and property investor representatives, along with some individual rental providers, was the costs incurred by new taxes and regulation. The Real Estate Institute of Victoria President, Quentin Kilian told the Committee that to a large degree taxes were a ‘driving’ the rental crisis as ‘the simplest thing for a lot of these people is to go ‘I’ll just divest myself of that investment and walk away from it’’.<sup>78</sup>

Mr Kilian said that rising interest rates are causing the dual effect of lowering rental yields while making term deposits more attractive. He argued that investors choosing to sell their properties and invest elsewhere is contributing to the current low vacancy rates. Land tax rebates for rental providers who stay in the market was one proposed solution.<sup>79</sup>

Other stakeholders also noted the government’s new windfall gains tax (see Section 4.2.3 above) might be a barrier for developers, as some rezonings would trigger the tax and disincentivise investment.<sup>80</sup>

<sup>75</sup> Housing Industry Association, *Submission 487*.

<sup>76</sup> Municipal Association of Victoria, *Submission 938*, p. 14.

<sup>77</sup> Housing Industry Association, *Submission 487*, p. 11.

<sup>78</sup> Quentin Kilian, *Transcript of evidence*, p. 50.

<sup>79</sup> *Ibid.*

<sup>80</sup> Yarra Ranges Shire Council, *Submission 628*, p. 3; Global Property Enterprises Pty Ltd T/A Schroeder & Wallis, *Submission 717*, p. 2.

One real estate agent reported an ‘abnormally high’ number of rental providers inquiring about leaving the market due to government costs.<sup>81</sup>

The Committee also received a large cache of pro forma submissions from rental providers listing the following grievances (among others) as disincentives to investing the property sector as a residential rental provider:<sup>82</sup>

- New COVID-19 debt recovery surcharge added onto our land tax for the next ten years.
- Increased land tax surcharge percentage to contribute to COVID-19 debt recovery levy added to our land tax for the next ten years.
- A reduction of the land value threshold that has the consequence of burdening low valued properties with land tax.
- As an absentee owner of an investment property, the Victorian Government is adding an additional 2% (was 2% now to become 4%) additional tax added to the vacant land tax levy.
- Continue to carry costs of upkeep of rented premises and maintain minimum standards.
- Concerned about the ever-increasing costs of services to maintain safety and compliance obligations every two years – most of which do not apply to my own family home.
- There is no real incentive to stay invested in property, which unlike any other investment is regularly burdened with more taxes and regulations.

### New tenancy regulations

Real estate agents and investor representatives told the Committee that rental providers were especially perplexed by the recent changes to the *Rental Tenancies Act 2018*. Warragul real estate agent Jessica Barr told the Committee about rental providers feeling they had ‘lost control’ of their investments. She said:

It is the comment from rental providers since the new reforms came in that they are losing control of their investments and their rights are being taken away from them. That is what they are saying ... I had a unit block of four units with great tenants, but the rental provider said, ‘I’m sick of losing my rights as a rental provider. I’m selling them. The time’s come. I don’t want them anymore. If things keep going the way they’re going, I’ll have no control over them.’ Even though we had no issues, they were sold, and all four of those tenants had to find other places to live, which was really unfortunate.<sup>83</sup>

<sup>81</sup> Wes Davidson Real Estate, *Submission 358*. See also: Geoffrey Tonks, *Submission 301*; Zara Hastie, *Submission 303*.

<sup>82</sup> For example, see: Julie Courvoisier, *Submission 370*; Name Withheld, *Submission 427*; Name Withheld, *Submission 481*; Name Withheld, *Submission 484*; Catherine Coe, *Submission 484*; Name Withheld, *Submission 491*; Name Withheld, *Submission 507*; Name Withheld, *Submission 547*; Natalie Jacotine, *Submission 557*; Joanne Vetos, *Submission 680*; Sreyneath Chim, *Submission 745*; Name Withheld, *Submission 903*.

<sup>83</sup> Jessica Barr, Harcourts Warragul, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 24.

Ben Kingsley from the Property Investors Council of Australia drew attention to the introduction of the new tenancy regulations in March 2021 and the ‘dive-bomb’ in vacancy rates around the same time. He reported that 43% of investors surveyed in a 2023 Property Investors Council of Australia survey nominated the new laws as the reason they had sold their investment property.<sup>84</sup>

Quentin Kilian told the Committee that 27% of rental providers have left the market over the past 12 months representing around 175,000 properties. He also described the cumulative impact of changing regulatory and tax settings on predominantly small investors in Victoria:

We know that, from discussions we have had with members on this, a great bulk of that has to do with costs – so land taxes going up, increased rates, increased costs. Some of that is also tied to their interest rates going up and making it unaffordable to keep the mortgage. But we also hear from many of our members that the changes that came through in the Residential Tenancies Act in the last couple of years, including requirements for new locks and changes that are initiated through the *Residential Tenancies Act*, have been too burdensome for a lot of these smaller rental providers.<sup>85</sup>

#### 4.4.2 What is the impact when property investors sell?

A key point of contention through the Inquiry was the consequences of property investors selling their properties. The main concern of the real estate industry is a decline in rental stock when properties are not sold to other investors.<sup>86</sup> At a public hearing Jessica Barr told the Committee that in her experience the majority of investment properties are being sold to owner-occupiers.<sup>87</sup>

In terms of assessing the impact on overall housing affordability, Prosper Australia said a sector-wide perspective needed to be taken. It argues that there is no impact on rental affordability if taxes and regulations push investors out of the rental market. This is because the housing itself does not disappear and is either bought by renters who become homeowners or other investors.<sup>88</sup>

The Municipal Association of Victoria agreed, arguing that if an investor were to sell to an owner-occupier ‘both the supply and demand for rental properties would reduce, meaning no shortfall is created’.<sup>89</sup>

<sup>84</sup> Ben Kingsley, *Transcript of evidence*, p. 55.

<sup>85</sup> Quentin Kilian, *Transcript of evidence*, p. 43.

<sup>86</sup> *Ibid.*, p. 47.

<sup>87</sup> Jessica Barr, *Transcript of evidence*, p. 28.

<sup>88</sup> Prosper Australia, *Submission 362*.

<sup>89</sup> Municipal Association of Victoria, *Submission 938*, pp. 11–12.

Similarly, renter Tim Connors advised the Committee to ignore concerns:

that doing anything to improve the affordability will cause investors to leave the market, thus reducing the rental supply. Who are the investors going to sell to – former renters? Great. Other landlords? No problem.<sup>90</sup>

Chapter 6 of this Report discusses rental regulations in more detail.

## 4.5 Market failure, government failure

A final narrative around housing in Victoria related to the failures of both modes of housing provision: the market; and the government.

First, the private sector for a range of reasons already noted in this Chapter has proven incapable of providing sufficient housing for all Victorians. Second, the Victorian Government has significantly reduced its historic role as a provider of housing, either as a competitor with the private market (as it was after World War II) or providing sufficient affordable housing (as it intended from the 1970s).

### 4.5.1 Market failures

As was noted in Section 4.3, people are renting for longer. However, several stakeholders told the Committee that the basic structure of the private rental market in Australia makes it unable to meet this new role.<sup>91</sup>

Regional Housing Victoria told the Committee that ‘the private rental market has now failed the community in terms of housing availability, affordability, and security’.<sup>92</sup>

In its submission, the Australian Institute of Architects gave the example of high-rise apartments being considered investment opportunities rather than family homes and that change is needed before Australian families will consider apartment living to be viable.<sup>93</sup>

According to some stakeholders, laws will need to be further strengthened if renting is to become more common in Australia. The Municipal Association of Victoria told the Committee: ‘Stronger laws protecting tenants’ rights would give tenants increased security of tenure and make them more likely to consider renting as a true alternative, rather than a last resort.’<sup>94</sup>

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<sup>90</sup> Tim Connors, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 23.

<sup>91</sup> For example: Professor Terry Burke, *Submission 519*; Mount Alexander Shire Council, *Submission 365*.

<sup>92</sup> Regional Housing Victoria, *Submission 823*, p. 7.

<sup>93</sup> Australian Institute of Architects, *Submission 931*, p. 4.

<sup>94</sup> Municipal Association of Victoria, *Submission 938*, p. 16.

## ‘Greedy landlords’?

On average, landlords have raised rents at a much faster rate than wages and inflation. In the year to September 2023, rents in Victoria increased 5.8% and nationally 7.6%.<sup>95</sup> Under current regulations for uncapped rental price increases, many submitters have suggested that landlords have taken the opportunity of low vacancy and high competition to raise rents, despite any wealth disparity with their tenants and regardless of hardship that could the tenant could face. Submissions pointed not only to the issue of high rents paid by many renters, but the paradox of housing conditions either remaining the same or even worsening at the same time as rents continue to rise.

A sample of these themes is provided in Box 4.2. Issues regarding the quality and regulation of rental properties are discussed further in Chapters 5 and 6.

The real estate industry and rental providers are very aware of this theme, what the Real Estate Institute of Victoria deemed negative messaging that portrays rental providers as greedy ‘rather than an essential service provider in the housing market’.<sup>96</sup>

Among the grievances list on the pro forma submission received from property investors, noted in Section 4.4.1, was: ‘We have stepped up to the plate and supported the Government during difficult times like the COVID-19 phase, but in return we are regularly painted as “greedy landlords”’.<sup>97</sup>

Sales Advocate Cate Bakos warned ‘the greedy landlord narrative is dangerous’, as it obscures the ‘root cause’ of the crisis (identified as insufficient housing stock). Ms Bakos said high rents in Victoria are a consequence of prospective renters bidding up the price against each other in a low vacancy environment:

I can attest to this as an investor myself. The last few new tenancies I’ve experienced have been at a price higher than what I’ve set as, (what I thought was) market rent. It’s not a case of being a greedy investor, jacking up the rent. My tenants have applied with a higher rental figure in a desperate attempt to beat the competition.<sup>98</sup>

Rental bidding is discussed in Section 5.4.3 of this Report.

Others presented a different perspective about how prices are set in the private rental market. Landlord Lachlan Simpson took the advice of his real estate agents in setting rental prices and believes they may have a conflict of interest given they stand to benefit from higher prices:

We only own one property, and were moving interstate for work - so we had no visibility or understanding of how rental prices were set, what variables impact the rental price, or even how to find the appropriate information to inform our decision. The process

<sup>95</sup> Australian Bureau of Statistics, *Consumer Price Index, Australia*, September 2023, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>> accessed 9 November 2023.

<sup>96</sup> Real Estate Institute of Victoria, *Submission 646*, p. 18.

<sup>97</sup> See submissions cited in footnote no. 82.

<sup>98</sup> Cate Bakos, *Submission 168*, pp. 1–2.

of price setting done by agents is opaque, and not easily accessible. So we did what we were told. While I feel that Home Owners are partially to blame for rental prices, I feel the Rental Agents and the Real Estate industry are a greater factor in the rises. Their payment model - a percentage of the rental price - also puts them in a position to maximise the rent on any property. They are disincentivised to make housing affordable.<sup>99</sup>

It is important to stress that the majority of renters in Victoria are satisfied with the condition of their properties and their relationship with their rental providers.<sup>100</sup>

#### Box 4.2 The 'greedy landlord'

**Australia is a wealthy and prosperous nation. Its citizens should not be at the mercy of greedy landlords, price-gouging corporations, or the unelected bankers of the RBA who blame us when we can't afford yet another rate increase. Do something. People can't live.**

Name Withheld, *Submission 310*.

**How can someone own a house and lease it out yet not afford to make basic repairs and upkeep?**

Name Withheld, *Submission 312*.

#### The wrong kind of rental providers?

A more pertinent question posed to the Committee rather than landlord 'greed' was whether small investors can meet the demands of an increasingly large renting cohort. As one correspondent told the Committee, many small investors who had either inherited an older property or simply lacked the funds to maintain their investment were not well-equipped to fulfil the role:

I think this is where the rental system falls down, many providers have over committed in their investments and they buy old houses which if done properly would cost 10s of thousands to retrofit to today's housing standards (i.e. they are usually poorly insulated and have outdated appliances and fittings). Sometimes the providers do not consider any improvements other than some mere cosmetic ones and have no intention of doing anything further. Then the renters have to cover the provider's costs without getting any real benefits other than a drafty roof over their heads which is very costly to heat or cool.<sup>101</sup>

From the perspective of affordability, the McKell Institute told the Committee that Victoria's dependence on small investors to provide rental housing meant most people were exposed to the variances of rate rises, creating immense uncertainty and

<sup>99</sup> Lachlan Simpson, *Submission 298*, p. 1.

<sup>100</sup> Australian Bureau of Statistics, *Housing Mobility and Conditions, Australia: Summary of Results, 2019–20, 2022*, <<https://www.abs.gov.au/statistics/people/housing/housing-mobility-and-conditions/latest-release>> accessed 31 August 2023.

<sup>101</sup> Chris Fox, *Submission 453*, p. 1.

insecurity in the housing market. It pointed out that ‘as long as there is that lack of diversity in who actually owns rental properties, then we are going to keep on having the same outcomes’.<sup>102</sup>

The Committee heard evidence that if renting is to become more widespread and long term, Australia will require an increase in the number of large institutional rental providers that have the necessary capital and capacity to absorb both evolving regulatory environments and financial uncertainties. Dr Angela Ballard, a long-term renter and housing expert, told the Committee:

I would like to think that there is a willingness to disrupt the system ... to start to shape and move the system towards the bigger institutional investors who have proper strategic asset management plans for their properties so it all becomes a nice kind of rolling thing. This kind of ‘mum and dad’ investor has been the death knell for so much opportunity for others.<sup>103</sup>

The Property Council of Australia identified similar problems with small investors exposed to the fluctuations of variable mortgages, arguing that:

there is a need for institutional investment to come in and provide a significant option in terms of the volumes of new housing, and that comes with very professionalised, for want of a better word, hotel-style or retirement village style management and responsiveness and services. And it does meet some of these key market needs.<sup>104</sup>

The solution, the Council went on, is found in institutional investment in the build-to-rent sector. The potential of that sector is discussed in Chapter 7. As is also noted in that Chapter, support for the build-to-rent sector needs to be treated with caution as it may imply legitimising the transition from Australia being predominantly a nation of homeowners to a nation of renters.

#### 4.5.2 Government failure – the decline of social housing

One way of explaining the failure of the private rental market to supply adequate housing for all Victorians is because it is being asked to do a job it was never intended to do.

For decades, governments have increasingly vacated their role in housing, dramatically reducing investment in building new publicly owned housing (see Chapter 2). The supply of social housing is now well below the demand from low-income earners and vulnerable cohorts. Accordingly, an alternative solution to the failures of the private rental market is to rectify the failures of government underinvestment in social housing.

<sup>102</sup> Rebecca Thistleton, *Transcript of evidence*, p. 22.

<sup>103</sup> Angela Ballard, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 43.

<sup>104</sup> Andrew Lowcock, Deputy Executive Director, Property Council of Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 58.

The Committee heard limited evidence regarding the history of public housing in Victoria and the relevance of that history today. The Australian Institute of Architects recounted:

The Housing Commission of Victoria (Housing Commission) was established in 1938 to address the dire need for affordable and social housing. Despite the negative connotation of the Housing Commission in the late 20th and early 21st centuries, it should be recognised that the Housing Commission provided significant levels of housing to the most vulnerable, helped many to climb out of the poverty trap, and helped to ensure a fairer and more just Victoria.<sup>105</sup>

The Institute added that the stability provided by public housing allowed Victorian families to focus on important things such as health and education, thereby improving their lives.

One view expressed to the Committee is that the private sector can deliver such housing more efficiently as it does not have what is referred to as ‘administrative costs’. It is important to note, though, that public housing involves more than just bricks and mortar. By necessity, it includes administrative costs such as managing waiting lists and providing the services that many public housing tenants need.

Quentin Kilian from the Real Estate Institute of Victoria said that government began retreating from public housing ‘three or four decades ago’, adding that it is a responsibility it needs to accept. He said that:

government needs to attend to this as quickly as they possibly can, because the great majority of people that are in trouble are those people that need their assistance – those people that do not necessarily have to be looking towards the private market for their rental stock but should be looking towards subsidised or assisted housing through government stock, which is not there and has not been there for decades.<sup>106</sup>

Another argument for strong investment in public housing by government is to provide competition to private rental providers to lift standards and drive down prices. The Victorian Public Tenants Association told the Committee: ‘Without a strong, accessible social housing system, private landlords have no incentive to deliver adequate homes at diverse price points and Victorians have no housing options.’<sup>107</sup>

Similarly, Rural Councils Victoria, with an eye to increasing homeownership rates, believed government investment in quality affordable housing would create healthy competition with existing private rental providers.<sup>108</sup>

Other stakeholders advocated for a shift in attitudes towards public housing not as welfare but a ‘totally normal’ form of housing ‘accessible to a very wide number

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105 Australian Institute of Architects, *Submission 931*, p. 6.

106 Quentin Kilian, *Transcript of evidence*, p. 47.

107 Victorian Public Tenants Association, *Submission 499*, p. 5.

108 Rural Councils Victoria, *Submission 563*.

of people rather than just a sort of ambulance service, which it currently is'.<sup>109</sup> Professor Libby Porter from RMIT Centre for Urban Research told the Committee that there is a:

self-fulfilling cycle of public housing being stigmatised continuously and then being presented as something that needs renovation, and then what happens is we demolish it and we displace communities and then we rebuild it in another form, usually with a lot of private market housing inside those new developments. So we have the Big Housing Build and public housing renewal programs. They are actually part of the housing crisis, because they do not serve to address the underlying conditions of poverty and the lack of supply of the right kind in a range of tenures to produce an ecology, if you like, of housing that is very diverse and genuinely affordable.<sup>110</sup>

The status and future of social housing is discussed in Section 7.5.

### Committee comment

The Committee believes that the dual failure of both markets and government to provide adequate housing for all Victorians is a source of major concern. Any solution to the housing crisis will therefore need to consider both market- and government-led solutions.

It is clear that one solution to high rents is to reduce demand by increasing homeownership rates. As the Centre for Equitable Housing told the Committee at a public hearing, the rental market in particular is under enormous pressure with those most vulnerable suffering:

At the moment we have got a pincer movement going on with renters – from the bottom end we have got declining social housing rental stock, from the top end you have got fewer exits into ownership because of the cost of mortgages at the moment and because they are competing with investors, so getting out of the rental market is an issue. But focusing on that bottom end is specifically important because those are the people that are least able to deal with rental stresses, rate hikes, price hikes and so on.<sup>111</sup>

**FINDING 8:** The rental market is being squeezed by two trends: middle- and high-income earners who in the past would be owner-occupiers; and low-income earners who cannot access social housing. Making owning more affordable and increasing social housing will reduce demand, and therefore prices, in the rental market.

<sup>109</sup> Professor Libby Porter, *Transcript of evidence*, p. 233.

<sup>110</sup> Ibid.

<sup>111</sup> Matthew Lloyd-Cape, *Transcript of evidence*, p. 27.



# Chapter 5

## Experiencing the rental crisis

### 5.1 Introduction

The next two Chapters focus solely on renting.

The rental experience differs from household to household. Whilst most Victorians who rent are satisfied with their homes, this Inquiry heard personal stories of renters in distressing situations. Renters shared their experiences navigating the system, from applying for a property to vacating it, to demonstrate the challenges they currently face.

This Chapter focuses on the experiences of renters in Victoria and canvasses their stories. It discusses the issues of:

- affordability
- the condition of rental properties
- the application process
- the length of leases.

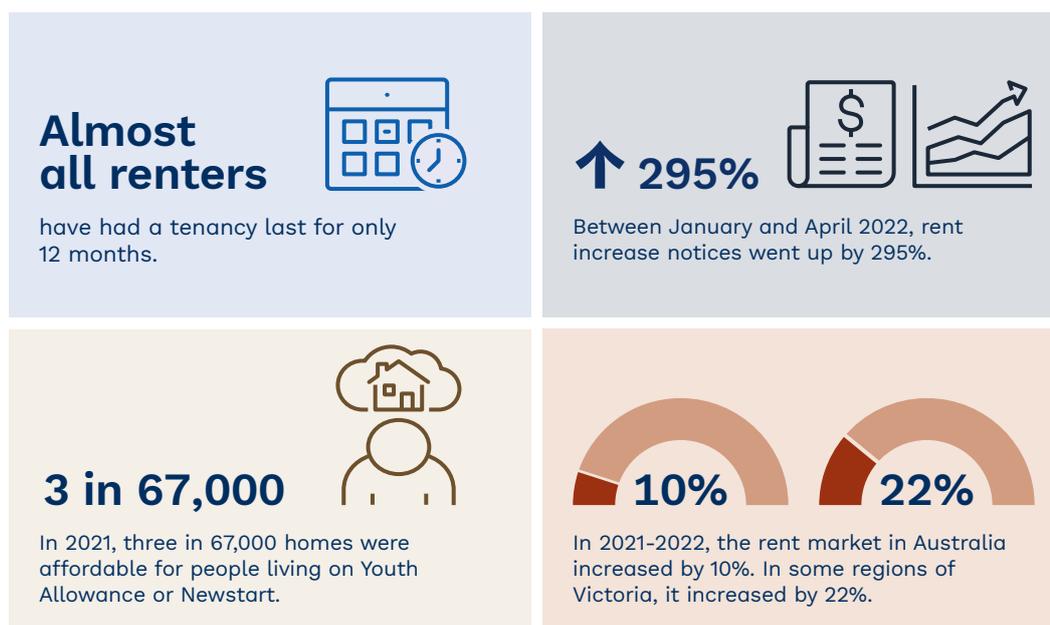
### 5.2 Affordability

**I am paying 94 per cent of my income on rent. My savings will not last too many years – another couple. And I do – I look at railway bridges to see if there is a safe place I could camp.**

Dr Angela Ballard, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 46.

The cost of renting was the dominant concern among the renters who provided evidence to the Inquiry. Figure 5.1 below shows a snapshot of rental affordability provided by the Renters and Housing Union.

Figure 5.1 Snapshot of rental affordability



Source: Renters and Housing Union, *Submission to Senate Select Committee on the Cost of Living*, 2023, p. 6.

The Renters and Housing Union's submission stated that two-thirds of Victorian renters are spending over 30% of their income on rent. It is unclear how many of these renters are low-income households, noting that the basic indicator for rental stress is a lower-income household spending 30% or more of income on rent or housing costs generally. The Union's submission further stated:

As of 2022, over 90% of Victorian renters are in private rentals. This figure has grown as social housing stock in general, and public housing stock in particular, has declined. This has forced larger cohorts of middle and low income renters into private rentals. Whilst the priority to build additional public housing stock to address the lack of inexpensive housing is crucial, immediate measures must be implemented within the private rental sector to see solutions to the affordability crisis.<sup>1</sup>

A renter in rural and regional Victoria, Neal Taylor, who also works in the homelessness sector, told the Committee that the 'cost of housing is just skyrocketing'. He said:

There are rental properties available, but they are beyond most people. A lot of the properties that are available are not suitable for anyone who is on any sort of benefits or unemployment or anything like that. It is just ridiculous. Some of the one- or two-bedroom houses may be slightly available, but still it is really tough for a lot of people.<sup>2</sup>

<sup>1</sup> Renters and Housing Union, *Submission 449*, p. 8.

<sup>2</sup> Neal Taylor, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 6.

The Committee received evidence from several local councils describing residents unable to find suitable and affordable housing due increasing rental prices. Box 5.1 provides some key evidence from these councils on the issue.

### Box 5.1 Local councils' views on impact of rental unaffordability

Increased rental prices affect lower-income households most prominently. The Homes Victoria Rental Report: March Quarter 2023 shows that just 0.7% of new lettings in the City of Melbourne are affordable to households on Centrelink incomes. Research commissioned by the City of Melbourne for our Affordable Housing Strategy found that in 2016 there was a shortfall of 5,500 affordable homes. Without intervention, this shortfall of affordable housing is likely to increase to approximately 23,200 households by 2036. This means when people on very-low to moderate incomes choose to live in the municipality, they are forced to forgo spending on necessities like heating or health care in order to pay the rent.

Homes Melbourne (City of Melbourne), *Submission 373*, p. 1.

House prices in Port Phillip are significantly higher than in other suburbs, with the average house price being \$1,965,000 compared to the Melbourne average of \$875,000. This prohibitive cost of homeownership has led to more people choosing rental properties, resulting in increased demand and higher rental prices. This in turn places greater pressure on the social housing system for renters unable to access or afford private rental housing. Currently, nearly half (49%) of households in Port Phillip are in rental properties, compared to less than a third (29%) in Greater Melbourne.

City of Port Phillip, *Submission 355*, p. 3.

Mildura is a community with difficulty to pay, particularly with the cost of general living expenses. Rental stress is experienced by 25.4 per cent of renters across our council. Obviously with increased rents, these figures are probably a little bit old. That is probably increasing all the time. Some recent numbers around affordability of properties in Mildura – there are only really 146 affordable properties in Mildura when there are probably over 2000 people experiencing paying out more than 30 per cent of their income on rent ... Also on homelessness in Mildura, that is on the rise. The most recent numbers show there are probably over 500 people in Mildura classed as homeless, so either being on the street, couch surfing et cetera.

Mark Jenkins, Interim General Manager, Strategy and Growth, Mildura Rural City Council, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 21.

(Continued)

### Box 5.1 Continued

**Availability of rental properties is one part of this complex issue with other areas such as social and affordable housing competing for use of available housing stock.**

**Within the Swan Hill Rural City Council municipality, there is a further pressing housing need centred on accommodation for professional workers, semi-professional workers and seasonal workers which is also stretching the housing resources to the limit.**

Swan Hill Rural City Council, *Submission 533*, pp. 2–3.

**In the December 2022 quarter, there were only 32 rental properties available in Yarra Ranges that were affordable to households on very low incomes. To put this in context there were over 10,000 low-income households. It is likely that even these affordable properties would not be available to low-income households, and instead taken up by moderate-income households which are also seeking rentals.**

Yarra Ranges Shire Council, *Submission 628*, p. 1.

Increasing rental prices are not a new trend in Victoria. In its submission, the Parliamentary Budget Office outlined that since 2009–10, real housing costs for renters has risen 22% (or 2% per year).<sup>3</sup> There was some outlier behaviour during the COVID-19 pandemic when rents dropped (mostly in Melbourne). This aberration in prices during the pandemic makes it more difficult to assess or predict long-term trends, with some commentators predicting a price plateau. However, examining historical data shows, overall, a steady increase in rent. An example from the City of Greater Dandenong is considered in Case Study 5.1 below.

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<sup>3</sup> Parliamentary Budget Office, *Submission 947*, p. 2.

### Case Study 5.1 Cost of renting in Greater Dandenong

In its submission, the Greater Dandenong City Council provided data on the increase in rental prices in the area from 1999 to 2022. The data shows rents rising, reaching a peak just prior to the COVID-19 pandemic.

The Council's submission explained:

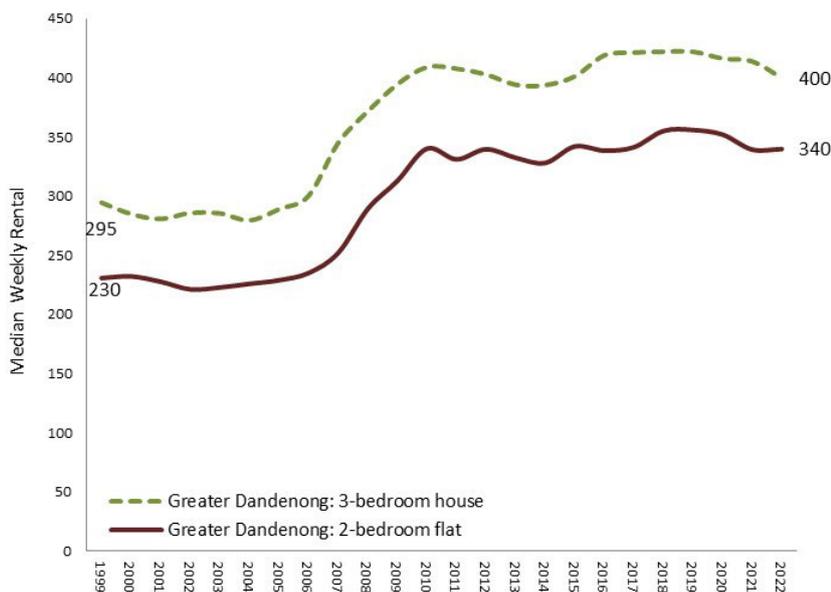
During the past 23 years, local median, weekly rental for three-bedroom houses rose by 36% in real terms.

Meantime, the median weekly cost of renting a two-bedroom flat rose by 48% in real terms during the same period.

These trends have lifted the price of purchasing a home beyond the reach of many of those residents whose incomes have not kept pace with escalating housing costs, while increasing the financial burden for those obliged to rent their accommodation.

The Figure below shows median weekly rent in Greater Dandenong for a two-bedroom flat and a three-bedroom house.

**Figure 5.2 Median weekly rent in Greater Dandenong, 1999 to 2022**



Source: Greater Dandenong City Council, *Submission 574*, p. 6.

Nearly all of the evidence the Committee received from renters contained stories about the problems rising costs are causing. Further, data has shown that more people are entering rental stress or other forms of financial strain because of growing housing costs and other economic pressures. Consequently, many renters are forced to make

difficult decisions, including delaying purchasing their own home, or even more drastic choices between paying rent and paying for food, medical bills, utilities such as electricity and water, or education.

The Committee was struck by the number of submissions received describing the level of stress Victorians are enduring. Throughout the Inquiry the Committee has heard stories of:

- housing costs exceeding a household's real wages meaning people are relying on savings,<sup>4</sup> moving<sup>5</sup> or in worst case scenarios becoming homeless<sup>6</sup>
- young people in particular are unable to save money because the majority of their earnings are going to housing or other basic needs<sup>7</sup>
- people are being forced to sell possessions, take on second or third jobs or look for other means to make money just to pay their rent<sup>8</sup>
- women and children who have been unable to leave or delayed leaving domestic or family violence situations because they cannot afford housing<sup>9</sup>
- people living in housing which does not meet minimum standards or has significant damage/deficiencies because they cannot afford to move<sup>10</sup>
- people living in overcrowded share houses or dwellings.<sup>11</sup>

Increasing rental prices and decreasing vacancy rates is making it harder for some Victorians to find properties which suit their most basic needs. Inner Melbourne Community Legal explained that finding suitable housing is a multifaceted issue:

tenancy issues are not limited to affordable housing, they also include housing suitability where people need: housing modified for a disability or old age, repairs and maintenance, a community that is supportive in understanding the effects of mental health issues or a home of an appropriate size to accommodate their family.<sup>12</sup>

The Committee received evidence from renters living in uncomfortable, overcrowded or otherwise unsuitable conditions. Jillian Warne, a renter in rural and regional Victoria, spoke specifically about her experience renting in the Port Fairy area: 'There are also issues about the suitability of the few available homes – for example, they are situated on the Princes Highway with 24-hour truck movements, have no heating in the middle of winter or charge exorbitantly high rent.'<sup>13</sup>

<sup>4</sup> For example, see: Sam Cohen, *Submission 127*, p. 1.

<sup>5</sup> For example, see: Name Withheld, *Submission 129*, p. 1.

<sup>6</sup> For example, see: Emily Chapman, *Submission 158*, p. 1.

<sup>7</sup> For example, see: James Drinias, public hearing, 22 August 2023, *Transcript of evidence*, p. 44.

<sup>8</sup> For example, see: Sarah Edwards, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 5.

<sup>9</sup> For example, see: Claudia Cassar, *Submission 167*, p. 2.

<sup>10</sup> For example, see: Erin Buckley, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 39.

<sup>11</sup> For example, see: Di Drew, *Submission 346*, p. 1.

<sup>12</sup> Inner Melbourne Community Legal, *Submission 930*, p. 2.

<sup>13</sup> Jillian Warne, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 3.

The wider implications of renters being unable to find accommodation that suits their needs include:

- housing misallocation, including under-utilising or overcrowding
- households with middle incomes accessing cheaper housing due to a general lack of housing options, potentially pushing lower income households out of the market
- forced relocation
- homelessness.

### Case Study 5.2 Christine Miller

You put in applications for places that you do not really want or that do not suit your needs or are not suitable in a number of ways because if you do not, you might miss out and have nowhere to move to. I think now the situation is a lot worse than it was.

I would like to say something about being an older person and also having mobility issues. What I have noticed is that in new housing developments and when areas change they tend to knock down the old single storeys and they are building a lot of double-storey duplexes. I understand the need to keep the population controlled so we do not spread out too far, but at the same time I feel that older people are not really being represented in the rental market, especially people with mobility needs. I find that most of the offerings are one- or two-bedroom apartments with no additional storage. I am an older person. I am established. I have possessions that I like to take with me that I do not want to cast off, because I might not be able to afford to replace them. I have a mobility scooter. That is my independence. That needs a place to be under lock and key for insurance purposes. It also needs somewhere to be charged, and I just feel that considerations like that are not really being put out there when it comes to new housing developments – not to my knowledge anyway, or not that I have seen. Even apartment blocks – they are building two-storey apartments within apartment blocks.

Christine Miller, public hearing, 22 August 2023, *Transcript of evidence*, p. 20.

### Case Study 5.3 James Drinias

We lived in the CBD, and we started out at \$380. Two years later the landlord is asking for \$450, and our roof does not work. And so we thought, well, it is too expensive to live where we are living now, and then we realised every single area has been raised. There was nowhere that we could possibly have looked where the rent was even close to what we had started off with when we moved into the CBD. We would have to go out to, like, Keilor, which is a significant distance from university for me and [my housemate's] work.

James Drinias, public hearing, 22 August 2023, *Transcript of evidence*, p. 44.

#### Case Study 5.4 Sarah Edwards

My first rental, about 10 years ago, was \$285 a week. It was a newly built granny flat subdivision kind of deal. It had two bedrooms and two bathrooms. It had a water tank for recycled water, central heating, central cooling, all the bells and whistles – \$285 a week. Then a few years later I was looking for a similar, maybe slightly bigger house – \$345 a week. The next one after that, which is about four years ago now, was \$385 a week. We are up to \$100 more per week from where I started, and it is the same area and the same sorts of houses. And then the worst happened: I was sent a notice to vacate a couple of years ago from that \$385 one, which was a good price. I had to take a rental for \$480 a week, which was more than 60 per cent of my income. I had to accept it because I made over 100 applications and none got back to me – only this one.

Sarah Edwards, public hearing, 8 August 2023, *Transcript of evidence*, p. 12.

**FINDING 9:** The cost of renting in Victoria is causing significant financial and social stress for many renters.

### 5.2.1 Rent control

**Rent control would give me security that I won't be kicked out of my home.**

Name Withheld, *Submission 738*, p. 1.

A significant portion of stakeholders who provided evidence to the Inquiry raised the issue of rent control, including both renters and rental providers. Stakeholders supportive of rent control measures made a variety of proposals, ranging from rent freezes to restricting the level of rent increases.

Many of these stakeholders believed that any measure towards rent control would improve the affordability of the rental market. These stakeholders included organisations or advocacy groups working in housing and related sectors. Organisations who indicated support for some type of rent control included:

- Victorian Council of Social Services
- Regional Housing Victoria
- Tenants Victoria
- Renters and Housing Union
- Fair Go For Pensioners Coalition Victoria.

It is important to acknowledge that the stakeholders noted above do not have a homogenous view of rent control. Each had its own view and recommendations of what was needed in Victoria. Further, this is not an exhaustive list of all the organisations who provided evidence recommending rent control.

On the other hand, rental providers expressed concern that rent control measures, in particular rent freezes, would cause rental providers to leave the Victorian market.<sup>14</sup> Rental providers outlined several perceived negative impacts of rental control or caps on Victoria’s rental supply, such as:

- reduced rental housing supply because of:
  - disincentives for new construction
  - rental providers selling rental stock
- exacerbated housing affordability over the long term
- lower quality of rental housing
- a ‘black market’ or informal rental sector
- reduced tax revenue.

Rent control is discussed in more detail in Chapter 6.

### 5.3 Condition of rental homes

**We face [issues] of black mould, of exposure to harsh weather and of unsanitary conditions, which can be not fully but appreciably addressed by the freedom to leave unsafe conditions and find safer housing. This requires more accessible housing. This will have a direct effect on the physical and fiscal health of each Australian and Victorian ...**

Wren Pleasant, public hearing, 22 August 2023, *Transcript of evidence*, p. 17.

Box 5.2 is a summary of Victoria’s minimum standards, including tenants’ rights and penalties for non-compliance. Chapter 6 examines the effectiveness of these standards and broader rental regulations, including whether they are fit for purpose.

<sup>14</sup> For example: Greystar, *Submission 479*; Patrick McConnachie, *Submission 425*; Property Council of Australia, *Submission 655*; Novus, *Submission 647*; Carmen Littley, Wyndham Property Management, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*.

### Box 5.2 Minimum standards for rental properties in Victoria

In Victoria, minimum standards for rental agreements are divided into 14 categories with all properties required to meet the standards for each category:

- Bathroom
- Electrical safety
- Heating
- Kitchen
- Laundry
- Lighting
- Locks
- Mould and damp
- Structural soundness
- Toilets
- Ventilation
- Vermin proof bins
- Window coverings
- Windows.

Renters have the right to request from a rental provider that necessary repairs or changes are made where a property does not meet minimum standards. This request can occur at any stage, such as prior to contract signing, before moving in or during a tenancy.

Rental providers are responsible for meeting minimum standards, with penalties for failing to meet the required standards. There are also consequences for not carrying out urgent repair requests from tenants as it relates to meeting minimum standards.

If a rental provider does not meet this obligation, a renter can apply for a VCAT order requiring the works take place or to recover costs if a renter paid for the repairs costing less than \$2500.

Consumer Affairs Victoria, *Rental properties – minimum standards*, 2023, <<https://www.consumer.vic.gov.au/housing/renting/repairs-alterations-safety-and-pets/minimum-standards/minimum-standards-for-rental-properties>> accessed 5 October 2023.

Data provided in Chapter 3 of this Report shows that majority of renters are satisfied with the condition of their homes and are not reporting major structural issues. However, the Committee received evidence from a significant number of tenants who are experiencing problems with the condition of their property. While there is no evidence that that poor rental properties are a market wide problem, the amount of evidence the Committee received indicates a significant issue in Victoria.

The Committee held four panel sessions with Victorian renters throughout the course of its public hearings, speaking directly to 16 individuals. All of these renters shared their personal stories of renting and their difficulties with the poor conditions.<sup>15</sup> The Committee heard about a range of issues, including (but not limited to):

- a lack of or insufficient heating and cooling
- mould or other growths in the floor, walls or seals of a property
- broken, insufficient or missing light fixtures
- loose tiles, floorboards, doors or windows
- leaks and water damage
- privacy breaches by agents and landlords
- broken showers, sinks, ovens, extractor fans and other vital aspects of dwellings
- pest infestations
- examples of structural damage or poor maintenance resulting in unsafe conditions.

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<sup>15</sup> The following renters provided evidence at a public hearing: Daniel McCormack, Jillian Warne, Shaye Topaz, Sarah Edwards, Neal Taylor, Michelle Tyrrell, Wren Pleasant, Alison Cooke, Felicity Walls, Tim Connors, Christine Miller, Tarek Bieganski, Angela Ballard, Erin Buckley, Teresa Kervin and James Drinias.

### Case Study 5.5 Erin Buckley

In the time that I have been renting in Victoria I have unfortunately only encountered maintenance issues in my house that have not been resolved to an adequate standard. It started with the heating unit failing. The landlord decided that he did not want to pay a tradesman to repair it properly. He repaired it himself, and a few months ago that failed and it is now leaking through the ceiling. The other major maintenance issue that we have had is that our bathroom grows mushrooms. I have never dealt with this problem before in my life, so I am well aware that it is not my cleanliness. This is a structural issue with the property.

The landlord's response to that was to use vinegar to make the mushrooms go away, and he used silicone to plug up some of the holes where water was entering behind the tiles and causing this problem. A plumber was sent out by the real estate to confirm that it is not a plumbing issue, and the plumber confirmed that it is a tiling issue and that the tiles will need to be removed, the waterproofing will need to be redone and that it is a major renovation. The landlord has resisted all attempts to have this done, and I do believe my real estate has done their best. They have told me if I wish to take him to VCAT, they will support me. However, we have not done that because we are well aware that if we take him to VCAT, we may end up homeless. He could just sell the property, he could say it is unliveable, and then we would have nowhere to go.

Erin Buckley, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 39.

Several stakeholders said the current approach ensuring minimum property standards for rentals are met is insufficient, both in terms of the quality of the standards and their enforcement. Better Renting advocated for expanding the current minimum standards 'to cover ceiling insulation, draught-proofing and the efficiency of hot water systems.'<sup>16</sup>

Similarly, Healthy Homes for Renters believed it was important to improve minimum standards because of the risks poor ones pose to tenants, including high energy bills:

In addition to the health risks posed by substandard conditions, renters in Victoria face the burden of additional energy costs, especially in homes that lack proper energy efficiency measures. These dwellings often suffer from inadequate insulation, outdated heating systems, and poor ventilation, leading to increased energy consumption and higher utility bills for tenants. Compounded with Victoria's reliance on gas as an energy source, which tends to be more expensive compared to other alternatives, renters living in substandard homes face an even greater financial strain.<sup>17</sup>

Many renters who provided submissions to the Inquiry discussed their experiences with poor conditions in properties they leased.<sup>18</sup>

<sup>16</sup> Better Renting, *Submission 650*, p. 4.

<sup>17</sup> Healthy Homes for Renters, *Submission 700*, p. 1.

<sup>18</sup> For example, see: Madeline Blair, *Submission 703*, p. 1; Gemma Randall, *Submission 724*, p. 1; Rebecca Staple, *Submission 727*, p. 1; Bell Salvatore, *Submission 757*, p. 1; Guy Webster, *Submission 821*, p. 1.

The Committee received varying evidence from rental providers on the financial burden of meeting minimum standards. Some rental providers clearly stated they were happy to meet the minimum rental standards and that they did not see it as a burden.

Lachlan Simpson argued that rental providers meeting minimum standards is a business cost. He told the Committee: 'I can understand that it is expensive. If you own multiple properties and you have to do \$4000 worth of work in each property, then that is a large amount of cash, but when you own 10 properties or more then that is the nature of doing business.'<sup>19</sup>

Ange Kenos said:

I find it so hard to understand, when I hear these stories all the time, why there are property owners who say, 'Damn you, tenant. I own the place. If I want it to be a dump, it will be a dump.' Why are there landlords who do not want to repair their properties? That just does not make sense to me ...The majority of landlords, I believe, want to look after their properties. Whether it is personal or an investment, they want that investment because they might want to sell it down the track or pass it on to family. They want it to be in good condition.<sup>20</sup>

### 5.3.1 Heating and cooling

Many of the renters who provided evidence to the Committee reported heating and cooling their homes as a significant problem. The *Residential Tenancies Act 1997* requires a fixed heater to be installed in the main living area, however, cooling is not included in the legislation.

Temperature control in rental properties is important to:

- reduce extreme heat or cold associated health risks, including heat stroke, dehydration, or cardiovascular respiratory illness
- prevent mould growing
- reduce the need for renters to find alternative out-of-pocket solutions to temperature managing their homes.

At a public hearing, Alison Cooke, a renter in metropolitan Melbourne, described her situation in a home with no cooling system:

The first couple of summers were manageable, but the Christmas before last was a different story. The house was routinely climbing into the 30s while I was inside, making it unbearable to be in there. Despite trying to cool down the house by opening all the windows and doors overnight when it was coolest, the scorching heat outside and the brick meant that it had little effect. I even went so far as to put reflective screens on the windows behind closed blinds, but that did not make any difference. Once the bricks heated up there was nothing I could do.<sup>21</sup>

<sup>19</sup> Lachlan Simpson, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 7.

<sup>20</sup> Ange Kenos, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*.

<sup>21</sup> Alison Cooke, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 4.

The following are examples of stories from renters in this Inquiry discussing heating and cooling in their homes:

The central heating didn't work and they didn't want to fix it. In the end we accepted reduced rent and used inefficient portable heaters to try to keep the place warm through winter, with a newborn.<sup>22</sup>

Our rental townhouse, while admittedly being in great location, close to school, work, shops, friends and family, lacks any insulation making it horrible to live in for at least six months a year. Despite repeated requests to do anything to provide basic heating, cooling or insulation, they have done nothing but increase the rent<sup>23</sup>

Our home is freezing in winter and costs nearly \$400 a quarter to warm, and in summer there is no cooling and our household has to sleep together in the lounge room with water spraying fans to sleep cool.<sup>24</sup>

Sweltering Cities, a national campaign organisation campaigning for solutions for cooling and energy efficiency structures in homes, spoke to the Committee about the challenges some renters face. Sophie Emdar, Community Campaigner at Sweltering Cities, said:

We have heard from hundreds of renters since 2020 about what it feels like to live in really dangerously hot homes and what solutions they want to see. So number one, Victorian renters want to see cooling included in the minimum standards alongside heating. We have heard from hundreds of renters that their homes are ill-equipped to withstand the heat, and when they have tried to advocate to their landlords to try and get cooling modifications put in – things as simple as curtains and flyscreens and window coverings – they have been routinely refused. So putting cooling into the minimum standards will go a long way to protecting renters from heat-related illness and death.<sup>25</sup>

Sweltering Cities discussed the feedback it had received about what renters believe would help address issues with overheated homes. Along with incorporating cooling into the minimum rental standards regulations, it said that the key recommendations from its stakeholders were:

- the urgent introduction of insulation standards
- targeted funding to reduce VCAT backlog to assist renters' seeking redress for lack of or broken cooling systems
- that cooling-related complaints be considered an urgent repair issue.<sup>26</sup>

<sup>22</sup> Jared Balstrup, *Submission 43*, p. 1.

<sup>23</sup> Andrew Curtis, *Submission 103*, p. 1.

<sup>24</sup> Alexandra Braun, *Submission 241*, p. 1.

<sup>25</sup> Sophie Emdar, Community Campaigner, Sweltering Cities, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 59.

<sup>26</sup> *Ibid.*

The principal recommendation to include cooling as a minimum standard category for rental properties was supported by other stakeholders in this Inquiry.

### Committee comment

The Committee believes that the Victorian Government should review minimum standards to address the liveability of rental properties throughout the year, including summer. Regarding heating, the Committee notes that the current minimum standard does not necessarily address liveability.

As such, the Committee has written to the Legislative Council Environment and Planning Committee asking that issues around temperature and liveability in rental properties be considered as part of that Committee's upcoming Inquiry into the built environment and climate resilience, agreed to by the Legislative Council on 4 October 2023.

**FINDING 10:** Victoria's minimum rental standards do not address the temperature of a property, they only require that a fixed heater is installed in the main living area.

## 5.4 Navigating the application process

**Because of the housing crisis, because of the pressure and the competition, there is this very real sense that if you say no or if you question – like, 'Why are you asking me for this information?' – that you will be seen as being burdensome or troublesome, or if you do not complete the full form, then you will just get pushed to the bottom of the pile and you will miss out completely.**

Sam Floreani, Program Lead, Digital Rights Watch, public hearing, 23 August 2023, *Transcript of evidence*, p. 60.

Evidence from renters to this Inquiry addressed the rental application process, including privacy concerns and the amount of time it takes to make an application.

### Box 5.3 Rental application process

The rental application process in Victoria generally involves the following steps:

- inspecting a rental property
- applying for a property, including provide personal identification documents which could include:
  - photo identification
  - details for references, both for rental history and personal
  - rental history
  - rent payment receipts
  - employment history
  - proof of income
  - bank details and/or statements
- a rental provider may also access a renter database which indicates any missed rental payments.

In some instances, rental providers will request a deposit (typically first rental payment). Following the signing of the contract, tenants are also required to make a security deposit (bond payment).

Source: Housing Victoria, *Applying for a rental property*, 2021, <<https://www.housing.vic.gov.au/applying-rental-property>> accessed 3 October 2023.

#### 5.4.1 An onerous process

In commencing its public hearing program, the Committee heard from a diverse range of Victorians renting both in metropolitan and rural and regional areas. Some of these renters discussed their experience applying for rental properties, often describing it as a difficult process.

Christine Miller — a renter in metropolitan Melbourne — told the Committee that:

the whole process is fairly arduous, and because there is so much competition, you are filling in forms constantly and people want to check that you can – there is ID that needs to be supplied, there is proof of working or proof of income. There are all these things that you have got to do in amongst hundreds of other people trying to do the same thing as they are trying to view properties. It is really a nightmare.<sup>27</sup>

<sup>27</sup> Christine Miller, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 25.

The Victorian Aboriginal Child Care Agency's submission contended that the current application process may result in people being discriminated against based on the information they provide, a particular concern for marginalised communities such as Aboriginal Victorians and culturally and linguistically diverse people. The Agency stated:

Currently, applicants for private rental must undergo 'screening' and 'ranking' based on employment and rental histories to secure a property. While screening according to employment status and rental history raises concerns about discrimination and privilege, it is even more difficult to discern if someone is rejected from a rental property based on factors outside of those formally assessed by a rental provider, including the makeup of their family or racial discrimination.<sup>28</sup>

The Agency referenced the 2022 *Excluded from the Start* report, which examined the experience of Aboriginal Victorians accessing the private rental market. According to the Agency, the report found: 'Aboriginal people often experience discrimination along every stage of the rental journey ... but discrimination is particularly pronounced at the 'applying' stage.'<sup>29</sup>

**RECOMMENDATION 7:** That the Victorian Government undertake an independent review of the factors, effects and solutions to possible discrimination in the rental application process for Victorian properties.

#### 5.4.2 RentTech: privacy and digital security for rental applicants

A significant concern for stakeholders was that the application process requires renters to supply personal information, often via third-party platforms (i.e. RentTech). This has raised concerns about the privacy and security of information supplied to rental providers.

<sup>28</sup> Victorian Aboriginal Child Care Agency, *Submission 606*, p. 13.

<sup>29</sup> Ibid.

### Box 5.4 What is ‘RentTech’?

According to Digital Rights Watch, ‘RentTech’ is:

a subset of the broader “PropTech”<sup>a</sup> ecosystem that is primarily concerned with relationships between a residential renter, a landlord, their real estate agent and property manager, and third party intermediaries.

RentTech intervenes in almost every step of a renter’s housing experience—from searching for a property, applying for a rental, being assessed, submitting bonds and deposits, connecting utilities, paying rent, logging maintenance requests or complaints, and contacting their property manager.

RentTech can include:

- property management platforms
  - machine-learning based scoring systems which assess the risk or suitability of potential renters
  - payment processing platforms
  - listing, advertising or application systems
  - insurance instruments for deposits and bonds.
- a. ‘PropTech’ refers to digital process for property transactions or housing, including housing surveillance technology, valuation and brokerage systems, investment instruments, lending and transaction platforms and short-term accommodation provider platforms.

Source: Digital Rights Watch, *Submission 560*, p. 5.

In its submission, Digital Rights Watch revealed the results of a national survey conducted in 2023 which examined renters’ experiences using RentTech platforms. The results showed that:

41% of renters report being pressured into using a third party platform—like Ignite or Snug—that demand personal data from tenants who are given little choice but to provide it.

60% of renters reported feeling uncomfortable with information being collected and 21% of young renters reported the experience of having a “score”—usually the result of an opaque automated decision-making process—used to assess their application.<sup>30</sup>

A submission to this Inquiry received from a renter discussed the ‘huge strain’ RentTech platforms can cause:

Just applying for the properties themselves was a huge strain on our time and mental well-being, as each real estate agent can insist on any of these application platforms (2Apply, 1Form etc.), which all had their own extensive requirements. This included your

<sup>30</sup> Digital Rights Watch, *Submission 560*, p. 9.

entire rental history - with the contact information of each property owner. 5 YEARS of your employment history, also with the employer's contact information. Proof of income, as well as bank statements. Any wide variety of forms of ID - driver's licence, medicare, visa, passport.

None of this information is optional. If we choose to opt out of providing any of this information, we aren't able to apply for the property. Letters of recommendation and guarantee were also recommended by some, due to us being in our early 20s. Both my partner and I are neurodivergent and she's a temporary visa residency holder, so collating all of this information, and formatting on such short notice proved to be exhausting for us, especially whilst juggling our full-time working schedules.<sup>31</sup>

Digital Rights Watch further explained that real estate agencies and third party companies are 'functionally exempt' from privacy regulations because they often fall within the small business exemption or are covered under the definition of 'reasonably necessary' collection. The organisation argued that the over collection of information undermines a renter's right to privacy and increases their digital security risks.<sup>32</sup>

### Committee comment

Minimising, or standardising, the collection of personal information in rental applications is one way of protecting personal privacy and data security, but also simplifying the process generally. The Committee is pleased that the Victorian Government's *Housing Statement* recognised the need to make applications easier and protect renters' personal information. According to the Statement, the Government has committed to standardising rental applications and limiting the kinds of information agencies can collect and keep.<sup>33</sup>

Further, relevant to addressing concerns of RentTech, the *Housing Statement* also commits to establishing a portable rental bond scheme allowing tenants to 'carry their rental bond from one property straight over to another'.<sup>34</sup>

**FINDING 11:** The lack of a standard rental application process has resulted in disparate practices from real estate agencies and third-party RentTech platforms. For some renters this has meant the over collection of personal information, risking their privacy and data security.

**RECOMMENDATION 8:** That the Victorian Government, as announced in the *Housing Statement*, urgently implement its new policy to better protect renters privacy and data by limiting the information agents or landlords can keep on file, store and how long they can keep it for.

<sup>31</sup> Name Withheld, *Submission 587*, p. 1.

<sup>32</sup> Digital Rights Watch, *Submission 560*, p. 10.

<sup>33</sup> Victorian Government, *Victoria's Housing Statement*, 2023, p. 28.

<sup>34</sup> Ibid.

### 5.4.3 Rent bidding

**all rental inspections have so many people attending them it's near impossible to get your foot in the door and you have to resort to tactics such as rent bidding (even though it's illegal everyone I know who has applied for a rental offers more than what was advertised to try and have a better looking application), or by submitting an application prior to inspection to get at the front of the queue for the property manager to review.**

Logan Doody, *Submission 23*, p. 1.

'Rent bidding' refers to practice of facilitating a competitive process where prospective renters offer rental providers rent more than the property's advertised price.

The *Residential Tenancies Act 1997* makes it an offence for rental providers to advertise or otherwise offer a property for any amount other than a fixed amount (see Box 5.5). However, the Committee was made aware of a loophole allowing renters to make an offer or 'bid' higher than the advertised amount with rental providers allowed to accept it.

#### **Box 5.5 Prohibition on 'rental auctions' under the *Residential Tenancies Act 1997***

##### **30F Rented premises must be offered for rent at a fixed amount**

- (1) Subject to subsection (2), a residential rental provider or that person's agent must not advertise or otherwise offer premises unless the rent under the residential rental agreement is advertised or offered as a fixed amount.

Penalty: 60 penalty units in the case of a nature person;

300 penalty units in the case of a body corporate.

- (2) A person does not community an offence against subsection (1) if the person places a sign at or near premises for rent—

- (a) that advertises or offers premises for rent; and
- (b) that does not state an amount of rent for premises.

- (3) A residential rental provider or that person's agent must not solicit or otherwise invite an offer of an amount of rent that is higher than the advertised amount of rent for the rented premises.

Penalty: 60 penalty units in the case of a nature person;

300 penalty units in the case of a body corporate.

Source: *Residential Tenancies Act 1997* (Vic) s 30F.

The design of online rental application platforms suggests that some rental providers are aware of this loophole and are facilitating bidding without expressly contravening the Act. Most online rental applications include a fillable box for an applicant to put in the amount they are willing to pay. While there is no specific mention of bidding, it could be argued that there is an implicit inference that a renter could put in a higher amount to help their application.

At a public hearing, Sam Floreani, Program Lead at Digital Rights Watch, explained:

In Victoria you are not allowed to solicit rent bidding, but many of the application platforms will include an editable field where you can put in whatever rent amount you want to pay. Say it is for \$520 a week, you could put it up to however much you are willing to offer. In the current climate it is extremely common for people to be offering more rent in order to try to secure a rental, and the way this works is that it kind of circumvents that prohibition on soliciting rent bidding. They are not technically asking for it, but because it is editable and there is that mounting pressure, surrounding contextual pressure, it ends up working in effect that way.<sup>35</sup>

**... it is hard not to take a cynical look that they would be seeking a higher rent. I do not know why else you would put that there.**

Sam Floreani, Program Lead, Digital Rights Watch, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 62.

The Youth Affairs Council Victoria told the Committee that despite the ban:

in 2021–22 Consumer Affairs Victoria issued warnings to 200 estate agents who were not complying with new regulations.

There are still no regulations about potential tenants making unsolicited offers higher than the rental amount advertised, so affordable housing becomes even more inaccessible to young people as they may be outbid by someone with greater financial resources.<sup>36</sup>

To address the existing regulatory loopholes, Digital Rights Watch recommended that the Victorian Government: ‘Prohibit technology designed to evade existing regulation, such as editable rental amount fields in third party application platforms which circumvent prohibitions on solicitation.’<sup>37</sup>

The Victorian Government has acknowledged that rental bidding still occurs and that there are gaps in the existing regulatory framework. The Government’s *Housing Statement* suggested that the ‘tight rental market with vacancy rates at record lows’ has put pressure on tenants resulting in them making unsolicited bids to make applications more competitive.<sup>38</sup> In response, the Government has indicated that it will

<sup>35</sup> Sam Floreani, Program Lead, Digital Rights Watch, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 62.

<sup>36</sup> Youth Affairs Council Victoria, *Submission 521*, p. 6.

<sup>37</sup> Digital Rights Watch, *Submission 560*, p. 13.

<sup>38</sup> Victorian Government, *Victoria’s Housing Statement*, p. 27.

ban all types of rent bidding, stating: ‘We’ll level the playing field for renters by closing this loophole and banning all types of rental bidding for good. We’ll make it an offence to accept bids, and introduce tougher penalties for agents and landlords who break the law.’<sup>39</sup>

Despite being outlawed since 2021 under the Residential Tenancies Act the Committee was concerned to receive evidence from several stakeholders that rental bidding still occurs in Victoria. The design of many online applications has allowed for unsolicited rental bids which providers can accept. It is unnecessary for any rental property application platform to include an editable field for an applicant to specify a rent amount. This practice only serves to implicitly allow applicants to make rental bids believing it will make their application more competitive.

The Committee welcomes the commitment from the Victorian Government to ban all forms of rent bidding. As part of its work, the Government should also ensure that rental application platforms do not allow rental bidding of any type.

**FINDING 12:** Despite the commencement of a ban in 2021, rental bidding still occurs in Victoria. Regulatory loopholes in existing legislation have allowed the sector to evade prohibitions by accepting unsolicited rental bids.

**RECOMMENDATION 9:** That the Victorian Government, in fulfilling its commitment to ban all types of rental bidding under its *Housing Statement*, ensure rental application forms do not allow rental bidding in any way.

## 5.5 Duration of tenancy and its impact on housing security

Chapter 3 provided data on the average duration of tenancies in Victoria and how this has changed over time. This Section examines the impacts the length of a lease can have on renters.

Insecure lease agreements, which usually means short leases, create uncertainty for renters and a cycle of finding and procuring housing or worrying about the need to do so. Box 5.6 below provides excerpts from evidence from renters on their experiences trying to procure a longer lease. These quotes show a preference for a longer lease because of the security it provides but that many renters have trouble getting agreement from their rental providers for multi-year leases.

The Committee notes in the below contributions the evident impacts of the power imbalance between renters and rental providers/agents/managers, particularly in relation to lease length negotiation (if any negotiation is present).

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<sup>39</sup> Ibid.

### Box 5.6 Comments from the regional and rural renters panel on lease duration

I asked for a two-year lease on the property where I stayed at for four years, which was the longest period of time that I have got to stay at a property, and they pretty much said no. No reason why. And to be fair, it was back in 2018 when we requested it, just because I was a good tenant. I always paid my rent on time and always gave them a heads-up and did not bother them too much except to let them know that the toilet seat is wiggling too much or whatever. That is the most I ever asked of them for anything. It was, like, 'Well, I really like this property. I'd like to stay in it for longer. It's backing onto a train line so I cannot imagine so many people would be interested in this property.' And they were just like, 'No. You can have a year. That's it.'

Daniel McCormack, public hearing, 8 August 2023, *Transcript of evidence*, p. 7.

It is a question I ask whenever I sign on to a new rental, looking for either a two- or three-, four-, five-year lease. I try and aim for the five. But, yes, we constantly get knocked back with those requests, citing that, 'Oh, the landlord wants to sort of see what it's like or see how you guys are.' There was one house in particular that I was viewing in an inspection where the agent explicitly said it was a six-month lease because the landlord wanted to make a judgement on whether or not they liked the tenants before offering them long-term accommodation.

Sarah Edwards, public hearing, 8 August 2023, *Transcript of evidence*, p. 7.

We prefer a longer lease too obviously – it is hard to move. We asked if we could stay longer and they told us that it is a 12-month lease with the opportunity to extend. Obviously, the same thing – they want to check out how you are going. It makes it really nerve-racking to ask for changes to the property. If there is some mould in the bathroom, I do not want to rock the boat because I do not want to have to get kicked out of this house. That really prohibits us from making changes to our living circumstances when we do not want to have to find a new house.

Shaye Topaz, public hearing, 8 August 2023, *Transcript of evidence*, p. 8.

The Committee also heard that short leases make it difficult for renters to put down roots in communities. Ben Rogers, Manager of Policy and Advocacy for the Council of the Aged, discussed that longer leases are important for community building, especially for older Victorians:

people need time to build roots in communities and to trust people, to know, you know, that they like the doctor down the road and that they can access them. And I think that is something that is underrated and underappreciated, particularly as we look at an ageing society.<sup>40</sup>

<sup>40</sup> Ben Rogers, Manager, Policy and Advocacy, Council of the Aged, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 72.

The recent reforms to the *Residential Tenancies Act 1997* which commenced in 2021 state that a rental provider and tenant can agree for a lease of over five years, so long as they have used a prescribed form for long-term leases. However, evidence to the Inquiry suggests that most renters are still offered short-term leases and very few are on multi-year agreements.

Many renters who provided evidence, either at hearings or in a submission, were supportive of improving opportunities for long-term leases,<sup>41</sup> with some supporting offering incentives to rental providers for longer leases (such as tax breaks).<sup>42</sup> Others argued against additional incentives believing that longer leases should simply be a standard requirement.<sup>43</sup>

The Committee heard from rental providers who are comfortable offering longer leases for their tenants. For example, Geoffrey Tonks told the Committee:

Generally, we offer a one-year lease initially, and at the completion of a one-year lease – we work through agents, in any case – we offer the tenants an option then. They can renew year by year or they can even go month to month. We do not mind, and we would not mind if they wanted to sign a lease for several years – four or five years. But we just perceive that for our tenants it is their home. You know, like for everybody, it is their home, and we are quite happy to give them whatever security they need in that regard as long as the tenants respect their obligations.<sup>44</sup>

Similarly, Ange Kenos said:

Some tenants look after a property as if it was their own home, and when you have got those people you pray that they want to stay longer. So in this sense, if the government is suggesting a five-year term or a six-, seven-, eight-year term, as long as the landlords are protected in terms of damage to property et cetera – no issue.<sup>45</sup>

### Committee comment

The Committee acknowledges that many people prefer short-term leases, such as young holidaymakers, temporary workers in regional areas and students. Equally, for Victorians seeking them, longer-term leases can provide additional housing security and more certainty for their future.

Tenure duration is a significant contributor to the security a tenant feels in their housing. Despite provisions seeking to make rental agreements more flexible (with opportunities for short or long-term leases), the evidence to the Inquiry suggests that some tenants do not feel they have a fair say or control over their rental agreements.

<sup>41</sup> For example, see: Hiero Badge, *Submission 691*; Name Withheld, *Submission 738*; Samantha Burton, *Submission 758*.

<sup>42</sup> Neal Taylor, *Transcript of evidence*, p. 16.

<sup>43</sup> Sarah Edwards, *Transcript of evidence*, p. 16; Jillian Warne, *Transcript of evidence*, p. 16.

<sup>44</sup> Geoffrey Tonks, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*.

<sup>45</sup> Ange Kenos, *Transcript of evidence*.

The Committee notes the resounding message from the submissions from renters and advocacy groups that introduced regulation and legislation of rental accommodation must take into account the inherent power imbalance between the property asset-owning rental providers and renters (the vast majority of which are without property assets and the safety net they provide).

The Victorian Government's recent *Housing Statement* contended that the 2021 reforms have given renters 'more certainty with long term leases'.<sup>46</sup> Evidence to the Inquiry suggested that access to longer term leases has been low. The Committee calls on the Government to reexamine its regulations on long-term leases and look into opportunities for incentivising rental providers who offer leases over 12 months.

**FINDING 13:** Renters who want to be offered long-term leases do so because it provides housing security and allows them to build ties with their communities. However, some renters are unable to negotiate longer leases with their rental providers.

**RECOMMENDATION 10:** That the Victorian Government explore further ways to increase the rate of long-term leases in Victoria including:

- publishing data on length of leases offered by landlords
- undertaking further research to better understand the barriers to tenants seeking longer term leases.
- noting that the Victorian Government already provides tax concessions to build-to-rent operators who must offer leases of three years or more, advocating to the Commonwealth Government that it examines how it could target its range of housing related tax concessions to incentivise landlords to offer longer-term leases across the whole rental sector.

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<sup>46</sup> Victorian Government, *Victoria's Housing Statement*, p. 25.



# Chapter 6

## Is Victoria's rental regulatory framework fit for purpose?

### 6.1 Introduction

This Chapter examines the regulatory framework governing the rental sector in Victoria. The effectiveness of rental regulations and standards have come under increased scrutiny in recent years. The Committee uses this Chapter to examine current legislation and key issues discussed throughout this Inquiry, including rent control, and how Consumer Affairs Victoria and VCAT enforce the regulations and standards.

The Chapter concludes with a brief discussion on possible future reform in the areas of rental property condition reports, support for the real estate sector and how the process of renters acquiring references could be improved.

### 6.2 Rental regulations in Victoria

#### 6.2.1 Residential Tenancies Amendment Act 2018

The *Residential Tenancies Amendment Act 2018* was the result of a substantial review of the *Residential Tenancies Act 1997* which commenced in 2015. The 2018 Act significantly reformed the rental sector in Victoria, with over 130 reforms coming into place in March 2021. Reforms were implemented over a two-year period so that rental providers had time 'to make required adjustments to their rental properties'.<sup>1</sup>

In its submission, the Victorian Government described the reforms as an opportunity for it 'to re-case the regulatory settings for rental housing that had been in place in Victoria since 1997'.<sup>2</sup>

The Government's submission summarised the key reforms introduced under the 2018 Act, which included:

- creation of the Office of the Commissioner for Residential Tenancies
- ban on soliciting rental bidding, including a requirement for fixed price advertisements
- prohibition on rental providers making false, misleading or deceptive representatives

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1 Victorian Government, *Submission 946*, p. 8.

2 *Ibid.*

- regulating the use of information in a rental application
- prohibiting rental providers from asking inappropriate questions on a rental application, for example bond history or daily banking transactions
- establishing maximum bond and rent in advance amounts
- rental providers cannot unreasonably refuse a tenant to keep a pet at the property
- changes to the frequency of rent increases
- changes to rights of entry to a property by a rental provider
- requiring rental providers or agents to prepare a condition report
- introduction of rental minimum standards, including penalties for non-compliance
- changes to notice of intention to vacate
- changes to VCAT dispute resolution processes, including VCAT's ability to make possession orders.<sup>3</sup>

Throughout the Inquiry, the Committee heard concerns from stakeholders—including both renters and rental providers—that various aspects of the reforms were unfair or not operating as intended. The lack of adequate enforcement was a key issue raised by renters and advocacy groups. This Chapter considers these issues and identifies opportunities for the Victorian Government to improve its rental regulatory system.

### 6.2.2 Jurisdiction comparison of key rental regulatory areas

In its submission, the Municipal Association of Victoria provided a broad comparison of key rental regulatory areas in several jurisdictions across the world. The submission focused on Australia broadly, so specific Victorian regulations have been added by the Committee.

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<sup>3</sup> Ibid.

Table 6.1 Comparison of key regulatory areas

Jurisdiction	Minimum fixed lease	Cost controls	Eviction
Australia <sup>a</sup>	Generally six months or a year, but leases can be shorter.	None for private housing. Landlords can charge as much as they like.	No reason required. Regulations allow 'no-grounds' evictions for tenants on periodical leases (except in Tasmania).
Netherlands	Renters can stay indefinitely, even if the property is sold.	Rents and rent increases are limited by government regulation.	Only permitted in certain circumstances listed in the Dutch civil code.
Germany	Renters can stay indefinitely, even if the property is sold.	Rents and rent increases are limited by government regulation.	Not permitted unless the tenant violates the terms of the lease.
Denmark	In most cases renters can stay indefinitely.	Rent controls apply to most of the rental housing stock.	Only permitted under a limited range of circumstances.
Ireland	Four years.	None for private housing. Landlords can charge as much as they like.	Only permitted during the first six months unless the tenant violates the lease, or use of the dwelling changes.
France	Three years.	Rent increases cannot exceed the 'reference rent index'.	Not permitted unless the tenant violates the lease, the property is sold or the landlord intends to move in.
Victoria <sup>b</sup>	6–12 months (however, periodic month-to-month agreements are allowed).	No controls on value of rent increases, but there are regulations on the frequency of increases.	Rental providers can evict without a reason at the end of a fixed-term agreement at the end of the first fixed-term agreement (usually 12 months). After this, reasons and evidence must be given which accord with certain circumstances prescribed by regulations.

a. Recent legislation in Victoria has strengthened the right of renters, including some limits on no-grounds eviction.

b. Information for Victoria has been included by the Legal and Social Issues Committee. It was not an element of the original table.

Source: Municipal Association of Victoria, *Submission 938*, p. 13.

## 6.3 Stakeholders' views of Victoria's rental regulatory framework

**there is a lot that we can do to try and simplify legal processes – something like amending the structure of the Residential Tenancies Act, which is a bit of a beast in terms of its length and complexity**

Isabelle Butler, Senior Lawyer, University of Melbourne Student Union, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 46.

This Section summarises the views of renters and rental providers on Victoria's rental regulation system, in particular the reforms introduced under the *Residential Tenancies Amendment Act 2018*. Although both groups vary in their view, one area of agreement

was the complexity of rental regulations. Both renters and rental providers described difficulty understanding and navigating the system, making it difficult to ensure their rights and obligations were being met.

At a public hearing, Angela Ballard, a renter in metropolitan Melbourne, argued that change would need to involve all parties:

The problem is it is a big kind of policy regulatory system, and that does not work for all of the shenanigans that go on in the background. You need to deal with the complexity in the background and put some funds and some thinking around how that might be. And I can tell you it is not people in government who need to do that, you actually have to get the system in the room. So you need to get the rental providers, the real estate agents, the tenants, everyone in the room coming to deal with these issues, and amazing stuff can come out of those sorts of processes.<sup>4</sup>

### 6.3.1 Renters

Renters expressed concern about the adequacy of rental regulations, asserting that some regulations are not enforced or fail to achieve their aims. Some of the more common areas of issues for renters were:

- minimum rent standards being unmet, not enforced, and/or insufficient in protecting their health and wellbeing
- rent(s) becoming increasingly unaffordable
- fear of raising issues with their rental provider
- feelings of disempowerment relative to their rental provider
- fear of being priced out of an existing property and/or eviction
- extreme levels of competition amongst renters in the rental market
- fear of becoming homeless
- being unable to exit the rental market by purchasing their own home due to high house prices.

Gabrielle de Vietri, the Member for Richmond, provided a submission to the Inquiry which included a number of personal anecdotes from renters discussing existing rental regulations. Box 6.1 below provides excerpts from these contributions.

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<sup>4</sup> Angela Ballard, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 51.

**Box 6.1 Selected renters views on rental regulations (excerpt from *Submission 940*)**

**'I strongly believe that the government should take steps to improve minimum standards for tenants and strengthen laws that protect their rights to repairs and maintenance. By implementing stronger regulations, the government can ensure that all rental properties meet basic living standards and that tenants have a reliable avenue to address maintenance issues without fear or hesitation.'**

**'As a renter you don't feel too secure as you know that if the landlord can they will replace you with higher paying tenants, or try and jack rent up or do anything to line their pockets.'**

**'While there are some rules around when you can kick a tenant out they are inconsequential if not enforced. Many friends have had landlords serve evictions notices at the end or during leases with "valid" reasons under regulations (such as moving into the property themselves) only to have it relisted for at massively increased rent within a week.'**

**'I think there needs to be stricter regulation for real estate agencies and property managers, and consequences if regulation is breached. As a renter, it is very hard to push back against inappropriate conduct from property managers because I worry about having my rent increased or being asked to leave the property.'**

**'We need longer leases, increased legal protections, much more notice to vacate and compensation if the landlord wants to evict us, a freeze on evictions in times of crisis at least.'**

Note: stories are from renters who shared their story.

Source: Gabrielle de Vietri, *Submission 940*.

Some local councils also stated that renters in their community were not being served by current regulations. Merri-bek City Council contended that the recent reforms fail to ensure the safety of renters, referencing the link between poor quality housing and health issues associated with climate change:

Rental homes need to be places of safety and the Residential Tenancies Act, while improved in recent years, does not ensure that poor quality housing won't cause harm to renters. Sustainability Victoria's research into the health impacts of climate change shows that most healthcare professionals identify poor quality housing for the most vulnerable people as an issue in relation to climate change health impacts.<sup>5</sup>

<sup>5</sup> Merri-bek City Council, *Submission 492*, p. 2.

South Gippsland Shire Council discussed the idea that more dispute resolution support for renters would offer them greater stability when renting:

The process for managing conflicts between renters and rental providers is not accessible for the average renter, and there is currently insufficient service access to support them. This leads to tenancies ending that may have been otherwise sustained. Services that support renters navigating the VCAT process are required to sustain tenancies.<sup>6</sup>

### 6.3.2 Rental providers

A common criticism of rental regulations by rental providers was that they favour renters over rental providers.

At a public hearing, Quentin Kilian, Chief Executive Officer of the Real Estate Institute of Victoria, discussed the burden of the 2018 reforms on rental providers. He told the Committee the Institute had received feedback:

from many of our members that the changes that came through in the Residential Tenancies Act in the last couple of years, including requirements for new locks and changes that are initiated through the Residential Tenancies Act, have been too burdensome for a lot of these smaller rental providers ... They want to keep this property, they want to keep the tenant in there and they want to keep the tenant as happy and comfortable as they possibly can, but they have limitations on what they can do and what they can afford.<sup>7</sup>

Similarly, Ben Kingsley, Chair of the Property Investors Council of Australia, described the recent reforms as a 'big loss of control' for rental providers. Whilst acknowledging that some of the reforms were 'actually timely and required in terms of setting safe and quiet enjoyment', other changes have made providers feel they are 'losing control of [their] asset'.<sup>8</sup>

The Committee was told that a survey conducted by the Property Investors Council of Australia found:

- 43% of property investors surveyed said the 2018 changes to the *Residential Tenancies Act 1997* was the reason they had sold properties
- 47% said it was 'government increasing or threatening to increase' taxes, duties or levies.<sup>9</sup>

Carmen Littley from Wyndham Property Management stated that the Act 'favours the renter more than the rental provider at the moment, and it takes a lot of [rental

6 South Gippsland Shire Council, *Submission 502*, p. 5.

7 Quentin Kilian, Chief Executive Officer, Real Estate Institute of Victoria, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 43.

8 Ben Kingsley, Chair, Property Investors Council of Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 54.

9 Ibid.

providers'] rights away'. Using notice to vacate reforms to contextualise the difficulties providers are facing, Ms Littley told the Committee:

They removed the 120-day notice, which was four months notice, to a tenant to be able to leave a property for no specific reason. At the moment the only reason that a landlord can give a notice to vacate to the renter is if they are selling the property or if they are moving back in, and it makes it very, very hard for the rental provider if they are wanting to move back in. We have got cases at the moment where the rental provider is wanting to move back into that property, and they are having problems through VCAT being able to get a hearing heard for possession because the tenant is refusing to move.<sup>10</sup>

As noted above, it appears a factor causing difficulty being expressed by some landlords and property managers may be in fact lengthy VCAT proceedings, rather than the regulations of rental properties themselves, which the Committee refers to later in this Chapter.

Some of the complaints from rental providers and real estate agents about property condition regulations did not accurately reflect the requirements under minimum standards and seemed to downplay the genuine concern of some renters. For example, at a public hearing on 19 September 2023, several witnesses referenced complaints being made by renters about 'creaky floors' as proof that the regulations are unfair.<sup>11</sup>

The Committee also received submissions from rental providers which discussed their views of recent rental reforms, Box 6.2 provides excerpts from these submissions.

#### **Box 6.2 Rental providers views on rental regulations (excerpts from submissions)**

**As a property owner I find the rules and regulations complex and would be unable to meet them if I managed my property. I am forced to engage a real estate to protect myself, increasing my administration costs.**

Name Withheld, *Submission 490*, p. 2.

**We have encountered significant challenges due to recent changes in laws and regulations, which heavily favour tenants while failing to address the concerns of rental providers.**

Name Withheld, *Submission 500*, p. 1.

<sup>10</sup> Carmen Littley, Wyndham Property Management, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 32.

<sup>11</sup> See: Jessica Barr, Harcourts Warragul, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*.; Ben Kingsley, *Transcript of evidence*.

### Committee comment

In the Committee’s view, the minimum rental standards in Victoria are not onerous for rental providers to implement and do not, as some claim, favour renters over rental providers. These minimum rental standards have been established to ensure renters live in properties which meet the most basic level of housing – including heaters, ventilation and the maintenance of essential amenities – which are crucial for people’s health and welfare.

Furthermore, the implementation of these standards not only benefits renters but also has the potential to enhance the reputation and value of rental properties. Well-maintained and safe properties are more likely to attract responsible tenants, reducing vacancies and the associated costs of property turnover.

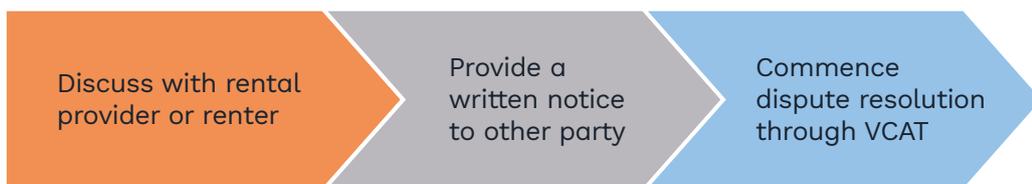
## 6.4 Regulating rental standards

### 6.4.1 Role of Consumer Affairs Victoria

Consumer Affairs Victoria is the State’s main regulator for the consumer marketplace, including for residential tenancies. It is responsible for ensuring rental providers are compliant with the law. According to its website, its main approach is ‘voluntary compliance’.<sup>12</sup> The Committee notes, as elsewhere in this Inquiry report, that voluntary compliance is ineffective.

Figure 6.1 below shows Consumer Affairs Victoria’s process for resolving residential tenancy disputes.

**Figure 6.1 Consumer Affairs Victoria’s process for resolving residential tenancy disputes**

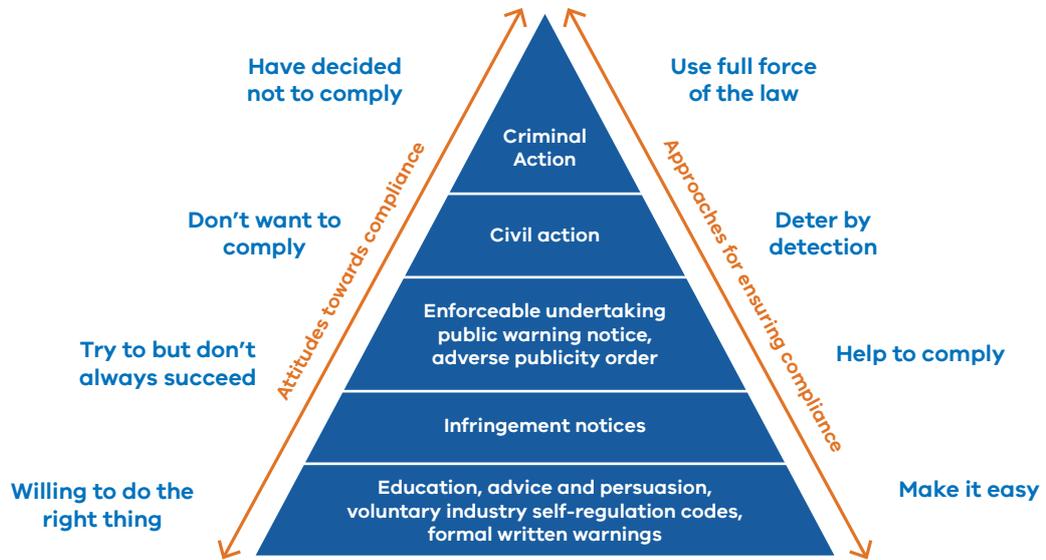


Source: Legislative Council Legal and Social Issues Committee.

Figure 6.2 outlines the types of compliance options available to Consumer Affairs Victoria.

<sup>12</sup> Consumer Affairs Victoria, *Our compliance policy*, 2023, <<https://www.consumer.vic.gov.au/about-us/regulatory-and-compliance-approach-and-priorities/regulatory-approach-and-compliance-policy/our-compliance-policy>> accessed 31 October 2023.

Figure 6.2 Spectrum of compliance options available to Consumer Affairs Victoria



Source: Consumer Affairs Victoria, *Our compliance policy*, 2023, <<https://www.consumer.vic.gov.au/about-us/regulatory-and-compliance-approach-and-priorities/regulatory-approach-and-compliance-policy/our-compliance-policy#:~:text=The%20Director%20has%20the%20power,this%20in%20the%20public%20interest>> accessed 12 October 2023.

### Rent assessments

Under s 45 of the *Residential Tenancies Act 1997*, a renter may apply to the Director of Consumer Affairs Victoria to investigate if their rent is excessive, so long as it is within 30 days of receiving a rent increase notice. Consumer Affairs Victoria is required to carry out an investigation and give the renter and rental provider a written report of its findings.<sup>13</sup>

If Consumer Affairs Victoria determines the rent increase is excessive, it must advise in its report of the renter’s right to challenge the increase with VCAT. Ultimately, VCAT is responsible for setting the maximum rent increase in a dispute, but Consumer Affairs Victoria’s report can be used to make an application to VCAT.<sup>14</sup>

Under this system, renters are responsible for challenging excessive rent increases. Given concerns around power imbalances (see below), this may place a large burden on renters. This was discussed by Tenants Victoria who stated:

Whilst we encourage renters to exercise their right to challenge rent increases they regard as unfair, many of the renters we speak to are demoralised after finding out about the process and discouraged from challenging rent increases – sometimes due to a genuine fear of retaliation from the landlord or real estate agent, which may or may not be unfounded.<sup>15</sup>

<sup>13</sup> *Residential Tenancies Act 1997* (Vic) s 45.

<sup>14</sup> *Ibid.*, pp. 45–46.

<sup>15</sup> Tenants Victoria, *Submission 827*, p. 6.

Nicole Rich, Consumer Affairs Victoria's Director, described the regulator's role in rent assessments as 'constrained' because it can only investigate and report on a dispute. When asked about factors the regulator considers when determining if an increase is excessive, Ms Rich explained that Consumer Affairs Victoria does not consider the amount of the rent increase. Rather, it consider comparable rents in the area and the condition of the property, adding: 'Unfortunately, that can mean that in a situation where the market is rising rapidly, the comparable rents might mean that that is a significant factor guiding the consideration that we need to take into account.'<sup>16</sup>

The Victorian Council of Social Services acknowledged the importance of the rent assessment service provided by Consumer Affairs Victoria. However, it suggested there are several problems with the current practices surrounding this service:

- the assessment is 'not always straightforward' because there is no reliable measure of market rent or a prescribed definition of excessive
- the process for assessment is unclear
- it places the burden of initiating assessment on renters.<sup>17</sup>

The Council also noted that there is 'limited publicly available data on how many renters request this service, or any other insights about rent increases and the impact on renters in the market'.<sup>18</sup>

### Experiences navigating Consumer Affairs Victoria's processes

The Committee heard from several renters who found the information provided by Consumer Affairs Victoria difficult to understand and the overall system hard to navigate.

Michelle Tyrell, a renter in metropolitan Melbourne, told the Committee:

I think it needs to be easier and spelt out much more easily on the Consumer Affairs website: step one, step two, step three. Make it really easy to navigate. It is not easy to navigate. Like, it will have a little bit and it will have a paragraph here and it will have a bit here, but it does not have that step-by-step process of 'Now you need this form, now you have to do this and now you have to send it via certified mail so that you get the signature.' There is none of that step by step. So really spell it out: make it crystal clear and explicit.<sup>19</sup>

A similar point was made by the follow renters at public hearings:

- Tarek Bieganski
- Teresa Kervin
- Harry Millward.

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<sup>16</sup> Nicole Rich, Director, Consumer Affairs Victoria, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 66.

<sup>17</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 13.

<sup>18</sup> *Ibid.*

<sup>19</sup> Michelle Tyrrell, public hearing, 22 August 2023, *Transcript of evidence*, p. 6.

Regarding multicultural communities, Consumer Affairs Victoria explained that it provides written advice in languages other than English on its website, but that multilingual outreach or personal support was difficult due to a lack of resources. Nicole Rich said:

we use the translating and interpreting service and people can request that when they call, and obviously we work through that service, so again, that is available. But I mean clearly it is not – I mean, my dream would be to have a multilanguage sort of phone service. That can be really hard, because obviously agents need to be not only trained in different languages but also trained in the subject matter and material and so on, but it remains a dream.<sup>20</sup>

### Committee comment

The Committee accepts that the rental regulatory system facing the tenant is a complex one. As demonstrated in the evidence to this Inquiry, regulators and policy makers must rise to the challenge of developing a system that is simple for consumers to navigate, particularly renters who often do not have institutional support. As one of the key regulators, though, Consumer Affairs Victoria should continue to work on ways in which it can provide information that is easy to understand and is accessible to all Victorians. Therefore, the State Government should adequately resource CAV to undertake this work.

**RECOMMENDATION 11:** That Consumer Affairs Victoria continue to review its advice on residential tenancy issues to identify opportunities for simplifying the information.

**RECOMMENDATION 12:** That the Victorian Government provide funding to Consumer Affairs Victoria to improve its provision of multilingual advice services.

## 6.4.2 Role of the Victorian Civil and Administrative Tribunal (VCAT)

### An efficient VCAT system benefits the whole community.

*Sweltering Cities, Submission 369, p. 2.*

In Victoria, VCAT is responsible for resolving disputes between renters and rental providers. Resolving a dispute through VCAT is often considered the last resort when other avenues have not worked.

The types of disputes VCAT can hear include:

- notices to vacate
- excessive rent increases

<sup>20</sup> Nicole Rich, *Transcript of evidence*, p. 73.

- requests for repairs and maintenances, such as relating to meeting minimum standards
- bond claims
- rental agreements.

### VCAT backlog

The backlog of cases before VCAT is not an issue unique to rental disputes but a problem across the system. In the context of this Inquiry, VCAT's backlog of residential tenancy cases was seen as a significant contributor to the rental crisis. For many, it was a sign of an inefficient system.

In its submission, the Real Estate Institute of Victoria provided data on the current backlog of cases before the Tribunal, noting that:

- between 2020–21 and 2021–22, the number of pending cases increased by 37% despite an 11% decrease in initiated cases
- residential tenancy cases represented 58% of VCAT's volume of work
- median duration for cases grew to seven weeks (a 40% increase).

Table 6.2 below, taken from the Institute's submission, shows case data for residential tenancy disputes between 2018–19 and 2021–22.

**Table 6.2 VCAT case data for residential tenancy disputes, 2018–19 to 2021–22**

Case flow	2018–19	2019–20	2020–21	2021–22	Variance (%)
Initiations	52,412	49,022	44,685	39,587	-11
Finalisations	52,171	47,650	34,132	33,711	-1
Pending	2,467	5,199	16,419	22,462	37
Clearance rate (%)	100	97	76	85	11
Timeliness of finalised cases (weeks)	2018–19	2019–20	2020–21	2021–22	Variance (%)
Median	3	4	5	7	40

Source: Real Estate Institute of Victoria, *Submission 646*, p. 15.

In its Annual Report, VCAT provided data on the cohorts initiating disputes. For 2021–22, only 17% (6,835 out of 39,587) of residential tenancy matters were raised by renters. The remaining matters were initiated by predominantly rental providers.<sup>21</sup> Table 6.3 breaks residential tenancy case initiations down by applicant type from 2018–19 to 2021–22.

<sup>21</sup> Victorian Civil and Administrative Tribunal (VCAT), *Annual Report 2021–22*, 2022, p. 67.

**Table 6.3 Case initiations, residential tenancy matters, by applicant type**

Applicant	2018-19	2019-20	2020-21	2021-22	Variance (%)
Director of Housing	8,628	6,619	1,462	2,724	86
Residential rental provider	31,973	30,296	31,626	25,533	-19
Private rental provider	35,793	3,957	3,981	3,402	-15
Renter	6,703	6,986	6,936	6,835	-1
Others	1,288	1,164	680	1,093	61

Source: Victorian Civil and Administrative Tribunal, *Annual Report 2021-22, 2022*, p. 67.

Amy Frew, Director of Client Services at Tenants Victoria, discussed the consequences of VCAT's backlog on the condition of rental properties:

you know the phrase 'Justice delayed is justice denied'. Part of the framework around incentivising landlords to make repairs is the compensation part, where renters can apply for compensation. Renters are waiting up to two years at the moment for compensation matters to be heard, so that really does not incentivise landlords to make repairs.<sup>22</sup>

At a public hearing, representatives from Sweltering Cities explained how delays can exacerbate existing personal and financial problems. Sophie Emder, Community Campaigner for Sweltering Cities, stated:

We know that many renters are dealing with the VCAT process, which is putting immense financial stress on them. Many of these renters are already dealing with the financial stress that comes with the cost-of-living crisis, and having to spend weeks and months in the VCAT process is just exacerbating that.<sup>23</sup>

The uncertainty for rental providers was explained by Jessica Barr from Harcourts Warragul, who told the Committee that because of the backlog:

no-one really knows what they are going into when they are going into VCAT now. We used to know how things would run and where things would go, and you could say to a rental provider or a renter 'Listen, this is probably how it is going to go.' But we go in and have no idea.<sup>24</sup>

A number of stakeholders recommended further funding and resources to assist VCAT to clear the current backlog of residential tenancy disputes. These included:

- Council of Single Mothers and their Children
- University of Melbourne Student Union
- Sweltering Cities

<sup>22</sup> Amy Frew, Director, Client Services, Tenants Victoria, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 4.

<sup>23</sup> Sophie Emder, Community Campaigner, Sweltering Cities, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 59.

<sup>24</sup> Jessica Barr, *Transcript of evidence*, p. 26.

- Real Estate Institute of Victoria
- Professor Libby Porter, Dr David Kelly and Dr Priya Kunjan.

### Committee comment

The Committee acknowledges the sentiments of stakeholders arguing for an increase in resources for VCAT to assist with residential tenancy disputes. It notes that the majority of cases are initiated by rental providers, meaning that all parties in Victoria's residential rental system are being poorly served by VCAT.

The Committee also believes that improving compliance and enforcement levers in other parts of the system will help prevent future backlogs by reducing the number of disputes needing to be resolved.

**FINDING 14:** There is a significant backlog of residential tenancy dispute cases before the Victorian Civil and Administrative Tribunal. These delays are causing a great deal of financial and personal stress for those waiting for a decision.

### 6.4.3 Role of the Commissioner for Residential Tenancies

The Commissioner for Residential Tenancies was established under the *Residential Tenancies Amendment Act 2018*. The Commissioner is responsible for:

- providing independent advice to the Victorian Government to ensure a fair rental system
- identifying systemic issues with rental laws and practices
- undertaking investigations into the rental system and experience.<sup>25</sup>

The Committee did not receive enough evidence on the function of the Commissioner for Residential Tenancies to determine if it is fit for purpose. Its understanding of the Commission's role is that it is primarily educational, using stakeholder engagement to advise government, and does not have any direct role in enforcing regulations.

### 6.4.4 A new umpire? Examining the Government's commitment to establishing Rental Dispute Resolution Victoria

As part of its *Housing Statement*, the Victorian Government has committed to establishing a new body: Rental Dispute Resolution Victoria. The Statement describes the purpose of Rental Dispute Resolution Victoria as a 'one-stop shop for renters, agents and landlords to resolve tenancy disputes over rent, damages, repairs and bonds. It'll have a clear pathway to settle issues in a faster, fairer and cheaper way.'<sup>26</sup>

<sup>25</sup> Victorian Government, *Submission 946*, pp. 7-8.

<sup>26</sup> Victorian Government, *Victoria's Housing Statement, 2023*, p. 27.

In explaining the need for the new body, the Government stated:

With more people in Victoria renting than ever before, it's inevitable that the number of rental disputes has increased, too. Often, a rental dispute can be just one of a range of cost of living pressures a renter could be facing. And when that happens, a quick resolution can make a world of difference. But you shouldn't have to end up at VCAT to have simple repairs done, or to get the money you're owed. VCAT should be a last resort for tenants and landlords, not the first stop.<sup>27</sup>

Nicole Rich advised that it is unclear how the regulator might change Consumer Affairs Victoria's responsibilities or roles:

We have only got the statement announcement, and I do not think I can make pronouncements on what the policy details will end up being and what the legislation will look like. It has to travel through Parliament. But I see it as sort of filling a gap ... as neatly fitting in between and providing hopefully a cheaper, faster and easier dispute resolution mechanism that does not require everybody who cannot resolve on their own with or without our assistance to have to go straight down the legal path.<sup>28</sup>

### Committee comment

The Committee welcomes the Victorian Government's commitment to establish a body focused on residential tenancy disputes to reduce the burden on VCAT. As a matter of principle, the Committee agrees with the adage that justice delayed is justice denied.

As noted in Chapter 1, the Committee believes that the Victorian Government provide updates on the progress of its commitments under the *Housing Statement*. This should include progress on establishing Rental Dispute Resolution Victoria and when the VCAT backlog will be cleared.

**RECOMMENDATION 13:** That the Victorian Government provide sufficient resources to the new Rental Dispute Resolution Victoria, so that it may undertake its role effectively.

<sup>27</sup> Ibid.

<sup>28</sup> Nicole Rich, *Transcript of evidence*, p. 69.

## 6.5 Regulating rental prices (rent control)

### Box 6.3 Explaining key terminology

#### Rent control

Rent control is a general term for restricting rental increases either permanently or temporarily. Rent freezing or capping are examples of rent control mechanisms. However, in some jurisdictions such as the United States, rent control is a term commonly used for a specific kind of rent increase restriction.

#### Rent freeze

A rent freeze refers to a specified period of time where rental providers cannot increase rent for current tenants and in some cases cannot increase rent from the previous rate for new tenants.

#### Rent cap

A rent cap restricts how often rent can be increased or by how much, or a combination of both.

Source: Australian Housing and Urban Research Institute, *Understanding what is a 'rent freeze', a 'rent cap' or 'rent control'*, 2023, <<https://www.ahuri.edu.au/analysis/brief/understanding-what-rent-freeze-rent-cap-or-rent-control>> accessed 11 October 2023.

Regulation – existing and potential – around rent was a major component of this Inquiry. Two of the most commonly referenced models for rent control were rent freezes and rent caps. These proposals are considered in detail, including stakeholders' views on whether Victoria should implement either proposal.

### 6.5.1 Rent freezes

Victoria has recent history with rent freezes, during the COVID-19 pandemic. It is important to note that the rent freeze was one component of several aimed at supporting renters during the pandemic, with another notable intervention being a moratorium on eviction. The Committee did not receive detailed evidence on the effectiveness of this rent freeze nor its impact on rental providers. However, several indicated that the freeze, along with other pandemic-related initiatives and a lack of support for rental providers, limited their ability to maintain properties. Advocates of a temporary freeze noted the similar scale of crisis currently being experienced by renters and the unhoused, in which rents have recently been rising far more rapidly than wages.

Stakeholders were divided on the usefulness and necessity of a rent freeze. Renters argued it would significantly help with current rent prices and their stability. Conversely,

rental providers were concerned that a rent freeze would reduce overall supply of rental properties because providers would leave the Victorian market.

Regional Housing Victoria supported a temporary rent freeze in Victoria to assist rural and regional renters. In its submission, it stated: 'This could be done on a trial basis to test their value and effectiveness.'<sup>29</sup>

Regional Housing Victoria listed common criticisms of rent freezes based on 'economic and investment impacts' but argued that a trial period in Victoria could be justified by the benefits they offer lower income families and individuals.<sup>30</sup>

The Centre for Excellence in Child and Family Welfare's submission emphasised the importance affordable housing for low-income households. To improve affordability, the Centre recommended that the Government implement a rent freeze to 'make sure Victorians on lower incomes can meet financial requirements of the private rental market'.<sup>31</sup>

Box 6.4 below provides excerpts from renters' submissions who supported introducing a rent freeze in Victoria.

#### **Box 6.4 Submitters supportive of rental freezes (excerpts from evidence)**

**In my last rental my rent was 50% of my income. We definitely need a rent freeze, more affordable housing.**

Claudia Gallois, *Submission 661*, p. 1.

**Rent freezes will give me peace of mind that I can advocate for myself and get things like mould or lights hanging from the ceiling fixed without fear of repercussions.**

Rebecca Staple, *Submission 727*, p. 1.

**I think there really needs to be some regulation, like a rental freeze. As it stands for most people my age, renting ensures that you can't save to try to buy your own place, and that you're perpetually living in a situation with no stability.**

Name Withheld, *Submission 587*, p. 3.

**All the rentals I am looking at are far too expensive for the quality. Especially trying to find a rental that allows pets AND has car spots. Please implement a rent freeze ...**

Liv Bradfield, *Submission 667*, p. 1.

<sup>29</sup> Regional Housing Victoria, *Submission 823*, p. 3.

<sup>30</sup> *Ibid.*, p. 5.

<sup>31</sup> Centre for Excellence in Child and Family Welfare, *Submission 898*, p. 3.

The Committee also received evidence from rental providers, agents and advocacy groups who argued that a rental freeze would result in investors selling their properties. This evidence suggested that an exodus of rental providers would worsen Victoria's housing market because it would shrink the provision of rentals. Some of these stakeholders stated that providers would shift to other rental markets either nationally or internationally.<sup>32</sup>

At a public hearing, Vincent Wilson, Chief Executive Officer of Mallee Accommodation and Support Program, told the Committee that:

what we would anticipate to see is a potential flood of investors trying to get out and to put properties on the market and stop making them available for rent, period. That is an extreme end, but there is certainly some danger there of reduced supply as an unintended consequence of rent freezes.<sup>33</sup>

This sentiment was echoed by other stakeholders. Ben Kingsley, Chair of the Property Investors Council of Australia, told the Committee that rent freezes only reduce investor demand and 'kick the can down the road' to the point when rental prices eventually catch up.<sup>34</sup>

Similarly, Sean Ryan from Greystar International said:

What you find happens in markets where they have introduced rent caps and freezes is that it does in the short term obviously put a ceiling on rents, but then it discourages investment, which then two, three or four years later has not caught up, and so you end up being much further behind than you would have been if you had just actually stimulated supply and got more supply into the market.<sup>35</sup>

The Grattan Institute was also opposed to a rent freeze believing it would exacerbate housing issues in Victoria, largely through worsening housing misallocation as some renters would remain in properties larger than they need. The Institute acknowledged that a freeze would benefit those currently renting. However, it contended that this would come at the expense of those looking to rent.<sup>36</sup> The Committee notes that the immediate result of the 'frozen rent' of a property would be that the rent is fixed in place, be that for current or prospective tenants of that property.

At a public hearing, Brendan Coates, Economic Policy Program Director of the Grattan Institute, expanded on its opposition to rent freezes:

If you have a rent freeze or long-term rent control that drives that wedge between where rental prices should be and what the person is paying, the risk is you get a big

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<sup>32</sup> For example, see: Theo Della Bosca, *Submission 579*; Greystar Australia, *Submission 479*.

<sup>33</sup> Vincent Wilson, Chief Executive Officer, Mallee Accommodation and Support Program, Mildura Rural City Council, public hearing, online, 8 August 2023, *Transcript of evidence*, pp. 30–31.

<sup>34</sup> Ben Kingsley, *Transcript of evidence*, p. 59.

<sup>35</sup> Sean Ryan, Senior Director, Development, Greystar Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 65.

<sup>36</sup> Grattan Institute, *Submission 562*, p. 3.

misallocation of the housing stock. You also reduce the incentives to maintain that dwelling in the long term.<sup>37</sup>

Box 6.5 below provides excerpts from the evidence of submitters opposed to rent freezes.

#### Box 6.5 Submitters opposed to rental freezes (excerpts from evidence)

**Do not freeze rent increases as this will force landlords to look outside the box to be able to increase their rents to cover the rising costs they are continually facing. Those that remain RRP's will be forced to only allow tenants a 6 to 12-month lease to enable them to increase their rent at the end of the tenancy.**

Name Withheld, *Submission 600*, p. 1.

**Government should respect and follow the market rules instead of interrupting. Freezing rent will damage the market, and cause big problem for our economy in long run.**

Name Withheld, *Submission 726*, p. 1.

Several submitters opposed to rent freezes, or controls more generally, stated that if the measures were introduced they should be matched by controls or freezes on interest rates and property management costs.<sup>38</sup>

### 6.5.2 Rent caps

The proposal to introduce rent caps has been prominent in public discourse since the onset of the housing crisis. Considering proposals like rent caps requires a cost-benefit analysis of whether the benefits to renters outweigh the impact on rental providers and the wider market. Such analysis would also have to consider that impacts depend on the type of cap put in place.

Many rental providers who gave evidence to the Inquiry were opposed to rent caps. As with rent freezes, the concern is that a cap would make their investment in housing untenable forcing them to exit Victoria's housing market.

Michael King, Transactions Manager of Novus—an Australian-based build-to-rent company—when asked about rental providers' response to caps stated that:

They would go elsewhere. It is purely just the availability of choice. They want long-term stable cashflows with liquidity – the ability to sell assets. But with rent caps, if they are not imposed in other markets or they can get the same returns without the same level of restrictions, they just will choose somewhere else.<sup>39</sup>

<sup>37</sup> Brendan Coates, Economic Policy Program Director, Grattan Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 13.

<sup>38</sup> For example, see: Julie Courvoisier, *Submission 370*; Name Withheld, *Submission 427*; Name Withheld, *Submission 484*; Catherine Coe, *Submission 489*; Name Withheld, *Submission 903*; Name Withheld, *Submission 912*.

<sup>39</sup> Michael King, Transactions Manager, Novus, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 65.

Similarly, Carmen Littley from Wyndham Property Management said: 'I reckon that will be the final nail in the coffin for investors ... It will force more investors to sell.'<sup>40</sup>

The Committee received some evidence that rent caps could result in rental providers shifting from the long-term rental market to the short-stay accommodation industry. Fiona York, Executive Officer at the Housing of the Aged and Action Group, said:

[what] we have been told is that landlords, if there was to be a rent cap, would simply pull their properties out of the rental market and put them into the short-stay market, to therefore make more money on them. I think we need to have regulation around rentals and regulation around short-stay accommodation as well to make sure that that does not happen.<sup>41</sup>

For many renters, there was a belief that rent caps would provide several benefits such as:

- security of tenure
- ability for long-term financial or future planning
- preventing economic shocks from unexpectedly high increases
- reduce the burden on Consumer Affairs Victoria and VCAT.

At a public hearing, Sarah Edwards, a rural and regional renter, explained to the Committee the benefits of a rent cap from a renter's perspective, stating:

Rent caps would mean quite a lot to me and I think pretty much everybody else as well. It gives us a sense of security and a sense of agency over our money. We could plan for our future knowing that there is a limit to where that money might end up going when it comes to housing. If it is 60 per cent of my income, like it is now, any amount more than that, even if it was only a \$10-a-week increase, can be life changing. I think it would be really good for us to be able to prepare for the future knowing that there are limits in place.<sup>42</sup>

Jennifer Beveridge, Chief Executive Officer of Tenants Victoria, stated that the COVID-19 pandemic proved the effectiveness of government intervention. She advocated for Victoria deciding what is a 'reasonable' rent increase, arguing that:

30 per cent or 50 per cent or 80 per cent is not a reasonable rent increase. They are limited to once every year, and that is a good thing, but without a limit on how much it can be increased it is always going to be the renter who pays for the landlord to meet their commitments.<sup>43</sup>

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40 Carmen Littley, *Transcript of evidence*, p. 24.

41 Fiona York, Executive Officer, Housing of the Aged Action Group, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 69.

42 Sarah Edwards, public hearing, online, 8 August 2023, *Transcript of evidence*, pp. 12–13.

43 Jennifer Beveridge, Chief Executive Officer, Tenants Victoria, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 3.

Jess Pomeroy, Acting Chief Executive Officer of the Community Housing Industry Association, noted that there is already a rent cap model in Victoria in the community housing sector which ensures that rents are capped at no more than 25 or 30 per cent of a tenant's income.<sup>44</sup>

Some stakeholders advocated for the use of a 'fairness formula' in developing a rental cap. The *Residential Tenancies Act 1997* does not include a fixed formula for calculating rent increases. Regulations focus on the frequency of increases and the obligations of providers to notify tenants of an intended increase. As stated above in Section 6.4.1, where a renter believes an increase is excessive, they are responsible for challenging it at VCAT, usually after receiving advice from Consumer Affairs Victoria.

In its submission, Tenants Victoria described the system in the 'Homes Victoria affordable' program as a type of fairness formula.<sup>45</sup> Box 6.6 below outlines this program including its rent cap system.

#### Box 6.6 'Homes Victoria affordable'

As part of the Big Housing Build, Homes Victoria manages the 'Homes Victoria affordable' program. The program provides affordable housing which is subject to rent caps to ensure it remains affordable for low income households.

Under the program:

- eligible renters have security of tenure with a guaranteed three-year lease with the ability to extend for a further three years
- rent is set at 10% below market rent in metropolitan Melbourne or at market rent for homes in rural and regional Victoria
- there is the added protection of a rent cap of 30% of median income
- rent is increased annually but by no more than 5%
- following the end of the three-year period, the rent will reset to market rent.

Under the program, rent is fixed by Homes Victoria and is based on location and the number of bedrooms per home.

Source: Homes Victoria, *About Homes Victoria affordable*, 2023, <<https://www.homes.vic.gov.au/about-homes-victoria-affordable>> accessed 11 October 2023.

The Victorian Public Tenants Association argued that a fairness formula should be used to ensure renters are not unfairly absorbing all the costs rental providers face with their investments.<sup>46</sup>

<sup>44</sup> Jess Pomeroy, Acting Chief Executive Officer, Community Housing Industry Association, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 20.

<sup>45</sup> Tenants Victoria, *Submission 827*, p. 7.

<sup>46</sup> Victorian Public Tenants Association, *Submission 499*, p. 12.

Some rental providers the Committee spoke with clarified that they do not expect a positive return on their investments each year. Lachlan Simson told the Committee:

You do not get that right in the market. In the stock market you do not get that right. Why would you get that right in housing? It is an investment. You need to invest in it, which means that you will get a positive return some years, hopefully most years, but in reality there will be some years, unfortunately, be it market forces or repairs required, where that is not going to be possible.<sup>47</sup>

Ben Kingsley from the Property Investors Council of Australia said: 'Do investors go into investing in property thinking that they have got a guaranteed return here? If they do, I think they are misled'.<sup>48</sup>

Alternatively, landlord Geoffrey Tonks stated: 'We expect to get a return on an annual basis that justifies the fact that we have invested our money in that property to get a return, and we expect to get a return'.<sup>49</sup>

Other stakeholders supporting a fairness formula include:

- Housing for the Aged Action Group
- Federation of Community Legal Centres
- University of Melbourne Student Union
- South-East Monash Legal Service Inc.

Other jurisdictions have used the fairness formula as part of their rental cap system. In the Australia Capital Territory, a version of the fairness formula has been implemented. Under their system, a rental provider cannot increase rent by more than 10% of the Consumer Price Index.<sup>50</sup> The Committee received mixed evidence about the impacts of the ACT's rental cap, including that it had help lower rents and that it had driven investors away.

The Committee was also provided information on Ireland, which has a partial fairness formula in place. In Ireland, local councils can apply to be designated a 'Rent Pressure Zone'. Following designation, rental increases for properties within the zone are limited to match the Consumer Price Index or 2% (whichever is lower).<sup>51</sup>

However, Per Capita, which discussed the Irish model in its submission and at hearings, contended the model would not be suitable for Victoria as:

it is quite a complicated system to administer. They have localised CPI matches, right, so each jurisdiction in each area that they want to determine as a rent pressure zone has to have its own CPI measure of rent. We have that for Melbourne and the rest of

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<sup>47</sup> Lachlan Simpson, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 4.

<sup>48</sup> Ben Kingsley, *Transcript of evidence*, p. 56.

<sup>49</sup> Geoffrey Tonks, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 5.

<sup>50</sup> South-East Monash Legal Service Inc., *Submission 445*, p. 6.

<sup>51</sup> Centre for Equitable Housing, *Submission 925*, p. 36.

Victoria. We would need something much more targeted to designate a rent pressure zone. I do not think Ireland would necessarily fit to what we have in terms of our data and existing ways of understanding what is happening with the rental market, and the complexity of administering it is quite complex.<sup>52</sup>

*Victoria's Housing Statement* includes a one-page explanation of why the Victorian Government is against rent control. It uses examples from the United States to argue that rent controls lower rental stock and reduce the quality of homes on the rental market.<sup>53</sup>

However, the Statement does include a commitment from the Victorian Government to restrict rent increases between successive fixed-term rental agreements. It is:

cracking down on an emerging trend which has seen some landlords evict tenants at the end of their first fixed-term lease in order to raise the rent substantially when re-listing the rental property. If agents or landlords are issuing a new lease after they've evicted previous tenants on their first fixed-term one, they'll have to offer the property at the same rent for at least 12 months. It'll reduce the incentive for landlords to churn through renters by evicting them, and give renters more certainty over their living arrangements.<sup>54</sup>

### Committee comment

The Committee acknowledges that a significant number of renters who provided evidence to the Inquiry support some measure of rent control. It also accepts the views of rental providers that rent control would cause some investors to leave the market, albeit acknowledging that it is not certain that all models would cause grave disruption to the housing sector.

Although rental freezes provide obvious benefits to renters, the Committee believes that they should only be considered as a short-term solution in extreme times, such as in Victoria during the COVID-19 pandemic.

The Committee also accepts that a fairness formula is designed to balance rental providers' capacity for a return on investment with protecting renters from rental stress. However, there is inconsistent evidence on the long-term efficacy of rental caps, both generally and in jurisdictions where a fairness formula is currently applied.

As such, the Committee has not made a recommendation for rent control in Victoria.

The Committee also notes that restricting rent increases between successive fixed-term rental agreements is a form of rent control. It acknowledges that, by its very nature, *Victoria's Housing Statement* is not a detailed document and is therefore not designed to include modelling and other data that formed the basis for the

<sup>52</sup> Matthew Lloyd-Cape, Director, Per Capita, Centre for Equitable Housing, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 25.

<sup>53</sup> Victorian Government, *Victoria's Housing Statement*.

<sup>54</sup> *ibid.*, p. 27.

Government's commitment. However, the large amount of interest in the subject of rent control suggests that the Victorian Government should make this information publicly available.

**RECOMMENDATION 14:** That the Victorian Government publish the evidence, including modelling, consultation papers or other documents, it relied on in making its decision to restrict rent increases between successive fixed-term rental agreements.

## 6.6 Enforcing rental regulations and standards

A major focus of many stakeholders in this Inquiry was on how existing rental regulations and standards in Victoria are enforced. A perception amongst some renters is that Consumer Affairs Victoria is unduly focused on education at the expense of enforcing compliance.

It should be noted that a learning curve for regulators, rental providers and renters was understandable as Victoria's regulatory system underwent a significant overhaul in 2021. However, some stakeholders argued that this curve has not declined in favour of a focus on actual enforcement.

At a public hearing, Amy Frew, Director of Client Services and Principal Lawyer at Tenants Victoria, told the Committee that:

looking at other regulators, and just speaking a little bit outside, there is I think a tendency of regulators to see their role as more educative rather than enforcement. I think that has its place of course, and I think people need to be told. Especially with the rental laws, the changes came into effect in 2021 and there is a bit of a learning curve, but it is two years now and we would expect that people know the law and obey it, and I think the arm of Consumer Affairs should be strengthened to make sure that the rights are being enforced.<sup>55</sup>

Better Renting argued that stronger enforcement of existing regulations is needed more than new regulations. Joel Dignam, Executive Director of Better Renting, said:

we do not actually want a model where tenants go to VCAT and two years later they get justice; we want a model where landlords comply with the law in the first place. But what that does actually require is enforcement. It is a reasonable risk of being penalised that creates a deterrent effect, and if you do not have that, you are really going to struggle.<sup>56</sup>

At a public hearing, Isabelle Butler from the University of Melbourne Student Union described the consequences of a perceived weak enforcement of regulations as including:

- exacerbates existing power imbalance between renters and rental providers

<sup>55</sup> Amy Frew, *Transcript of evidence*, p. 6.

<sup>56</sup> Joel Dignam, Executive Director, Better Renting, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 15.

- renters are forced to self-advocate/enforce their own rights
- extra pressure on legal services
- potentially eroding any positive relationship between a renter and rental provider
- increased risk for people in vulnerable situations, such as low income households.<sup>57</sup>

Rental minimum standards were considered a particular pressure point for enforcement. Renters providing examples of trying to get maintenance done to bring their property in line with the standards.

In its submission, RACV recommended that rental providers should be required to provide a signed declaration to new tenants that a property meets minimum standards and that the 'standard format Condition Report should be updated to include the 14 minimum standards'.<sup>58</sup>

At a public hearing, Nicole Rich, Director, Consumer Affairs Victoria, acknowledged that the current system puts the onus on renters to raise issues they have with their properties.

We are not ever going to get around the fact that the law is asking parties to take those matters up and advocate for themselves, and I absolutely appreciate that can be very, very difficult. There can be power imbalances in a tight market. People make decisions every day about pragmatically whether they are going to raise issues or not based on the overall nature of the relationship and whether they want to maintain the tenancy.<sup>59</sup>

Regarding doing more to punish breaches, Ms Rich said: 'Yes, we have heard that, and we are signalling that we are going to be more active in that space.'<sup>60</sup>

### 6.6.1 Is there a power imbalance between renters and rental providers?

**in my years of renting it has become clear that there is a distinct power imbalance**

Tarek Bieganski, public hearing, Melbourne, 22 August 2023, Transcript of evidence, p. 21.

Stakeholders told the Committee that a power imbalance exists based on the nature of the renter and rental provider relationship, with a property being viewed as someone's home versus another's investment.

Some renters who provided evidence to this Inquiry felt that they cannot advocate for their rights without fear of repercussions from their rental provider, such as excessive rent increases leading to evictions (often termed 'retributive eviction' or 'retaliatory eviction').

<sup>57</sup> Isabelle Butler, Senior Lawyer, University of Melbourne Student Union, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, pp. 41,46.

<sup>58</sup> RACV, *Submission 921*, p. 2.

<sup>59</sup> Nicole Rich, *Transcript of evidence*, p. 69.

<sup>60</sup> Ibid.

Joel Dignam from Better Renting argued that the stress of finding a rental in an extreme low vacancy market meant that renters were accepting prices and conditions they typically would not in order to avoid moving. Consequently, rental providers have a 'monopoly power that can allow them to put through increases that would not be justified on any other basis'.<sup>61</sup>

This was echoed by the submission from the Council to Homeless Persons, which contended that because renters can face eviction or large rent increases they have less power to enforce their rights:

Renters face significant upheaval in ending a tenancy and finding a new one, which usually incurs thousands of dollars of upfront costs. This, alongside the threat of retaliatory eviction into a tight rental market and the resultant threat of homelessness, creates a power imbalance between renters and their residential rental provider. The experience of services is that renters, especially those with low market power, are reluctant to enforce their rights.<sup>62</sup>

Perceived or actual threats of retaliatory evictions, either through notices to vacate or unaffordable rent increases, was a common story among renters who gave evidence.<sup>63</sup> However, the Committee was told that the practice of retributive eviction was not permissible under Victoria's existing system and that renter concerns were unfounded. Jessica Barr from Harcourts Warragul stated:

I would say that the fear of eviction should not be there with the current process. Evictions through the proper channels are taking an extremely long time and they are heard by VCAT. The fear of eviction is something that is a fear in their mind, I would say, because it is fairly heard by VCAT. So VCAT are not going to evict someone on an unfair basis. The only way to evict a tenant is through a warrant of possession.<sup>64</sup>

The Victorian Council of Social Service believed that the existing regulations do support renters, but that as a cohort they lack the 'power to assert them'. The Council contended this made it vital for regulators to play their role in addressing the power imbalance.<sup>65</sup>

However, some rental providers identified an imbalance in favour of renters, particularly following the recent reforms. These reforms, they argue, have left them with less power over their investment property.<sup>66</sup>

At a public hearing, Geoffrey Tonks, a rental provider, told the Committee that:

we did sit down recently and start thinking about selling some of our rental properties because the regulations seem to be starting to go too far towards the tenant. We have

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61 Joel Dignam, *Transcript of evidence*, p. 12.

62 Council to Homeless Persons, *Submission 934*, p. 16.

63 For example, see: Angela Ballard, *Transcript of evidence*, p. 45.

64 Jessica Barr, *Transcript of evidence*, p. 29.

65 Victorian Council of Social Services (VCOSS), *Submission 936*, p. 15.

66 For example: Name Withheld, *Submission 600*; Geoffrey Tonks, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*.

had some very unfortunate experiences with tenants, and we have had some good ones. It is a lottery. It really is ... we did recently start to think about selling some of our rental properties because we felt that we were starting to be disadvantaged by the regulations. When certain things happen, if they go wrong, it is very difficult.<sup>67</sup>

This was echoed by Carmen Littley, who advocated for a review of the *Residential Tenancies Act 1997*:

I really think the Residential Tenancies Act needs to be looked at because it favours the renter more than the rental provider at the moment, and it takes a lot of their rights away as a rental provider with their properties. So I think that really needs to be looked into with regard to an owner having the freedom to be able to sell his property or to terminate a lease.<sup>68</sup>

### Committee comment

The Committee believes there are sufficient regulations in place protecting the rights of all participants in the rental market, from renter to rental provider. Yet both renters and rental providers expressed frustration that Victoria's rental regulatory system does not adequately support them.

Given the concerns of many stakeholders in this Inquiry it calls on the Victorian Government to commission an independent review regulatory agencies' enforcement of the *Residential Tenancies Act 1997*. The review should focus on the views of renters, rental providers and relevant advocates, in particular addressing perceived biases in the legislation.

**FINDING 15:** There is a natural power imbalance between rental providers and renters, largely driven by their unequal relationship. Although this imbalance can at times be insignificant, it is exacerbated by the current low vacancy rates and perceptions that Consumer Affairs Victoria does not sufficiently enforce existing regulations and standards.

**RECOMMENDATION 15:** That the Victorian Government undertake a review of relevant government agencies' (including Consumer Affairs Victoria) enforcement functions and associated penalties for non-compliance with the goal to improving compliance in the rental system.

<sup>67</sup> Ibid., p. 6.

<sup>68</sup> Carmen Littley, *Transcript of evidence*, p. 32.

## 6.7 Other options for reform

### 6.7.1 Inspection processes

**It is almost like you have to take on a job as a renter, because when you move in you have to become the expert in your tenancy. You have to become the expert in your rights ... You have to become an expert in what to look for so you can sign off on the condition report.**

Alison Cooke, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 10.

In Victoria, renters inspect properties to ensure they are satisfied with the condition prior to making an application. If they rent the property, they then sign a condition report within five business days of moving in. Renters can agree or disagree with the whole report or a part of it.<sup>69</sup>

Stakeholders expressed frustration at this process, arguing it puts too much responsibility on renters to identify and raise issues in a very short timeframe.<sup>70</sup> It can be difficult for renters to assess a property and make a clear determination that it is suitable to them and meets minimum standards.<sup>71</sup>

As noted, there are no regulations requiring rental providers to conduct an inspection with a third party to ensure that their property meets minimum standards. However, the Committee was made aware that some rental providers are voluntarily organising pre-inspection processes through the private sector. Companies such as Property Compliance Victoria assist real estate agencies and rental providers to ensure that their properties meet the minimum standards required under the 2018 reforms to the *Residential Tenancies Act 1997*.

Jessica Barr explained that Harcourts Warragul would:

generally ask our rental providers to get Compliance Victoria to do the minimum standard check to make sure the property meets the minimum standards under the Victorian legislation. Obviously, when we are going through, we would have a look at all of those things ... but at the end of the day we ask them to have it checked by Compliance Victoria and obviously then provide the three safety checks for gas, electrical and smoke alarms – they have to be done.<sup>72</sup>

Several stakeholders advocated for introducing a requirement for a third-party pre-inspection of rental properties before they are put on the market. At the conclusion of this pre-inspection, rental providers should be provided a certificate that their property meets minimum standards or a list of areas where maintenance is required to bring the property to standard before it can be leased.

<sup>69</sup> *Residential Tenancies Act 1997 (Vic)* s 35.

<sup>70</sup> See: Alison Cooke, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*.

<sup>71</sup> See: Erin Buckley, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*.

<sup>72</sup> Jessica Barr, *Transcript of evidence*, p. 38.

At a public hearing, Michelle Tyrrell called for a system like certifying roadworthy cars for rental properties, stating: 'Each time a rental ends and a new lease begins the rental needs to pass a very serious liveability test.'<sup>73</sup>

Similarly, Jenny Davidson, Chief Executive Officer of the Council of Single Mothers and their Children, called for independent inspection of rental properties as a guarantee that they meet minimum standards.<sup>74</sup>

Some of the stakeholders who supported a pre-inspection process recommended that the Government establish an agency or body to carry out the inspections. A submitter to the Inquiry stated 'condition reports should be handled by a government agency to ensure adequate conditions for moving in are met before rent begins being charged'.<sup>75</sup>

Similarly, Better Renting called for 'more proactive enforcement of rental laws' by regulators reviewing rental advertisements going to open to inspection days 'to assess compliance and take enforcement action as needed'.<sup>76</sup>

Jessica Barr added that there may be a need for:

a government body that does the compliance and checks the minimum standards, or it is governed by a government body that has the standards and says, 'Right, this is fit for habitation. There is no mould. There are no leaking taps. It has heating and cooling. The fittings and fixtures are of a decent standard. It does meet the minimum standard, but it shouldn't be rented out above this price.' Then obviously you have homes that are in the new scale, which are brand new, so they meet the market.<sup>77</sup>

### Committee comment

The Committee accepts that the current process for inspecting rental properties places a great deal of responsibility on renters. Renters are rarely experts on property conditions or identifying where a home meets legislated minimum standards, meaning they must rely on the good faith of an accurate condition report.

The Committee believes that there are two ways in which this process could be strengthened. Firstly, Consumer Affairs Victoria could create a position of an independent rental inspector with the responsibility of guaranteeing that rental properties meet legislated minimum standards. The position would complement existing services offered by the private sector.

Alternatively, Consumer Affairs Victoria could develop a certification system to improve consumer trust of businesses already acting in this area.

<sup>73</sup> Michelle Tyrrell, *Transcript of evidence*, p. 2.

<sup>74</sup> Jenny Davidson, Chief Executive Officer, Council of Single Mothers and their Children, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 54.

<sup>75</sup> Name Withheld, *Submission 673*, p. 1.

<sup>76</sup> Better Renting, *Submission 650*.

<sup>77</sup> Jessica Barr, *Transcript of evidence*, p. 39.

**FINDING 16:** Despite no legislative requirements, some rental providers voluntarily undertake third-party assessments of their properties to ensure they meet minimum standards.

**RECOMMENDATION 16:** That Consumer Affairs Victoria consider creating the position of an independent rental inspector. The role would exist alongside existing businesses to provide a guarantee that rental properties meet the legislated minimum standards. Alternatively, a certification system could be created for businesses who provide assessments of rental properties.

### 6.7.2 Reviewing condition reports

Not all issues with properties are apparent during an initial inspection. The Committee was told stories of renters finding problems with their property in the weeks or months after they move in, such as mould, electrical issues, plumbing problems or insufficient heating and cooling. Some of these issues can cause bond disputes at the end of a tenancy if they are not noted on the condition report.

Erin Buckley also experienced significant condition issues with their property after the condition report was signed and advocated for the ability of renters and rental providers to be able to review the report three or six months after they move in:

So some of the issues that we have had that have popped up, they are not things that can go on an entry condition report because you do not see it when you enter the property. You do not know about it until you have been there for – it can be months. We were fortunate it took a few months before the mushrooms started to pop up, and I think that is because it was so dry behind there that it took time for the water going back in after people were using it again before they started growing back to become a problem. So the entry condition report, I feel like it almost needs to be updated at the three- to six-month mark to note what the property is like now it has been lived in and these issues have presented.<sup>78</sup>

#### Committee comment

The Committee notes that Section 35A of the *Residential Tenancies Act 1997* states that renters and rental providers can ask VCAT to amend a condition report up to 30 days after a tenancy begins. It believes that this is sufficient time for any major issues that may complicate the exit report period to be noticed. Other serious problems that occur later should be covered by existing regulations.

Noting ongoing issues with VCAT, however, the Committee believes that Section 35A of the Act should be amended to give responsibility for amending a condition report to the newly announced Rental Dispute Resolution Victoria.

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<sup>78</sup> Erin Buckley, *Transcript of evidence*, p. 47.

**RECOMMENDATION 17:** That the Victorian Government amend Section 35A of the *Residential Tenancies Act 1997* to allocate responsibility for decisions regarding amending rental property condition reports to Rental Dispute Resolution Victoria.

### 6.7.3 The work of real estate agents

Real estate agents are an intermediary between renters and rental providers. As such, they often deal with difficult situations, such as managing evictions, managing renters' complaints about maintenance issues or being involved in dispute resolutions.

It is important that real estate agents are adequately supported to ensure rental regulations are properly enforced and the rights of renters and rental providers are protected. Evidence suggests that real estate agents not being confident in their knowledge of rental regulations can:

- further erode the relationship between the renter and rental provider
- confuse parties about their entitlements and rights
- result in regulations not being properly enforced leading to compliance issues
- result in residential tenancy issues escalating to formal dispute resolution at VCAT.

Jessica Barr told the Committee that a challenge for the real estate industry is the low wages in the sector 'so you have got to have people who are either incredibly passionate ... or people who are young and need a job'.<sup>79</sup> She informed the Committee that while her company pays above award wages and ensures staff are well trained – either through their head office or through courses offered by the Real Estate Institute of Victoria – not all real estate agents are as committed to providing professional development.<sup>80</sup>

The Victorian Government's *Housing Statement* includes a commitment to introduce mandatory training and licensing for real estate agents, property managers, owners corporations managers and conveyancers. The Government stated:

Every real estate transaction involves significant financial investments and legal complexities, and renters often rely on agents to provide accurate information and advice. We'll introduce mandatory continuing professional development for real estate industry professionals – including agents, property managers, conveyancers and owners corporation managers. It'll mean better skills for real estate workers, encourage ethical conduct across the industry, and give renters the peace of mind they deserve.<sup>81</sup>

<sup>79</sup> Jessica Barr, *Transcript of evidence*, p. 33.

<sup>80</sup> *Ibid.*

<sup>81</sup> Victorian Government, *Submission 946*, p. 28.

### Committee comment

The Committee is pleased that the Government has committed to mandatory training in the rental industry. By improving real estate agents' professional skills, the relationships and experiences of renters and rental providers can only be more positive.

The Committee believes that, at a minimum, mandatory training should aim to help real estate agents:

- understand minimum rental standards and other rental regulations to support rental providers to ensure their properties are compliant
- develop productive relationships with vulnerable tenants aiming to support them to stay in private rental housing
- improve dispute resolution skills to limit the number of issues between renters and rental providers which escalate to VCAT.

The Committee stresses the importance of the Victorian Government consulting with the real estate industry when designing its training and licensing scheme. This must be done to ensure the best income for the industry and renters in Victoria.

**RECOMMENDATION 18:** That the Victorian Government as part of introducing mandatory training and licensing for employees in the residential property industry ensure training addresses the following issues at a minimum:

- a. increasing real estate agents' understanding of minimum rental standards and other rental regulations
- b. improving relationship building and management skills to assist in their role as an intermediary between renters and real estate agents, such as:
  - i. dispute resolution skills
  - ii. identifying and supporting at-risk tenants.

#### 6.7.4 References for rental providers?

Several renters told the Committee that although they must provide references when applying for a property there is no equivalent reference process for rental providers or real estate agents.

Tarek Bieganski, a renter in metropolitan Melbourne, believed that a better review system of rental providers or agents would be useful as:

those checks are conducted on us. Every man and his dog that has employed me over the years and my previous landlords are free game. I think it would be fair enough to

have some sort of review system beyond Google reviews, you know, that gives you an indication as to what you can expect from a landlord and from an agent.<sup>82</sup>

This was echoed by Tim Connors, who told the Committee he already has a 'mental blacklist of branches and particular real estate agents that [they] avoid':

When I am searching online for a place, if I see it is – I am not going to name them – I will weigh more against them in my decision. But I cannot share that. There is no mechanism for me to share that information with other people. There are subreddits for 'My terrible landlord' et cetera. It is not a systematic way of saying 'avoid this person'.<sup>83</sup>

In a reflection of the power imbalance discussion above, Teresa Kervin explained that renters may avoid raising problems in their current properties to prevent problems in the future:

I would really like for it to be a two-way street with property managers and with landlords. I think that I, as a tenant, have a motivation to do the right thing as a renter because I know that I will need that reference when it comes to signing my next lease. I do not think that the landlord or the property manager have the same motivation to do the right thing, and I think they know that.<sup>84</sup>

### Committee comment

The Committee notes that Consumer Affairs Victoria maintains a rental provider database, known as the 'rental non-compliance register'. Renters can search the database to see if a rental provider or agent has been given a compliance or compensation order by VCAT because they have breached a duty under the *Residential Tenancies Act 1997* or have been convicted of an offence under the Act.<sup>85</sup> As well, the Committee is aware of current social media sites that seek to 'name and shame' poor properties and bad rental providers and agents.

The Committee also notes renters' concerns that standing up for their rights may lead to unfair references when applying for properties in the future. Currently, there is no standard form for rental references. The Committee believes that introducing a standardised form that provides required information—such as how long the tenant rented, any periods of rental arrears and any evidence of poor behaviour by the tenant—would both simplify the process and help limit this risk.

**RECOMMENDATION 19:** That the Victorian Government standardise references provided by rental providers and real estate agents to renters. The standard reference should only include information necessary for rental providers to know when renting their property.

<sup>82</sup> Tarek Bieganski, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 32.

<sup>83</sup> Tim Connors, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 32.

<sup>84</sup> Teresa Kervin, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 42.

<sup>85</sup> Consumer Affairs Victoria, *Rental non-compliance register*, 2021, <<https://www.consumer.vic.gov.au/resources-and-tools/search-public-registers/rental-non-compliance-register>> accessed 31 October 2023.

## **6.8 Victoria's current rental regulatory framework is fit for purpose but opportunities for improvement exist**

After a comprehensive review and analysis of the current rental regulations, it is the Committee's assessment that overall, Victoria's current rental framework is fit for purpose. It is designed to ensure renters can live in safe homes, while investors' investments are protected.

This is not to deny evidence received from both renters and rental providers expressing frustration at various aspects of the system, in particular problems with enforcement. This is why the Committee has made the Recommendations contained in this Chapter, which it believes will further strengthen the rental system in Victoria.

# Chapter 7

## Addressing housing affordability

### 7.1 Introduction

Chapter 7 assess a range of proposals to address housing affordability. Where relevant, which is many cases, it does so in the context of proposals made recently in *Victoria's Housing Statement*. As has been the method throughout this Inquiry, rather than address 'renting' and 'owning' as distinct affordability problems, most measures are considered as benefitting, directly or indirectly, both housing and rental markets. As was noted in Chapter 2, relieving stress in one sector will help alleviate stress in another.

The measures are grouped in three categories:

- short-term measures, covering legislative changes and financial commitments that government can make in the next budget cycle
- medium-term measures, focused especially on changes to planning laws and land usage which can be implemented over the coming four-year parliamentary cycle
- long-term measures, especially government investment in and construction of increased social housing, to be achieved over the next five-to-ten years.

Several subsections emphasise the distinct focus that needs to be placed on regional and rural housing in Victoria. Addressing the housing needs for the specific at-risk cohorts identified in Chapter 2 are also discussed in the context of relevant measures.

### 7.2 'A simple proposition'?

For many, the ideal housing market is one where anyone can afford a safe, appropriate and secure place to live that is close to their work, school and community. It has been overwhelmingly clear from the evidence that many Victorians do not have a choice. Many people are unable to access housing suitable to their needs; and too many renters are unable to make the choice to transition from renting to owning. Housing unaffordability is casting an unprecedented number of Victorians into housing stress or homelessness.

The Victorian Government's *Housing Statement* presented a series of policies to address the affordability crisis and provide Victorians with greater choice. Consistent with the predominant supply narratives for addressing housing affordability discussed in Chapter Four, the *Housing Statement* focused on building new homes as the core

solution to meeting these needs. As was cited in the Premier’s Foreword to the *Housing Statement*:

We’re setting a bold target to build 800,000 homes in Victoria over the next decade.

It’s a simple proposition: build more homes, and they’ll be more affordable. But the Government can’t fix the problem alone. We’ll do it in an Affordability Partnership with industry. We’ll foster the conditions needed to stimulate investment and build high-quality homes quickly in the places where Victorians want to live – and the private market will build more social and affordable housing for the Victorians who need it most.<sup>1</sup>

And yet, as was noted in Chapter 4, there is ‘no silver bullet’ to solving long-term housing affordability issues in Victoria. The Committee received evidence proposing a large variety of policy options – many of which are reflected in other passages in the *Housing Statement* – that indicates solutions cannot be reduced to any single ‘simple proposition’. While the private market will have an important role in delivering more social and affordable housing, given the market failures noted in Chapter 4, government still has a large – and much larger than present – role to play.

Consistent with the view that generating choice should be the priority, choice requires pursuing a wide variety of solutions.

## 7.3 Short-term solutions

### 7.3.1 Rent controls

The most immediate and impactful short-term solution for attending to housing affordability – not withstanding wider economic impacts – would be to implement some kind of rent control, whether in the form of freezes, caps, indexation or a fairness formula.

As noted in Chapter 6, the Committee canvassed a wide variety of opinion and discussion on these options. Although rent freezes provide obvious benefits to renters, the Committee believes that they should only be considered as a short-term solution in extreme times, such as in Victoria during the COVID-19 pandemic.

### 7.3.2 Government assistance: buyers or renters?

Government grants and entitlements – such as first-home buyers grants, shared equity schemes and renters’ assistance – have long been used as short-term fixes to assist with housing costs. This financial assistance has been provided by both Commonwealth and State Governments. The Committee heard a mixed range of evidence on the efficacy of these measures.

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<sup>1</sup> Victorian Government, *Victoria’s Housing Statement*, 2023, p. 3.

## First Home Owner Grant and Victorian Homebuyer Fund

Currently, the Victorian Government offers two measures to provide financial assistance for greater home ownership: the First Home Owner Grant; and the Victorian Homebuyer Fund.<sup>2</sup>

Under the First Home Owner Grant, the Victorian Government offers eligible first home buyers \$10,000 to help purchase a new home. Few stakeholders advocated an extension of this scheme and it was not addressed in the *Housing Statement*.<sup>3</sup>

In recent years, the Victorian Government's marquee policy in this area has been the Victorian Homebuyer Fund, a shared equity scheme. Under the scheme, prospective home buyers (not exclusively first home buyers) with savings for a 5% deposit may be eligible for contributions from the Victorian Government for a further 25% of the purchase price in exchange for an equivalent share in the property. The maximum purchase price must be \$950,000 or less in metropolitan Melbourne and Geelong, or \$600,000 or less in regional Victoria. The scheme is intended to reduce the time aspirant homeowners need to save for a deposit. Participants avoid paying Lenders Mortgage Insurance, which is normally applicable when a mortgagee borrows more than 80% of the property value. Participants are required to pay back the Government's share in the property over time either by refinancing, using savings or upon sale of the property.<sup>4</sup>

Aboriginal and Torres Strait Islander participants are eligible for a higher contribution of up to 35% and have a lower minimum deposit requirement of 3.5%.

Since the Fund started in October 2021, the Fund had, at the time of writing, supported 4,251 settlements with \$1.07 billion. In its *Housing Statement*, the Victorian Government committed to providing another \$500 million to the Victorian Homebuyer Fund, intended to support a further 3,000 Victorians.<sup>5</sup>

### Concerns with government assistance for home buying

While not directed at the Homebuyer Fund specifically, a wide variety of stakeholders in this Inquiry expressed concerns around the limits of homebuyer assistance funding.

One set of concerns related to the accessibility of the scheme for specific groups. The Housing for the Aged Action Group noted the Victorian Government's shared equity scheme requires participants to gain lending approval from financial institutions. Given many older Victorians have limited earning capacity, this excludes them from purchasing a home later in life.

<sup>2</sup> Victorian Government, *Submission 946*, p. 20.

<sup>3</sup> An exception was the Housing Industry Association which recommended expanding the First Home Owner Grant to \$20,000.

<sup>4</sup> State Revenue Office, *Homebuyer Fund*, 2023, <<https://www.sro.vic.gov.au/homebuyer>> accessed 17 October 2023.

<sup>5</sup> Victorian Government, *Victoria's Housing Statement*, p. 18.

A more general concern related to the impact of homebuying assistance schemes on overall home prices. As Peter Tulip from the Centre for Independent Studies told the Committee:

We do not like first home owner grants. It is a boost to demand, so people use those grants to bid up the price of housing. It benefits the lucky recipients of the grant but everyone else in the housing market suffers ... it does not do anything to overall improve affordability. It just makes it harder for some and easier for others. But if we do want to improve overall affordability for everyone, you need to increase supply – you should not boost demand.<sup>6</sup>

This logic was expressed not only by experts but many individuals as an economic commonsense.<sup>7</sup> As housing researcher Dr Angela Ballard told the Committee: ‘Governments love giving out the first homebuyers grant. ‘Thanks, mate, you’ve just raised the price by another \$25,000.’ Every housing researcher in Australia will tell you that is a bad idea ...’<sup>8</sup>

### Rental assistance programs

The other major form of direct government payments to assist with individual housing costs are rental assistance programs. These programs are offered by Commonwealth and State Governments, though the former is much larger and more widely utilised.

During the May 2023 Federal Budget, and coming into effect in September 2023 while this Inquiry was ongoing, the Commonwealth Government announced a 15% increase to Commonwealth rent assistance, the largest increase in the program in 30 years.<sup>9</sup> Unlike the impact of first-homebuyer grants on the housing market, the Grattan Institute said such an increase would not have an inflationary impact on the wider rental market and in fact recommended increasing it by 40%.<sup>10</sup>

The Victorian Government has also offered support through a range of programs:

- Private Rental Assistance Program
- Aboriginal Private Rental Assistance Program
- Tenancy Assistance and Advocacy Program
- Tenancy Plus.

Established in 2017, the Private Rental Assistance Program and Aboriginal Private Rental Assistance Program provide financial assistance – including case management

6 Peter Tulip, Chief Economist, Centre for Independent Studies, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 18.

7 Name withheld, *Submission 223*; Tim Connors, *Submission 318*; Stephen Koci, *Submission 330*.

8 Angela Ballard, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 43.

9 Michael Read, ‘Labor lifts rent assistance by 15pc’, *Australian Financial Review*, 9 May 2023, <<https://www.afr.com/policy/economy/labor-lifts-rent-assistance-by-15pc-20230505-p5d62f>> accessed 9 November 2023.

10 Brendan Coates, Economic Policy Program Director, Grattan Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 11.

and financial planning advice – to obtain or maintain private rental accommodation and assists people living in crisis, transitional or social housing to become independent in the private market.<sup>11</sup>

One provider of this program, Launch Housing, told the Committee of growing demand for this form of assistance. In 2021–22, Launch assisted 2,762 clients through the program, an increase of 22% on the previous year. It also reported an increase in the number of people accessing the service who are working, up from 16% to 25% between 2021 and 2022.<sup>12</sup>

As several stakeholders noted, including both the Grattan Institute and Salvation Army, these State-based programs have become increasingly important for Victorians facing acute rental stress but who do not receive income support. Commonwealth assistance is only available to people receiving income benefits.<sup>13</sup>

The Tenancy Assistance and Advocacy Program and Tenancy Plus are legal advice services provided through community legal centres and community services organisations to help financially disadvantaged renters avoid homelessness. In addition, some community organisations provide bond loans through the Housing Establishment Fund. The fund is jointly managed by the Victorian and Commonwealth government under the National Affordable Housing Agreement.<sup>14</sup>

### Limitations with State-based rental assistance

While endorsing the importance of these State-based program for providing a crucial safety net for many households, several stakeholders also told the Committee that such programs need to be expanded. This evidence stood in stark contrast to calls to abandon homebuying assistance schemes.

VCOSS called for expanded funding for the Private Rental Assistance Program, the Tenancy Assistance and Advocacy Program and Tenancy Plus, as these ‘are only funded to support small numbers of people’.<sup>15</sup> Community support agencies are reporting that they are providing support to the same clients multiple times with PRAP funding, which as VCOSS notes, suggests that the programs are providing financial support for renters at risk for shorter periods than what is needed.<sup>16</sup>

Related themes ran through other submissions. Drawing on Anglicare’s Rental Affordability Index, Gippsland Homelessness Network argued that income supports programs, generally, are not sufficient to access and sustain secure, appropriate

<sup>11</sup> Victorian Government, *Submission 946*, p. 18; Southern Homelessness Services Network, *Submission 426*, p. 15.

<sup>12</sup> Launch Housing, *Submission 917*, pp. 1, 6–7.

<sup>13</sup> The Salvation Army Australia, *Submission 622*, p. 12; Brendan Coates, *Transcript of evidence*, p. 11.

<sup>14</sup> Victorian Government, *Financial help for private renters*, 2022, <<https://www.housing.vic.gov.au/financial-help-private-renters>> accessed 17 October 2023.

<sup>15</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 19.

<sup>16</sup> *Ibid.*

private rental options in regional Victoria.<sup>17</sup> Similarly, the Council to Homeless Persons and the Mornington Peninsula Shire also called for a review of the private rental assistance programs as ‘they are not currently supporting people to maintain tenancies’.<sup>18</sup>

Several stakeholders also noted some specific cohorts – particularly older Victorians, and single mothers – struggle to gain access to the program. These concerns relate to the Private Rental Assistance Program’s current eligibility guidelines.<sup>19</sup>

Addressing similar concerns, Women’s Health in the South East recommended the Private Rent Assistance Program embed ‘Safe at Home’ principles, a set of national guidelines to enable, wherever possible, women and children to stay in their homes after family violence, while perpetrators must leave.<sup>20</sup>

### Committee comment

The Committee recognises the importance of government assistance programs for both prospective homebuyers and renters. It is also recognising these programs assist very different cohorts at different points on the housing spectrum. Where the former is seeking to make the crucial jump from renting to the security and self-sufficiency of homeownership, the latter include people at risk of being weeks or even days away from homelessness.

The Committee believes the Victorian Government should consider bolstering the rental assistance program for several reasons. First, while there is conjecture around the long-term implications of financial assistance for housing purchases, stakeholders are clear on the efficacy of rental assistance programs in ensuring those most at risk do not slide into homelessness. The Committee notes that while the *Housing Statement* has devoted \$500 million to continuing the Homebuyer Fund, no further funding announcements have been made for the Private Rental Assistance Program since the \$110 million committed at 2021–22 Victorian State Budget.<sup>21</sup>

To maintain its adequacy in assisting renters most in need, the Committee endorses calls for a review of the guidelines and administration of Private Rental Assistance Program to maximise its availability and accessibility.

**FINDING 17:** Research repeatedly shows that homeowner grants have an inflationary effect on house prices.

<sup>17</sup> Gippsland Homelessness Network, *Submission 927*, p. 6.

<sup>18</sup> Council to Homeless Persons, *Submission 934*, pp. 4, 11; Mornington Peninsula Shire, *Submission 933*, p. 8. See also Bass Coast Shire Council, *Submission 451*, p. 4; Municipal Association of Victoria, *Submission 938*, p. 5..

<sup>19</sup> Housing for the Aged Action Group, *Submission 451*, pp. 11–12; Council of Single Mothers and their Children, *Submission 941*, p. 8.

<sup>20</sup> Women’s Health in the South East, *Submission 524*, p. 9.

<sup>21</sup> Premier of Victoria, *Supporting More Victorians Into A Stable Home*, media release, Victorian Government, 20 May 2021.

**RECOMMENDATION 20:** That the Victorian Government discontinue its First Home Owners Grant and transfer the funding to the Private Rental Assistance Program.

### 7.3.3 Head-leasing and spot-purchasing

Another way in which governments can quickly deliver affordable housing options is leasing or purchasing additional housing stock through practices known as ‘head-leasing’ and ‘spot-purchasing’.

Head-leasing occurs when, for example, a public housing authority or community housing organisation leases properties in the private market and then sub-lets these to people on the social housing waiting list. Tenants pay rent (based on their income), which is passed on along with a subsidy to the landlord.<sup>22</sup> Spot-purchasing involves the government purchasing dwellings from the housing market for public housing. The Victorian Government has been involved in spot-purchasing to varying degrees since the 1970s.<sup>23</sup>

These options were considered in detail by the 2021 Legislative Council Legal and Social Issues Committee’s *Inquiry into homelessness in Victoria*.<sup>24</sup> That Inquiry heard that the Victorian Government’s limited additions to social housing stock occurs largely through spot purchases and leasing (60 purchases by the Director Housing and 1,380 leases in 2020–21, inclusive of 1,350 short-term leases to enable the relocation of people who had been staying in emergency hotel accommodation transition out of homelessness and for high-rise tenants at greater risk due to COVID-19).<sup>25</sup>

The Committee received limited evidence relating to either proposal, though several individuals and local councils highlighted the option.<sup>26</sup> One submitter suggested there was considerable scope for the Victorian Government to increase public housing via spot-purchasing:

I would dearly love to now get rid of my rental burden and somehow find a way to sell to the government for public housing (without evicting the happy renters). There must be many retirees looking to go into a nursing home who need to sell their houses for the admission fees. This is an opportunity for the government to quickly provide urgent housing for public housing (which then could be retrofitted if needed to lessen running costs/maintenance costs). Our family had to do such a thing for our elders recently and it was a stressful unnecessary burden having to organise the sale of their home.<sup>27</sup>

<sup>22</sup> SGS Economics and Planning, *Give Me Shelter: The long-term costs of underproviding public, social and affordable housing*, report for Housing All Australians, 2022, p. 22.

<sup>23</sup> Andrew Beer and Chris Paris, ‘The Spot Purchase Program in Melbourne: a Study in Policy Evaluation and Impact Assessment’, *Urban Policy and Research*, vol. 10, no. 1, 1992, pp. 33–40.

<sup>24</sup> Parliament of Victoria, Legislative Council Legal and Social Issues Committee, *Inquiry into homelessness in Victoria: Final report*, June 2021, pp. 304–307.

<sup>25</sup> *Ibid.*, Appendix C, p. 11.

<sup>26</sup> Jillian Warne, *Submission 632*; Guenter Sahr, *Submission 530*; Greater Dandenong City Council, *Submission 574*.

<sup>27</sup> Chris Fox, *Submission 453*.

## Big Housing Build and Housing Statement additions

The Victorian Government's two most recent major housing policy announcements – the Big Housing Build and the *Housing Statement* – both renewed commitment to head-leasing and spot-purchasing.

The Big Housing Build announced \$948 million to spot purchase homes from the private sector, either from projects in progress or ready-to-build dwellings adding 1,600 social housing and 200 affordable homes.<sup>28</sup> The aim was partly to support housing development projects in a depressed market following COVID-19.

The *Housing Statement* considerably expanded upon this program, including:

- Buying off-the-plan to boost social housing stock, giving developers a degree of pre-sale certainty to ensure construction commences on time. No funding or targets are given, only the Victorian Government will 'consult with industry on opportunities to buy at scale through spot purchasing'.<sup>29</sup>
- Head-leasing apartments that have not sold when a development project is finished, ensuring that potentially empty apartments are made a home for somebody. This policy will again proceed on 'expressions of interest to test market appetite'. The Statement indicated 'this approach to market is not intended to subsidise developers beyond current social housing rental arrangements or affect Homes Victoria's financial position'.<sup>30</sup>

### Committee comment

The Committee welcomes the Victorian Government's ongoing commitment to head-leasing and spot-purchases as a fast way of increasing much-needed social housing stocks. As with other aspects of the *Housing Statement*, however, these ambitions are missing concrete targets or accountability measures to ensure there is a consistent increase to public housing through these avenues.

While the evidence is only anecdotal, the Committee also believes Victorians should have greater options in selling housing to the Government for public housing if they wish.

**RECOMMENDATION 21:** That the Victorian Government provide details on the head-leasing and spot-purchase program, with a view to providing dedicated funds over and above existing budgets.

<sup>28</sup> Victorian Government, *Victoria's Big Housing Build*, November 2020, p. 6.

<sup>29</sup> Victorian Government, *Victoria's Housing Statement*, p. 37.

<sup>30</sup> Ibid.

**RECOMMENDATION 22:** That the Victorian Government consider establishing a way in which Victorian property owners can engage with the Director of Housing to sell their housing to the Government for the purpose of public housing.

### 7.3.4 Tax relief for affordable housing providers

The Commonwealth Government's National Rental Affordability Scheme, established in 2008, provides an annual financial incentive for up to 10 years to approved participants who rent dwellings to eligible people on low to moderate incomes at a rate at least 20% below market value rent. These dwellings are not social housing, but affordable private rent. The scheme is set to end in 2026.<sup>31</sup>

The Committee heard some support for developing this model at a State level, either with new measures or expanding existing programs. As a general idea, Dandenong City Council proposed offering tax relief to property owners who offer their homes to women escaping family violence under head-leasing arrangements with relevant advocacy or community groups.<sup>32</sup> The Council of Single Mothers and their Children flagged a similar idea.<sup>33</sup>

More substantively, Launch Housing operates a social enterprise and not-for-profit agency, HomeGround Real Estate, which enables investment property owners to claim a tax deduction when they offer their property for rental below market rate. An Australian Tax Office ruling enables investors to claim the gap between market and discounted price as a tax deduction. Presently, 143 property owners across Melbourne rent their properties through this scheme. Launch told the Committee that it would cost \$70 million for a government to construct the same number of new affordable dwellings.<sup>34</sup>

#### Committee comment

While these options have been little pursued in Victoria, the Committee believes there are opportunities to incentivise property investors to diversify – to increase choice – in the way their dwellings are used. Victoria's tax regime – land taxes, stamp duty – offers scope to develop incentives for property owners to increase the supply of social housing. Given the Australian Tax Office has provided its ruling in support of Launch Housing's program, much of the regulatory infrastructure is already in place to expand similar schemes.

<sup>31</sup> Department of Social Services (Australian Government), *About the National Rental Affordability Scheme*, 2022, <<https://www.dss.gov.au/housing-support-programs-services-housing-national-rental-affordability-scheme/about-the-national-rental-affordability-scheme-nras>> accessed 9 November 2023.

<sup>32</sup> Greater Dandenong City Council, *Submission 574*, p17.

<sup>33</sup> Jacqui Ng, Support Service Coordinator, Council of Single Mothers and their Children, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 51.

<sup>34</sup> Launch Housing, *Submission 918*.

**RECOMMENDATION 23:** That the Victorian Government investigate ways in which it can support property owners to contribute to the supply of social housing, such as through tax rebates, and advocate to the Commonwealth Government for similar ways using federal tax concessions.

### 7.3.5 Incentivising build-to-rent

As noted in Chapter 4, the institutional investor-led build-to-rent sector is only now gaining traction as an important alternative to the small investors that presently dominate the Australian rental market.

The Victorian Government has signalled its intentions for large, ongoing investment from the build-to-rent sector. From January 2021, the Victorian Government introduced a 50% reduction on the taxable value of the land used for the build-to-rent development for up to 30 years. They are also exempt from any Absentee Owner Surcharge in respect of that land during that time.<sup>35</sup>

These reforms have already had a positive impact on Victoria's build-to-rent sector, according to the industry:

Victoria has been an amazing place to invest for build-to-rent housing... Victoria was progressive, saw the challenge coming early and acted on it. There is still a crisis. The crisis would be significantly worse had the Victorian government not acted as early as it did.<sup>36</sup>

The *Housing Statement* announced plans to extend support for the build-to-rent sector by establishing an Institutional Investment Framework, 'creating a dedicated planning pathway and one-way one-stop shop for these investors – attracting more investment at scale in social, affordable, key worker and market homes'.<sup>37</sup>

Representatives from the industry highlighted that a key advantage of build-to-rent projects is the business model demands the dwellings are brought to market as quickly as possible. Unlike other development projects, which build once sufficient dwellings are contracted and even then may 'land bank' (as noted in Chapter 4) build-to-rent developers deliver projects for a fund, involving a pool of investors, which has a set period to deploy the money and secure returns. Consequently, securing sites, planning, construction and occupation are a priority. Institutional investors seek income, rather than capital gains.<sup>38</sup>

<sup>35</sup> State Revenue Office, *Land tax discount for build-to-rent developments*, 2022, <<https://www.sro.vic.gov.au/land-tax-discount-build-rent-developments>> accessed 9 November 2023.

<sup>36</sup> Michael King, Transactions Manager, Novus, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 65.

<sup>37</sup> Victorian Government, *Victoria's Housing Statement*, p. 18.

<sup>38</sup> Sean Ryan, Senior Director, Development, Greystar Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 68; Michael King, *Transcript of evidence*, p. 68.

A further advantage is that these investors seek long-term income rather than short-term capital gains, making this housing option more stable for renters.

While acknowledging the importance of the Victorian Government's concessions, build-to-rent developers told the Committee their operations would benefit from three major Commonwealth tax changes:

- reducing the withholding tax rate for eligible fund payments from management investment trusts attributable to residential build-to-rent projects. At the time of the Inquiry, the Australian Government had announced plans to reduce this rate from 30% to 15%, though details were yet to be confirmed. Sean Ryan, from Greystar International, explained the measure benefits build-to-rent investors and developers because most funding currently comes from offshore pensions funds and sovereign wealth funds<sup>39</sup>
- reducing the foreign purchaser duty on acquiring operating assets, for the same reason as above<sup>40</sup>
- exempting build-to-rent projects from GST, as is the case for build-to-sell projects, as the tax 'effectively adds 10% to our cost base'.<sup>41</sup>

Build-to-rent developers frame these tax changes not as 'free kicks' but creating a 'level playing field with build to sell'.<sup>42</sup>

### Is build-to-rent skewed to the high end of the market?

The Committee received commentary from stakeholders that build-to-rent, while adding to overall supply, does not address the immediate needs of middle and lower income earners under housing cost stress.<sup>43</sup> Michael King, from developer Novus, conceded this is the case, 'but not necessarily by choice; it is by circumstance'. While current taxation settings skew projects towards higher end of the market, Novus insisted the sector sees its long-term future elsewhere:

the upper end of the market is not as deep. If we could go to the middle range of the market or lower end of the market, that depth of pool of renters is a lot larger. [Investors] would absolutely go there. It is just about making the financial returns work.<sup>44</sup>

Sean Ryan from Greystar International added that part of this shift was 'about the market maturing', meaning a shift from inner-city high rise building to more diverse projects in middle-ring suburbs, such as low rise, three-level walk up apartments.<sup>45</sup>

<sup>39</sup> Sean Ryan, *Transcript of evidence*, p. 62.

<sup>40</sup> Michael King, *Transcript of evidence*, p. 63.

<sup>41</sup> Sean Ryan, *Transcript of evidence*, p. 62.

<sup>42</sup> *Ibid.*, p. 63.

<sup>43</sup> Rob McGauran, Director, MGS Architects, Australian Institute of Architects, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 75.

<sup>44</sup> Michael King, *Transcript of evidence*, p. 63.

<sup>45</sup> Sean Ryan, *Transcript of evidence*, p. 63.

Andrew Lowcock advised the Committee that as the number of build-to-rent properties increase ‘what we will see is some greater diversity in offering. We will see more affordable and mid-market housing. We will see key worker housing offerings. We have seen some of those announced, and they will come through in the next two or three years.’<sup>46</sup>

### Built-to-rent-to-own

The Committee also received limited evidence regarding built-to-rent-own schemes from social enterprise developer, Assemble, which launched a model in 2018 and has a pilot project operating in Kensington. This model ‘allows moderate-income residents to rent securely for up to five years, with the option to buy their home at the end of the lease period – with fixed purchase price and rents up front’.<sup>47</sup>

Assemble’s Emma Tefler told the Committee that the company has another five new projects underway.<sup>48</sup>

Assemble has partnered with AustralianSuper as a pilot investor and also as equity investor in the next five projects. As with the build-to-rent sector, the attraction for the superfund is long-term income.<sup>49</sup>

Assemble did not recommend the kinds of tax incentives sought by the build-to-rent developers, but did recommend a planning pathway to expedite affordable housing building projects through the planning process (see Section 7.3.4).

### 7.3.6 Strata corporations

Several stakeholders discussed the potential of regenerating of older buildings, both residential and commercial, to increase supply. The Committee also heard, however, that this would require legislative changes to laws regulating owners corporations.<sup>50</sup>

Currently, under Victoria’s *Subdivision Act 1988*, a unanimous resolution of members of an owners corporation is required for a building to be sold.<sup>51</sup> This requirement for 100% agreement among owners can make it difficult to change the uses of a shared building.

Tim Graham, Vice-President of Strata Community Association, told the Committee: ‘100% makes it impossible to regenerate these buildings, many of which are beyond their usable life. We are spending a whole lot of money eking out another year of amenity, which is just a false economy.’<sup>52</sup>

<sup>46</sup> Andrew Lowcock, Deputy Executive Director, Property Council of Australia, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 58.

<sup>47</sup> Joint Submission, *Submission 915*, p. 14.

<sup>48</sup> Emma Tefler, Chief Operating Officer, Assemble, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 35.

<sup>49</sup> *Ibid.*, p. 36.

<sup>50</sup> Strata Community Association (Vic), *Submission 935*, p. 4; Clint Bravo, *Submission 284*.

<sup>51</sup> *Subdivision Act 1988* (Vic) ss 32(a)–(m).

<sup>52</sup> Tim Graham, Vice President, Strata Community Association (SCA), public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 49.

The Committee received several submissions from individuals providing examples of this difficulty.<sup>53</sup>

Strata Community Association (Vic) noted that other jurisdictions in Australia, including New South Wales and Western Australia, currently have lower minimum threshold requirements to change strata titles. In New South Wales, strata renewal plans require only a minimum of 75% of lots. In Western Australia, a resolution to terminate a strata titles scheme can be passed if the scheme has five or more lots and is supported by a minimum of 80% of the owners of the lots in the scheme.<sup>54</sup>

### Converting Commercial Properties into Residential Properties

Tim Graham also told the Committee that existing requirements inhibit not only regenerating residential buildings but also converting commercial buildings, many with significant infrastructure and services already in place, into residential dwellings.<sup>55</sup>

The *Housing Statement* included proposals along these lines. Working with the Property Council of Australia and the City of Melbourne, the Statement identifies ‘close to 80 commercial office buildings that are currently under-used because of changing work patterns and demand for flexible floor space increasing’. Converting these offices present potential to establish ‘around 10,000–12,000 apartments and mixed-use properties’.<sup>56</sup>

### Committee comment

The Committee notes the Victorian Government’s support of the build-to-rent sector and the sector’s benefits, including the ability to offer greater security for renters. The evidence received from the sector suggests more can be done by the Federal Government to level the playing field with the build-to-sell sector. The Committee believes the Victorian Government should advocate for changes to Commonwealth taxes to bring the sectors in alignment with each other.

The Committee has also identified need for changes around strata laws. Such changes seem necessary if the Victorian Government is to meet its ambitious supply targets over the next 10 years, including its stated goals in the *Housing Statement* to convert existing commercial buildings into residential buildings. Failure to address these aspects of Victoria’s strata laws may hinder these objectives.

**RECOMMENDATION 24:** That the Victorian Government work with the Commonwealth to identify and remove federal taxes that currently only apply to the build-to-rent sector.

<sup>53</sup> For example: Name withheld, *Submission 388*.

<sup>54</sup> Strata Community Association (Vic), *Submission 935*, p. 5.

<sup>55</sup> Tim Graham, *Transcript of evidence*, p. 49.

<sup>56</sup> Victorian Government, *Housing Statement*, p. 12.

**RECOMMENDATION 25:** That the Victorian Government amend Section 32 of the *Subdivision Act 1988* replacing ‘unanimous resolution’ with ‘special resolution’.

### 7.3.7 Vacant land and property taxes

From 1 January 2018, the Victorian Government introduced a Vacant Residential Land Tax. The Tax applied to residential homes in inner and middle Melbourne that were vacant for more than six months in the preceding calendar year. The Vacant Residential Land Tax is assessed by calendar year (1 January to 31 December) and the six months of occupancy do not need to be continuous. This annual tax is set at 1% of the capital improved value (CIV) of taxable land.<sup>57</sup>

Initially, the tax was applied to inner- and middle-ring suburbs. In October 2023, Treasurer Tim Pallas announced it would be expanded to the whole of Victoria from 1 January 2025. Residential land that has not been developed for five years in metropolitan Melbourne will also be included in the tax from 1 January 2026.<sup>58</sup>

The tax is levied based on self-reporting by landowners. Accordingly, several stakeholders said it was not well enforced with only ‘marginal benefits’ to housing affordability.<sup>59</sup> VCOSS told the Committee better enforcement would be beneficial to either provide government with additional revenue or encourage owners to make these homes available in the private rental market.<sup>60</sup>

The Grattan Institute described Victoria’s existing vacant property tax on residential property as ‘very easy to get around’. Regarding the Victorian Government’s announcement to tax vacant land not developed for five years in metropolitan Melbourne, the Grattan Institute saw greater merit ‘if that was to push some developers or landowners to develop sites more quickly’, thereby accelerating housing supply.<sup>61</sup>

Other stakeholders noted a revised vacancy tax would be effective in addressing the impact of short-term accommodation on housing affordability (see Chapter 8).

The Municipal Association of Victoria submitted that of the nine interface council spanning greenfield growth areas, five impose higher differential rates on vacant land, ranging from 1.4 to 2.4 times the general residential rate in the dollar.<sup>62</sup> Swan Hill Rural

<sup>57</sup> State Revenue Office, *Vacant Residential Land Tax*, 2023, <<https://www.sro.vic.gov.au/vacant-residential-land-tax>> accessed 9 November 2023.

<sup>58</sup> Kieran Rooney and Rachel Eddie, ‘Knock out land banking’: Pallas’ surprise move to free up empty lots, *The Age*, 3 October 2023.

<sup>59</sup> Joel Dignam, Executive Director, Better Renting, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 17; Tim Connors, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 30.

<sup>60</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 10.

<sup>61</sup> Brendan Coates, *Transcript of evidence*, p. 17.

<sup>62</sup> Municipal Association of Victoria, *Submission 938*, p. 17.

Council and Mornington Peninsula also charge a slightly higher rate on vacant lots, partly with an intention to stimulate development.<sup>63</sup>

On a related matter, Robert Pradolin suggested allowing homeowners to rent out a spare bedroom without affecting their Capital Gains Tax would also help contribute to supply.<sup>64</sup>

### Case Study 7.1 Canada's approach to vacant property taxes

In Canada, vacant property taxes are assessed at both federal level (Federal Underused Housing Tax) and in some provinces and cities. In each case, property owners are required to submit returns declaring the use of properties.

Under the federal law, property owners must file an annual return, which requires them to calculate the amount of tax payable. Failing to submit the return attracts a fine (\$5,000 to \$10,000).

In British Columbia, a similar process applies where the provincial government forwards a return to relevant property owners who might be liable for vacancy tax, with owners to declare the property's use. Failure to return the form attracts the maximum rate of 2% the property's assessed value.

Vancouver's Empty Homes Tax is a 3% tax on vacant residential properties. The Collector of Taxes mails a property status declaration form to property owners and uses the return information to decide whether a property is subject to the tax.

Sources: Government of Canada, *Underused Housing Tax*, <<https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing>> accessed 16 October 2023; British Columbia, *Speculation and vacancy tax*, <<https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax>> accessed 16 October 2023; City of Vancouver, *Empty Homes Tax*, <<https://vancouver.ca/home-property-development/empty-homes-tax.aspx>> accessed 16 October 2023.

## 7.4 Medium-term solutions

### 7.4.1 Planning laws

Planning laws are a major area of contention in addressing housing affordability in Victoria. As was noted in Chapter 4, much of this debate occurs between developers and councils around blame for delays in supplying new homes.

Beyond disputes between developers and councils, there is also a larger conversation being had about the planning system, which has been a target for reform for some

<sup>63</sup> Heather Green, Director, Development and Planning, Swan Hill Rural City Council, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 27; Steve Holland, Mayor, Mornington Peninsula Shire Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 63.

<sup>64</sup> Robert Pradolin, Founder, Housing All Australians, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*.

time. In 2019, Better Regulation Victoria conducted an Inquiry into Victoria's planning and building system making 29 recommendations. In 2022, the Legislative Council's Economic and Planning Committee also investigated the planning system. Many stakeholders in this Inquiry again called for specific or general easing of aspects of the planning system.

This Committee again received a wide variety of recommendations about changes that should be made to *Planning and Environment Act 1987* to address housing issues.<sup>65</sup> Given the size and complexity of Victoria's planning scheme, the Committee suggests these are issues best reviewed in the medium term.

### Recent policy announcements

The Victorian Government's *Housing Statement* makes commitments to both revise *Plan Melbourne* and review and rewrite the *Planning and Environment Act 1987*.

The Statement outlined several changes it would make to the Act, including:

- making faster decisions, by empowering the Minister for Planning, rather than councils to make decisions on large residential developments with construction costs worth at least \$50 million in Melbourne or \$15 million in regional Victoria, and delivering at least 10% affordable housing, including built-to-rent projects<sup>66</sup>
- making it easier to build a small second home, particularly granny flats
- streamline assessment pathways for different types of residential development, especially with affordable housing quotas.

The Committee took evidence on these aspects both before and after the *Housing Statement* was released in late September 2023.

These issues are discussed in the context of the following three policy areas, which stakeholders submitting evidence to this Inquiry felt were underrepresented in the *Housing Statement*:

- addressing the 'missing middle'
- mandatory inclusionary zoning
- allowing for modular, temporary housing.

**FINDING 18:** Evidence provided reveals that the time taken to obtain relevant permits and approvals causes significant delays in bringing housing developments to fruition.

<sup>65</sup> Municipal Association of Victoria, *Submission 687*, p. 5.

<sup>66</sup> Victorian Government, *Housing Statement*, p. 11.

**RECOMMENDATION 26:** As a matter of urgency, the Victorian Government commit to:

- improving planning processing times
- clearing the backlog of planning approvals currently under consideration.

## 7.4.2 Addressing the ‘missing middle’

In Chapter 4, the Committee noted calls to ease planning laws to increase housing supply by either expanding greenfield development on city fringes or upzoning and densifying established urban areas. Most evidence and recommendations concerned the latter.

In terms of improving housing affordability, the Committee heard conflicting evidence as to whether developing established middle ring suburbs would necessarily increase supply or improve affordability. Nonetheless, given the Victorian Government’s stated intention to proceed with middle-ring densification the Committee offers the following analysis in that context.

In announcing plans to update *Plan Melbourne*, the *Housing Statement* restated its commitment to 70% of new homes being built in established areas.<sup>67</sup> However, some stakeholders felt details on how to increase urban density in these middle-ring areas – also described as ‘upzoning’ – lacked detail. The Grattan Institute told the Committee the plan to build more houses in established suburbs was ‘probably the piece that was missing from the Victorian Housing Statement’.<sup>68</sup>

### A focus on ‘precincts’ and ‘activity zones’

The *Housing Statement* gives significant attention to developing middle-ring areas through ‘precincts’ and ‘activity centres’. The *Housing Statement* proposes to:

- activate the ‘Arden Precinct’ as a site to house about 20,000 people by 2051, built around the new Arden Metro Tunnel, bio-medical and health science industries.<sup>69</sup>
- identify additional ‘priority precincts’ to ensure whole-of-government delivery of amenities in Arden, Docklands, Fisherman’s Bend, Footscray, East Werribee, Parkville and Sunshine to deliver around 150,000 homes – with opportunity for more homes to be built as the precinct grows over time<sup>70</sup>
- introduce planning controls to deliver 60,000 homes around 10 activity centres across Melbourne: Broadmeadows, Camberwell Junction, Chadstone, Epping, Frankston, Moorabbin, Niddrie (Keilor Road), North Essendon, Preston (High Street) and Ringwood. Activity centre plans will guide investment to ensure community

<sup>67</sup> Victorian Government, *Housing Statement*, p. 41.

<sup>68</sup> Brendan Coates, *Transcript of evidence*, p. 19.

<sup>69</sup> Victorian Government, *Housing Statement*, p. 18.

<sup>70</sup> *Ibid.*, p. 20.

facilities, public spaces and parks are supplied, as well as incentivising more affordable housing.<sup>71</sup>

Beyond identifying key development areas and stating its intention to work with the private sector, industry and investors to develop these areas, the *Housing Statement* provides little guidance on what measures will be taken to ensure these projects progress, what role – if any – councils and local communities should play in shaping these projects and how to ensure the social and affordable housing target associated with these projects are met.

### Overriding regulations or setting targets?

The Grattan Institute suggested there are two ways to establish a coherent policy for middle-ring development:

- directly change planning rules by allowing the general residential zone to apply in all areas where the neighbourhood residential zone currently applies.
- setting housing targets for councils and giving them greater control to decide on appropriate planning schemes.<sup>72</sup>

The Grattan Institute added that while ‘upzoning will need to occur centrally’ in either case, the question was whether decisions about implementation were made by the Victorian Government or local councils.

The *Housing Statement*, both in its proposal to fast-track eligible large residential projects and potentially the new ‘planning controls’ to develop the identified activity centres, falls under the direct approach.

By contrast, many stakeholders saw advantages in advancing middle-ring supply with a target and reward process. The Master Builders Association of Victoria recommended requiring local governments to set targets to provide greater supply options and reward good performance.<sup>73</sup>

Similarly, YIMBY Melbourne endorsed a ‘carrot and stick’ approach. For example, infrastructure spending by the State Government on a local government area might be contingent on meeting housing targets. It told the Committee: ‘Recalcitrant councils should have their planning powers taken away entirely – that is one option – and moved to a state-based panel should they underdeliver targets.’<sup>74</sup>

The Australian Institute of Architects agreed:

While the Institute does not believe that removing Councils (LGA) from the planning process is either necessary or good policy, the Institute would like to see the State use its leverage with LGAs to improve the approval of greater densification and the

<sup>71</sup> Ibid., p. 11.

<sup>72</sup> Brendan Coates, *Transcript of evidence*, p. 20.

<sup>73</sup> Master Builders Association of Victoria, *Submission 567*, p. 15.

<sup>74</sup> Jonathan O’Brien, YIMBY Melbourne, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 33.

need for social and affordable housing in all local government areas. The State should consider setting densification mandates on LGA with financial “carrots” for those LGA that set and meet these and financial “Sticks” for those that do not.<sup>75</sup>

New South Wales recently removed limits on the construction of granny flats statewide but left it to local councils to determine the appropriateness of those dwellings. Similarly, local councils may choose to meet their targets with either a small number of high-density developments or a larger number of medium-density developments.

As the Centre for Independent Studies said: ‘The quantity should be decided centrally; the type can be decentralised.’<sup>76</sup>

### Delegating authority to whom?

The *Housing Statement’s* proposal to empower the Minister for Planning to make direct planning approvals over large-scale housing projects with 10% affordable housing attracted considerable comment and criticism. The Municipal Association of Victoria pre-empted the announcement expressing concerns that decisions made by a Minister over the top of councils could have unintended consequences:

We are very concerned, however, that the State Government considers it can increase supply and drive down prices by bypassing proper planning processes to fast-track development approvals ... Any hasty move to implement centralised decision-making and waive through development without proper assessments must be seen as a knee-jerk reaction. It will create legacy issues and higher costs for future generations to rectify.<sup>77</sup>

In a review of the Housing Statement, RMIT’s Global Urban Centre, which also provided evidence to the Committee before the Statement was released, warned that empowering the Minister to override local councils and local communities risked eroding local decision-making power and undermining the social and environmental values of the planning system.<sup>78</sup>

The Committee received alternative ideas about how to fast-track large scale residential projects by placing authority not in the Minister but a more independent and community-sensitive Priority Development Panel. Discussing the proposal in relation to assessing projects with more than 20% affordable housing, social enterprise developer Assemble told the Committee:

The Panel would be authorised to amend State planning ordinances and take similar measures as required to issue the relevant constants, operate under fixed timeframes, and only consider projects that achieved certain objective and measure outcomes, based on key criteria to be considered a qualifying project.<sup>79</sup>

<sup>75</sup> Australian Institute of Architects, *Submission 931*, p. 4.

<sup>76</sup> Centre for Independent Studies, *Submission 372*, p. 14.

<sup>77</sup> Municipal Association of Victoria, *Submission 938*, p. 4.

<sup>78</sup> Centre for Urban Research, *Victoria’s Housing Statement: A critical explainer* RMIT University, 2023.

<sup>79</sup> Joint Submission, *Submission 915*, p. 11.

The Australian Institute of Architects also endorsed a panel model for fast tracking large developments that meet liveability and environmental standards.<sup>80</sup>

### Social licence for medium density

Another reason for maintaining community involvement in large-scale middle-ring projects is ensuring 'social licence' for densification. The major issue to pursuing these developments continues to be local community resistance expressed through local council planning rejections.

As economist Peter Tulip told the Committee: 'Public opinion is the big obstacle to housing reform and affordability, and we need to change that to get sustained changes in supply and affordability.'<sup>81</sup>

The McKell Institute, which provided a case study on Vancouver, Canada as an example of how to conduct densification projects (see Case Study 7.2), insisted on the importance of building community

faith and some confidence in what future development could mean ... Because it is one thing to be able to change the rules to get more density and get more housing underway sooner, but without that broader public support, we will continue to keep on having this tussle.<sup>82</sup>

The Australian Institute of Architects told the Committee that it is easier to get this social licence when new projects meet rigorous design standards. In its submission, it wrote:

From a design perspective, apartments can be made both more liveable and attractive to a range of potential renters with little to no additional cost to build. Architects are skilled in making the most of any space to create a liveable yet profitable/economically viable way.

Michaela Lihou, Chief Executive Officer of the Master Builders Association of Victoria, similarly told the Committee:

We need to make sure that people are comfortable to live in those infill areas in that type of residential environment as opposed to the stock standard 'I expect to have a piece of land with a backyard et cetera', so there is changing the confidence and the mentality of consumers as well there.<sup>83</sup>

<sup>80</sup> Reece Agland, Policy and Advocacy Manager, Australian Institute of Architects, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 77.

<sup>81</sup> Peter Tulip, *Transcript of evidence*, p. 19.

<sup>82</sup> Rebecca Thistleton, Executive Director, McKell Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 24.

<sup>83</sup> Michael Lihou, Chief Executive Officer, Master Builders Association of Victoria, public hearing, Melbourne, 19 September 2023, *Transcript of evidence*, p. 76.

### Case Study 7.2 Vancouver's 'housing reset'

Vancouver is regarded as a leader in planning, largely thanks to how it increased density around its infrastructure points. Vancouver has a broader metropolitan population projected to be about 2.8 million by the end of 2023. From around 2014, the city identified a housing 'crisis' needing broad strategic change through major policy intervention.

The City of Vancouver's 'Housing Vancouver' strategy, released in 2018, is a 10-year plan based on three main targets:

1. Addressing speculative demand and creating the right supply.
2. Protecting existing affordable housing.
3. Support for vulnerable residents.

This is to be achieved through a range of levers, including a rezoning policy, rental incentive programs, inclusionary zoning and value capture programs which have density targets. Vancouver's policy goals include an emphasis on measurability. Annual report cards and data books are released each year. Clear targets are set for the public and private, residential and commercial markets.

Before Vancouver shifted planning policies towards urban densification, Vancouverites historically valued the large family home the same way Melburnians – and Australian families – largely do. Over time, Vancouverites were able to move beyond viewing density as the enemy.

The City of Vancouver worked to demonstrate to the public why low-density neighbourhoods are unsustainable and unaffordable, and that increasing supply and bringing different types of housing to these areas was critical.

A two-year 'housing reset' process public engagement and research identified how affordability could be tackled, which informed recommendations for innovation and partnerships. More than 2400 people visited the City of Vancouver's online discussion forums into housing affordability and more than 400 people joined in workshops.

Source: McKell Institute, *Submission 937*.

### Committee comment

The Committee appreciates that governments face an immense task in coming years to transform the middle-ring suburbs of Melbourne into high-quality, medium-density housing. This means that the look of Melbourne's suburbs will inevitably change. Notwithstanding the uncertainty about the impact of densification per se on housing, the Victorian Government must stay committed to the 70/30 split established in *Plan Melbourne* for the reasons outlined in Chapter 4.

Population growth through immigration is a decision made by Federal Governments, but it has been mostly left to State Governments to decide where people are going to live. The Committee believes that it is unfair to blame supply problems on local councils, who are elected to represent the views of their voters. While most people agree with the need for affordable housing, somewhat less agree with increased density in their own areas.

The Victorian Government overriding local councils may mean that people opposed to increased density will shift their ire away from their Town Hall and towards Spring Street. While this reduces pressure on local councils the Victorian Government must still involve communities in an ongoing discussion around density if it is to ensure consistent and timely development of the 'missing middle'. However, as local councils best understand their communities, the Government should include councils when developing community engagement programs.

**RECOMMENDATION 27:** That the Victorian Government develop community engagement programs for areas where it plans to increase density, based on prior consultation with the relevant local council. The programs should address community concerns and provide information on why density must increase, including its social and economic benefits.

### 7.4.3 Mandatory inclusionary zoning

Projects in the *Housing Statement's* precinct program 'will also consider the way to incentivise more affordable housing'.<sup>84</sup> As the Committee heard repeatedly, some form of mandatory inclusionary zoning is the most effective way to meet this end. The 2021 *Inquiry into homelessness in Victoria* recommended mandatory inclusionary zoning be investigated as a potential solution to increase long-term housing options.

Mandatory inclusionary zoning requires new developments of a certain size to include a mandated proportion of social and affordable housing. This is usually achieved by selling housing at cost-price to the government or community housing providers. Alternative models can see property developers make equivalent financial contributions to the construction of social housing and/or receive planning concessions for developments which include a certain level of social housing.<sup>85</sup>

VCOSS told the Committee: 'In 2020, private developers began construction of over 19,000 new units in Victoria (excluding detached houses). If 10% of these were reserved for social housing, around 1,900 more social housing homes would have been available'.<sup>86</sup>

<sup>84</sup> Victorian Government, *Housing Statement*, p. 11.

<sup>85</sup> Labor for Housing, *Submission 565*, p. 3.

<sup>86</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 8.

Notably, where VCOSS refers to inclusionary zoning as providing exclusively social housing, most proposals – including all those on the Victorian Government’s *Housing Statement* – imply either a mix of social and affordable housing, or only affordable housing.

Victoria now lags behind several jurisdictions in mandating some form of inclusionary zoning.

- in South Australia, 15% of new homes in all significant development projects must be affordable, including at least 5% for high-needs groups
- in the Australian Capital Territory, 20% of all new estates must include affordable housing
- in New South Wales, recent proposed reforms will fast track projects with a minimum 15% social housing and allow exemptions to exceed council planning regulation for floor space and height by 30%.
- in the United Kingdom, local councils have been mandating affordable housing since the 1990s.<sup>87</sup>

Several stakeholders also suggested that mandatory inclusionary zoning could be an essential component of any middle-ring densification, as a method to offset the significant increase in land values that are likely to accompany any upzoning of established residential areas (see Chapter 4).

The Centre for Equitable Housing said a benefit of inclusionary zoning is that governments do not have to raise any revenue and it may in fact act as a necessary brake on land prices increasing ‘since the overall resale value of the land is somewhat suppressed’.<sup>88</sup>

### Voluntary or mandatory?

Victoria introduced a system of voluntary affordable housing agreements in 2018, with the addition of Section 173 to the *Planning and Environment Act 1987*. The Community Housing Industry Association argued that ‘while these have helped facilitate discussions between councils and developers about social and affordable housing needs, in most cases they have delivered very few homes’.<sup>89</sup>

As is also noted below, for-profit developers and property owner groups naturally have reservations about making affordable home targets compulsory in new building projects. By contrast, advocacy groups, social enterprise developers and many councils identified the voluntary nature of Section 173 as faulty and were eager to cement mandatory inclusionary zoning within the planning scheme.<sup>90</sup>

<sup>87</sup> Labor for Housing, *Submission 565*, p. 3; Community Housing Industry Association, *Submission 922*, p. 6.

<sup>88</sup> Centre for Equitable Housing, *Submission 925*, p. 33.

<sup>89</sup> Community Housing Industry Association, *Submission 922*, p. 6.

<sup>90</sup> Mark Jenkins, Interim General Manager, Strategy and Growth, Mildura Rural City Council, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 22; Joint submission, *Submission 915*, p. 11.

VCOSS recommended requiring 10% of new large scale housing to be social housing, while the RMIT Centre for Urban Research recommended 35% of all dwellings in new housing projects should fall under the category of affordable housing as defined in the Act.<sup>91</sup> Other housing and homelessness advocacy groups recommended a mandatory inclusionary zoning percentage between this range.<sup>92</sup>

Local councils explained their frustrations with the current voluntary clause in the Act, in particularly highlighting the uncertainty it creates.<sup>93</sup>

### Making ‘affordability’ mandatory

For mandatory inclusionary zoning to be effective, the Committee heard that legislative changes will need to address two key issues: first, that the statutory definitions of ‘affordable’ as encoded in the *Planning and Environment Act 1987* (see Chapter 3 for an explanation) are enforced; and second, that housing designated as affordable in a new development project continues to retain that status and rented or sold at affordable rates for a longer timeframe (say, 30 years), rather than reverting back to full market price immediately, as is now possible.

These issues are not significant if the ‘affordable housing’ provided in a new development project is social housing: that is, owned and operated by the Victorian Government or Community Housing Associations. These forms of housing are already regulated to offer rentals at 30% of an eligible resident’s incomes. By contrast, because the affordability provisions in the *Planning and Environment Act 1987* are voluntary, so too are the rates at which affordable housing are offered by developers and the length of time for which dwellings remain affordable.

Presently, provisions in the Act (Section 172) allow for councils and developers to negotiate the terms of affordable housing. Experts, developers and advocacy groups told the Committee this definition is not enforced.<sup>94</sup> The Centre for Equitable Housing’s Matthew Lloyd-Cape told the Committee that ‘affordable housing can mean absolutely anything’.<sup>95</sup>

Evidence presented by Dandenong City Council reflected these difficulties, explaining that despite ongoing negotiations with developers to include inclusionary zoning in new development projects, not a single inclusionary zoning project had been established.

<sup>91</sup> Joint submission, *Submission 915*, p. 10; Victorian Council of Social Services (VCOSS), *Submission 936*.

<sup>92</sup> Western Homeless Network, *Submission 926*, p. 15; Gippsland Homelessness Network, *Submission 927*, p. 9; Cohousing Australia, *Submission 932*, p. 8.

<sup>93</sup> Mornington Peninsula Shire Council, *Submission 939*; City of Port Phillip, *Submission 355*, p. 4; Vincent Wilson, Chief Executive Officer, Mallee Accommodation and Support Program, Mildura Rural City Council, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 24.

<sup>94</sup> Sean Ryan, *Transcript of evidence*, p. 63.

<sup>95</sup> Matthew Lloyd-Cape, Director, Per Capita, Centre for Equitable Housing, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 27.

The Council's Brett Jackson noted the way developers often misuse the meaning of 'affordable' for marketing rather than social inclusionary purposes:

What we instead find is that people market them as affordable because they are in a location like Dandenong or Noble Park or Springvale where the values are simply not – like, the peninsula has much higher values, so developers say that it is affordable, albeit it is just going on the open market to the highest bidder so it continues to lock out people that are in that very low to moderate income bracket. So that is the continual challenge we get, and every time we try and enter into an agreement with somebody, they just pull out of that and either go off to VCAT or we just have to approve it without that, because we have no power to actually require them to enter into it. It is purely a voluntary thing.<sup>96</sup>

He added that these properties should remain affordable 'in perpetuity'.<sup>97</sup>

Per Capita argued that to safeguard against such abuses, the United States of America and United Kingdom apply standardised national or state-based limitations. For example, inclusionary zoned rental units must be rented out to qualifying social renters for a period of as long as 30 years.<sup>98</sup>

The Strata Community Association (Vic) also presented evidence of restricting 'who affordable housing lots can be sold to', citing examples in the United Kingdom and South Australia. In the UK, a 'Section 106' agreement is used to allow government to determine the price a property can be sold for and who the property can be sold to via an application process. In South Australia, the state government introduced an inclusionary planning requirement in 2005 specifying 15% of all dwellings in major residential developments should be affordable to low or moderate-income earners. It also required that those dwellings must be sold below a nominated 'affordable price' and offered only to eligible buyers with the discount preserved for future purchasers.<sup>99</sup> The Strata Community Association (Vic) suggests similar restrictions should be implemented in Victoria via changes to the *Sale of Land Act*, if the Victorian Government introduced affordable purchase options to existing or upcoming strata developments.<sup>100</sup>

Social enterprise developers Nightingale and Assemble also argued 'a minimum affordability threshold/definition for affordable housing' was needed, preferring costs for renters to be limited to no more than 30% of household income for low-and-moderate income earners. The developers also suggested that affordable housing should be maintained for a minimum period linked to the concession benefit, prohibiting developers or owners from prematurely increasing the rents to market rates.<sup>101</sup>

<sup>96</sup> Brett Jackson, Manager, Strategic and Environmental Planning, Greater Dandenong City Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 58.

<sup>97</sup> Ibid.

<sup>98</sup> Centre for Equitable Housing, *Submission 925*, p. 34.

<sup>99</sup> Strata Community Association, *Submission 935*, p. 7.

<sup>100</sup> Ibid.

<sup>101</sup> Joint Submission, *Submission 915*, p. 11.

Greystar, which has included affordable units in its Kensington project, has categorised 'affordable' as 30% of the median income, as set out in the *Planning and Environment Act 1987*.<sup>102</sup>

### The concerns of private developers and investors

Developers and investors expressed a number of concerns around mandatory inclusionary zoning. The most prominent concern was financial. The Housing Industry Association told the Committee:

Mandated quotas for affordable housing via inclusionary zoning is not financially viable in the highly regulated and inflationary Australian housing market. Being forced to give away or heavily discount stock at the point of sale is too much for the market to bear and would only push up house prices further. A dwelling which is mandated to be sold as an 'affordable house' still costs the same to build but must be marketed and sold for less with no guarantee it is not on sold at the market rate.<sup>103</sup>

For the Association, developers would only choose to set aside dwellings for reduced market rent of sale as affordable housing if they could negotiate in return improved development rights, such as height and floor area uplift beyond discretionary standards, to allow 'developers to improve their bottom line'.<sup>104</sup>

Build-to-rent developers expressed similar concerns. Michael King from developer Novus, told the Committee that developers would need some sort of government support if mandatory requirements made a project less financially viable:

So we can look at a project now with a statutory requirement, whether it be 6 per cent, 4 per cent, 8 per cent or 10 per cent, and the land purchase price we would pay would make the feasibility stack up, factoring that in. In the instance that there was an overarching requirement to go over and above that, something would have to move to compensate.<sup>105</sup>

Professor Terry Burke, speaking about social housing, said that developers will only build what they are guaranteed to sell and only governments can make this guarantee in any large amount. He told the Committee that

the only way we can actually contract the private sector to build sufficient stock is through social housing, because that is not dependent on individual households or investors to contract the builder – that is the government saying we are going to build 6000 or 4000 units per annum and we will pay for them ... Just saying you are going to have a target of X number of houses in a contract system is not going to work unless you have some mechanism to allow those contracts to be fleshed out and become real for the private sector.<sup>106</sup>

<sup>102</sup> Michael King, *Transcript of evidence*, p. 64.

<sup>103</sup> Housing Industry Association, *Submission 487*, p. 12.

<sup>104</sup> *Ibid.*

<sup>105</sup> Michael King, *Transcript of evidence*, p. 64.

<sup>106</sup> Professor Terry Burke, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 26.

The Stata Community Association of Victoria expressed its members' concerns about 'placing people with needs in a medium- and high-density owners corporation environment, where they should not be'.<sup>107</sup>

Build-to-rent developers noted related issues that could arise when certain apartments are required to be handed over to third parties to manage them – such as community housing providers – creating an overlap in responsibilities.<sup>108</sup>

### Private sector solutions

The Committee took evidence regarding alternative models of inclusionary zoning that serve to mitigate some of the concerns posed by for-profit developers, in particular the Progressive Residential Affordability Development Solution – or PRADS. Developed by business-led housing group Housing All Australians, it is pitched as creating 'affordable housing without relying on any government subsidy or funding'.

The model enables private sector collaboration with government to create additional value within the development, which is then used as the subsidy for affordable housing. This added value can be created in various ways, such as increasing development density or through negotiated outcomes of rezoning applications.

Under the PRADS model, local government, acting as the planning authority, grants concessions related to height limits to developers in exchange for a commitment to include a substantial number of affordable housing units in the project.

As Housing All Australians told the Committee, Nightingale – a not-for-profit developer which also presented evidence to the Committee – reflected the first instance of the model being used in a project in North Coburg. According to the press release:

Nightingale worked with Merri-bek Council to increase the height by two storeys as part of the rezoning of a warehouse site from commercial to residential. This increased the value of the land, with Nightingale using that increase to fund the additional affordable housing units.<sup>109</sup>

It was not clear from the evidence presented whether this model would work within or exterior to the stipulations of the *Planning and Environment Act 1987*, and so whether the misuses of the term 'affordability' would be avoided.

### Committee comment

The Committee notes that the Victorian Government's *Housing Statement* commits to prioritising approval for developments that include affordable housing. Given the evidence heard related to weaknesses in the affordable housing clauses in the *Planning and Environment Act 1987*, the Committee is concerned that without

<sup>107</sup> Tim Graham, *Transcript of evidence*, p. 49.

<sup>108</sup> Michael King, *Transcript of evidence*, p. 67.

<sup>109</sup> Housing All Australians, *Submission 939, Attachment A*.

legislative changes the projections for increased affordable housing across upzoning development projects will not be met.

Recommendation 50 in the Legislative Council Legal and Social Issues Committee's *Inquiry into homelessness in Victoria* in the previous Parliament recommended:

That the Victorian Government investigate implementing a mandatory inclusionary zoning mechanism that would require a portion of any new major housing development be allocated to social or affordable housing. In designing such a model, the Government should consider making specific incentives available to developers to ameliorate the costs involved and ensure that the cost of other dwellings in the development are not increased as a result of the requirement.<sup>110</sup>

Victoria has important work to do in accelerating the availability of affordable housing. Mandatory requirements in the planning code, in some form or another, will provide a powerful framework through which to enact these goals. The Committee was disappointed to hear this approach did not appear to be on the Government's agenda.

As noted in Chapter 1, given the weight of evidence already sitting behind the recommendations for mandatory zoning by the *Inquiry into homelessness in Victoria*, as well as the evidence again collated during this Inquiry, the Committee believes it is incumbent upon the Victorian Government to address this recommendation.

**RECOMMENDATION 28:** That as a matter of urgency the Victorian Government respond to Recommendation 50 in the Legislative Council Legal and Social Issues Committee's 2021 *Inquiry into homelessness in Victoria*.

#### 7.4.4 Modular temporary housing

The Housing Statement proposed expediting planning decisions for certain kinds of residential building projects, in particular a second home on the same lot – also known as granny flats or dwelling gardens units.<sup>111</sup> The Committee received evidence that similar support – both regulatory and investment – should also be given to modular housing.

Several submissions to the Committee identified modular housing as improving housing affordability in two key ways. First, it is a form of housing that can be deployed quickly, improving housing supply more effectively than regular construction. Second, the production costs of modular housing can be much lower than traditional building methods, also bringing down costs.<sup>112</sup>

The Master Builders Association of Victoria, which analysed this approach in its 2023 report *Building a Transition*, submitted a detailed analysis of the potential of

<sup>110</sup> Parliament of Victoria, Legislative Council Legal and Social Issues Committee, *Inquiry into homelessness in Victoria: Final report*, p. 319.

<sup>111</sup> Victorian Government, *Housing Statement*, p. 12.

<sup>112</sup> For example, see: Mark Baker, *Submission 657*; Leo Mancini, *Submission 624*; Vladislav Fedorov, *Submission 446*.

modular building. However, it identified two main barriers to this potential: negative perceptions; and government regulations.

Regarding negative perceptions of modular housing, the Association said that traditional construction was preferred over prefabricated methods due to a lack of knowledge on the benefits, limitation, design and construction of prefabricated construction. It noted that prefabricated construction constitutes a large portion of the building industry across the world, such as Sweden (80%), Netherlands (20%), Japan (12%) and Germany (9%). Australia lags well behind, with prefabricated construction constituting only 3% to 5% of the building and construction industry.<sup>113</sup>

Regulatory changes would need to consider:

- revising on-site building inspection practices for off-site housing construction
- standardising a specific modular building code across all states to enable manufacturers to work at scale
- revising regulation of new materials, including 3D printing.<sup>114</sup>

### Modular construction for social and emergency housing

The Committee also received evidence that modular housing could be specifically deployed to quickly improve the stock and standard of Victoria's emergency and transitional housing, which is required in the absence of sufficient affordable long-term housing. Western Homelessness Network recommended the Victorian Government investigate using transportable and demountable dwellings on surplus government land, and involving partnerships between local levels of government, community housing organisations and the private sector.<sup>115</sup>

Western Homelessness Network informed the Committee of a pilot project in western Melbourne – the Harris Transportable project – using modular housing on vacant Crown land:

The project used prefabricated tiny homes and surplus VicRoads land on Ballarat Road to house people who had experienced long-term homelessness. 57 tiny homes were built then placed on vacant land along Ballart Road, these properties were available rent free for 15 years. These homes were designed by architects working with people with lived experience of homelessness and, by placing 6–12 units on a block, the project aimed to create community and stability for tenants.<sup>116</sup>

Western Homelessness Network identified the need for a statewide framework providing guidelines, regulations and nominating potential sites on public land.<sup>117</sup>

<sup>113</sup> Master Builders Victoria, *Submission 567*, p. 18.

<sup>114</sup> Master Builders Victoria, *Building a Transition: innovative approaches to construction industry transformation towards a safer and more sustainable future*, June 2023.

<sup>115</sup> Western Homelessness Network, *Submission 926*.

<sup>116</sup> *Ibid.*, p. 15.

<sup>117</sup> *Ibid.*

### 7.4.5 Public and other land

The Victorian Government is the largest landholder in the State.<sup>118</sup> The *Housing Statement* includes two proposals to make government land available to developers to construct both private and social dwellings:

- The Victorian Government plans to ‘unlock and rezone surplus government land to deliver around 9,000 homes across 45 sites in both metropolitan Melbourne and regional Victoria’. A target of at least 10% of affordable homes will be set across these sites.
- Ground Lease Model, which releases public land from Homes Victoria on 40 year leases to partnerships of investors, developers and community housing providers to develop mixed sites of social, affordable, specialist disability and market rental homes. At the end of the 40 years lease, the land and dwellings are returned to Homes Victoria. Two Ground Lease model project stages are underway which will deliver 2,500 homes.

#### Releasing government land: to sell or lease?

The *Housing Statement* makes no mention of how land will be delivered to developers under the first plan to ‘unlock’ 45 sites of government land for development: whether it will be sold or leased on terms like the Ground Lease Model. The Victorian Government has shown a willingness to sell public land in recent times, as under the Public Housing Renewal Program, where public housing estates were sold to a consortium of private developers and Community Housing Associations.

The Committee heard contrasting responses as to whether the Victorian Government should sell or lease public land for housing development.

Brendan Coates from the Grattan Institute was agnostic as to who owns the land as long as more social housing is built.<sup>119</sup> Other stakeholders were concerned with the plan to sell government land, framing their concerns in terms of public trust, amenity and future availability. The McKell Institute ‘urged’ the Victorian Government to retain ownership of land, saying: ‘Once public land is sold off, it’s out of the people’s hands forever.’<sup>120</sup>

Cohousing Australia similarly argued:

To tackle this increasingly urgent housing affordability crisis, it is essential that the Victorian Government immediately ceases sales of public land to private developers. Regardless of its current use/non-use, in a democracy, ‘crown’/government-owned land belongs to the people. It must therefore, be retained for public ownership and benefit.<sup>121</sup>

<sup>118</sup> Hon. Jacinta Allan, Deputy Premier, Public Accounts and Estimates Committee, public hearing, Melbourne, 13 June 2023, *Transcript of evidence*, p. 6.

<sup>119</sup> Brendan Coates, *Transcript of evidence*, p. 14.

<sup>120</sup> McKell Institute, *Submission 937*, p. 14.

<sup>121</sup> Cohousing Australia, *Submission 932*, p. 7.

Fiona York, Executive Officer of Housing for the Aged Action Group told the Committee:

Our view is that public land should be earmarked for public housing because land is valuable and government land is even more valuable, so let us leverage that to be able to provide as much housing that is government housing that can stay there in perpetuity for the good of the tenants.<sup>122</sup>

Housing All Australians, a business-led housing advocacy organisation, endorsed the expansion of lease models, noting that Crown land has advantages such as not needing to go through the traditional planning process.<sup>123</sup>

### Land audit

The Committee notes that the *Housing Statement* does not publicly identify the location of the 45 sites identified to be ‘unlocked’ or how they were selected.

Several stakeholders indicated frustration with the lack of available information on unused public land in Victoria. The Municipal Association of Victoria recommended that the Victorian Government conduct an audit of state government land for social housing development opportunities.<sup>124</sup>

Housing for Labor, a non-factional, non-affiliated advocacy group within the Victorian Branch of the Australian Labor Party, also recommended an audit of public land be conducted by councils and the State Government. Additionally, it said the mechanisms for selling government land needed to be reviewed. The current method requires departments to sell land at the market rate as approved by the Valuer-General, even when land is purchased by other government departments or agencies. Labor for Housing said significant efficiencies could be gained if disused public land was simply transferred to Homes Victoria for social housing projects.<sup>125</sup>

In light of such recommendations, the Committee notes that in the 2022–23 State Budget, the Victorian Government established a Land Coordinator General to develop a new whole-of-government land register database.<sup>126</sup>

It is not clear if this register will be made public nor whether it will only include vacant and disused land or all land holdings. The Australian Institute of Architects noted that the Government actually holds considerable assets in disused schools, local government offices and depots brought about by mergers and outsourcing of services, and railway land.<sup>127</sup>

<sup>122</sup> Fiona York, Executive Officer, Housing of the Aged Action Group, public hearing, Melbourne, 23 August 2023, *Transcript of evidence*, p. 72.

<sup>123</sup> Housing All Australians, *Submission 939*, p. 15.

<sup>124</sup> Municipal Association of Victoria, *Submission 938*.

<sup>125</sup> Labor for Housing, *Submission 565*, pp. 6–7.

<sup>126</sup> Victorian Government, *Budget Paper No. 3: Service Delivery*, 2023, p. 93.

<sup>127</sup> Australian Institute of Architects, *Submission 931*, pp. 7–8.

## Churches and charities land

The Australian Institute of Architects also recommended the Victorian Government consider measures to encourage affordable housing development on the excess land owned by churches and other charity organisations.

The Institute notes that Victoria's churches and charities are some of the largest landholders in Australia, much of it bequeathed. However, capital and income generated from the land is constrained due to the caveats put on the donated land. According to the Institute, with aging and declining congregations, many religious organisations are now seeking ways to leverage their property assets to fund maintenance and other costs. This may include selling the land or using it in other ways.

As an example of how the Victorian Government could incentivise churches and charities to use their land holdings for housing developments, the Institute recommended devising a partnership model between developers and community housing providers whereby land is leased for up to 75 years with

- a tenure mix of 50% middle income and 50% affordable and social housing, including NDIS
- scale between 50 to 250 dwellings
- a rental return of typically 3-4% to the church or charities to pursue their mission/parish programmes.

To make such a model viable, the State Government and local councils would be required to:

- provide supports and subsidies
- retain the existing lots' treatment for land for tax relief
- remove local councils levees from the social and affordable housing units, with the councils compensated by the State for their support through other means
- exempt land from Property & Development Land Tax, GST, stamp duty, Withholding Tax and council rates for the term of the lease.<sup>128</sup>

## Committee comment

The Committee recognises the view that public land should stay publicly owned, while also accepting the Victorian Government's commitment to selling public land. The Committee welcomes the establishment of a Land Coordinator General and believes that its work should be in the public domain. More transparent data is needed before concrete recommendations can be made as to the best way to use public land.

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<sup>128</sup> Ibid., p. 8.

**RECOMMENDATION 29:** That the Victorian Government ensure the whole-of-government land register database to be developed by the Land Coordinator General is publicly available.

## 7.4.6 Issues facing rural and regional areas

The Committee received extensive evidence that rural and regional areas in Victoria are facing acute housing affordability and adequacy issues, though often distinct from those facing metropolitan Melbourne. The evidence in Chapter 3 lists these differences. As Mary-Ann Thomas, Southern Grampians Councillor and Chair, Rural Councils Victoria, summarised: ‘In our areas it is not so much the cost of rent, it is actually getting a house to rent, full stop, that is the real challenge.’<sup>129</sup>

In 2021, Rural Councils Victoria commissioned a report by SGS Economics & Planning, titled *The Rural Victoria Housing Blueprint*, which found rural Victoria would need 87,400 new dwellings in the next 15 years, or 5,800 starts per year. Failure to provide those homes will cost rural areas between \$200 and \$1 billion over that period, the report said.<sup>130</sup>

The Committee acknowledges that the *Housing Statement* has committed to:

- a \$1 billion *Regional Housing Fund* to build more than 13,000 new homes across regional Victoria including a mix of social and affordable housing
- a \$1.25 billion investment in regional affordable and social housing as part of the Big Housing Build.<sup>131</sup>

It is not clear to the Committee if the Regional Housing Fund is a subset of the Big Housing Build or a distinct funding commitment.

In the *Housing Statement*, the Victorian Government said it will ‘work with councils, regional partnerships and local communities to determine the right mix of stock and locations for each region’.<sup>132</sup>

### Investment in greenfield infrastructure

Chapter 4 of this Report notes that regional councils face, not a shortage of land for developing housing projects but investment in enabling infrastructure to prepare land for development.

<sup>129</sup> Cr Mary-Anne Brown, Chair, Rural Councils Victoria, public hearing, online, 8 August 2023, *Transcript of evidence*, pp. 45, 47.

<sup>130</sup> Rural Councils Victoria, *Submission 563*, p. 1.

<sup>131</sup> Victorian Government, *Housing Statement*, 2023, p. 22.

<sup>132</sup> *Ibid.*

The *Housing Statement* contained two key announcements on infrastructure investments:

- a \$400 million package of works along growth corridors – providing basic infrastructure to new and growing communities, identified from the Growth Areas Public Transport Fund and Building New Communities Fund
- speeding up water connections to greenfield areas by revising the Statement of Expectations to water corporations, including strengthening the need for corporations to engage with developers and local councils early and regularly through the permit process, and setting clear timelines that water corporations need to meet to connect new communities.

These announcements may only partially address the concerns expressed by local councils to the Committee. For example, Regional Cities Victoria argued that although the Development Contribution Plans 'contribute to the cost of providing local roads, drainage, open space, and community infrastructure, they are limited in scope and fail to provide for inclusion of other authorities involved in water and sewerage infrastructure development'.<sup>133</sup>

In the absence of a sustained funding stream and investment in developing regional greenfield sites, the Committee heard that local councils often prepare the land itself. Heather Green from Swan Hill Rural City Council told the Committee:

Council is the main developer of land in Swan Hill, because the private sector failed some 20 years ago. Council has now produced 450 lots for residential development, and we are looking at selling some other council-owned land for accommodation.<sup>134</sup>

The Committee also heard that councils across western Victorian are similarly assuming the role of land developer. Mary-Ann Brown of Rural Councils Victoria told the Committee:

Recently at our annual forum in Echuca we heard about the Pyrenees Shire Council, who developed their own subdivision in order to open up land for 100 new houses. This is the Correa Park development, which has been fully sold and has added accommodation for 100 new families in Beaufort in western Victoria. The council did that off their own bat and basically fully funded it ... Moyne shire, which is in the south-west of the state, have also looked at how they can address some of their challenges, and they have delivered five key-worker cabins in Mortlake and five in Koroit. Those facilities were offered to local businesses and industry in order to house their workers, and this resulted in 10 businesses being supported over the busy summer period in the shire.<sup>135</sup>

<sup>133</sup> Regional Cities Victoria, *Submission 687*, pp. 5–6.

<sup>134</sup> Heather Green, *Transcript of evidence*, p. 19.

<sup>135</sup> Cr Mary-Anne Brown, *Transcript of evidence*, p. 25.

## Regional Worker Accommodation Fund

In July 2023, the Victorian Government announced plans to establish a \$150 million Regional Worker Accommodation Fund.<sup>136</sup> This announcement was included in the *Housing Statement*, which described the Fund as providing:

new housing options for regional communities where key workers are struggling to find affordable places to live. The package will make regional workers' jobs more secure and make it easier for businesses to find and keep staff. We'll consult regional employers, workers, housing providers and councils on the program design to ensure it meets the needs of the local communities.<sup>137</sup>

Local governments reported major issues with providing housing to accommodate workers. Heather Green described a Catch-22 situation: 'lots of jobs and lots of opportunity but not enough dwellings – and we mean dwellings of any sort, from seasonal worker shared accommodation through to four-bedroom houses for large families'.<sup>138</sup>

Mary-Ann Brown said: 'Our major town is Hamilton – 10,000 people. At times there are only one or two rental properties available. There are probably 200 job vacancies plus, just in that town. So where those people are going to live is a real challenge for us.'<sup>139</sup>

Heather Green also detailed the particular stresses in the Swan Hill region, with its large agricultural and horticultural industries and seasonal workforce: 'The going rate for a mattress on the floor in a house for a seasonal agricultural worker is about \$150 a week. There could be 10 people living in a standard three-bedroom house – not ideal circumstances for our workers.'<sup>140</sup>

A major issue reported by local councils was a mismatch between the kind of dwellings needed in regional areas and the housing that is actually available. Hepburn Shire Council, Swan Hill Rural City Council and Bendigo City Council all reported a chronic shortage of one- and two-bedroom apartments, discouraging older residents from downsizing from homes which could otherwise house a new family moving into the area.<sup>141</sup>

Andrea Metcalf suggested the Regional Worker Accommodation Fund should focus on one- and two-bedroom houses.<sup>142</sup>

<sup>136</sup> Victorian Government, *Delivering Even More Housing For Regional Workers*, press release, 19 July 2023.

<sup>137</sup> Victorian Government, *Housing Statement*.

<sup>138</sup> Heather Green, *Transcript of evidence*, p. 19.

<sup>139</sup> Cr Mary-Anne Brown, *Transcript of evidence*, p. 35.

<sup>140</sup> Heather Green, *Transcript of evidence*, p. 19.

<sup>141</sup> Bradley Thomas, Chief Executive Officer, Hepburn Shire Council, public hearing, Melbourne, 8 August 2023, *Transcript of evidence*, p. 25; Heather Green, *Transcript of evidence*, p. 27; Cr Andrea Metcalf, Chair, Regional Cities Victoria, public hearing, online, 8 August 2023, *Transcript of evidence*.

<sup>142</sup> Cr Andrea Metcalf, *Transcript of evidence*.

## More planners

The Victorian Government has recognised that improving housing affordability and choice across Victoria will require improved resourcing of personnel in key areas, in particular planning. The Housing Statement outlined:

To give industry greater certainty, the Department of Transport and Planning will bolster its resources in the coming months – including by bringing on 90 new planners – to help with a range of priorities like clearing the backlog, making good decisions faster and increasing housing choice in activity centres.<sup>143</sup>

Evidence shows that the lack of planners is particularly harming rural and regional councils' ability to forecast land supply. Regional Cities Victoria told the Committee:

Regional Cities Victoria would like to see greater support to offer more competitive salaries and incentives to relocate to the regions. We would also like to develop partnerships with education providers to train and expand the planning workforce and are calling for an opportunity to leverage skilled migration to bring in talented planners to the areas where they are needed most. This is an immediate priority for us and would have a direct impact on housing supply in the regions.<sup>144</sup>

Individual councils supporting this view include Hepburn Shire Council,<sup>145</sup> Swan Hill Rural City Council<sup>146</sup> and Greater Dandenong City Council.<sup>147</sup>

### 7.4.7 A short comment on planning

The *Housing Statement* announced plans to 'review and rewrite the *Planning and Environment Act 1987* to build a modern, fit-for-purpose planning system', including reviewing 'the roles and responsibilities of everyone involved in our planning system – including councils, the Minister for Planning, the Victorian Planning Authority and the Department of Transport and Planning'.<sup>148</sup>

The Housing Statement also commits to streamlining the planning process for regional housing developments worth at least \$15 million.<sup>149</sup>

The Committee received a variety of evidence regarding planning legislation to improve housing supply. Some of this evidence has been included throughout this Report above and in preceding Chapters.

<sup>143</sup> Victorian Government, *Housing Statement*, p. 12.

<sup>144</sup> Cr Andrea Metcalf, *Transcript of evidence*, p. 36; Cr Mary-Anne Brown, *Transcript of evidence*, p. 43.

<sup>145</sup> Bradley Thomas, *Transcript of evidence*, p. 25.

<sup>146</sup> Heather Green, *Transcript of evidence*, p. 20.

<sup>147</sup> Brett Jackson, *Transcript of evidence*, p. 55.

<sup>148</sup> Victorian Government, *Housing Statement*.

<sup>149</sup> *Ibid.*, p. 22.

The most detailed recommendations for changes to planning legislation came from local councils, local community groups and their representative bodies.<sup>150</sup> Regional Cities Victoria considered the *Planning and Environment Act 1987* a ‘fundamental challenge to planning matters across the State’ and told the Committee:

This legislation is voluminous, does not meet modern legislative practices, and has not been comprehensively reviewed for several decades. Instead, numerous amendments have been made over time. Necessary, but piecemeal, amendments have seen the legislation expand, with each addition increasing the complexity of interpretation and correct implementation of the planning process over time. There are unique challenges and circumstances across the regions and flexibility to accommodate this is welcome. Where initiatives have been introduced to fast-track planning matters, such as VicSmart, these introductions do not shorten the process or free up time or resources for councils.<sup>151</sup>

Regional Cities Victoria made the following recommendations:

- set up a Regional Planning Authority
- amend the *Planning and Environment Act 1987* to allow a Development Contributions Plan to recognise water authorities as a development agency and collect funds, for the provision of water and sewerage infrastructure within the contribution area over and above upgrades scheduled through an approved Water Plan
- improve the training offered to councillors on the statutory planning framework, to better inform decision-making and improve efficiency
- allow [Department of Energy, Environment and Climate Action] Regional Offices to have decision-making authority
- remove flood studies and mining from councils’ responsibilities
- delegate and/or expediate Ministerial approval where a planning panel supports a council decision, to improve decision timeframes
- consider models that give planners delegated authority, reducing the number of straightforward matters requiring council-level review and approval.<sup>152</sup>

Similarly, the Municipal Association of Victoria recommended:

- pursuing mandatory social and affordable housing contributions in new developments, supported by mechanisms to ensure their tenure as social or affordable is permanent
- making it easier for councils to pursue planning scheme amendments as reducing delays at the authorisation and final approval stages of an amendment will speed up rezoning and address resource burdens councils face in developing and implementing local policy, including housing policy

<sup>150</sup> For example: Rethink Warburton Mountain Bike Destination, *Submission 928*, p. 3; City of Port Phillip, *Submission 355*.

<sup>151</sup> Regional Cities Victoria, *Submission 687*.

<sup>152</sup> Regional Cities Victoria, *Submission 687*, pp. 5–6.

- requiring high-quality and complete planning applications that conform to the planning scheme to reduce further information requests and excess negotiation and mediation on poorly conceived applications
- resourcing councils to pursue enforcement action with penalties sufficient to act as a real deterrent to breaching the planning scheme – this will give greater confidence that new developments meet planning and building approvals.<sup>153</sup>

### Committee comment

While the Committee gathered evidence from across Victoria for this Inquiry, comparatively little was received regarding rural and regional Victoria. This does not suggest that housing is not an issue for regional Victorians, rather the Committee believes it reflects the serious stress currently facing Melbourne.

The Committee appreciates the importance of the above proposals in relation to housing supply and diversifying housing choice across Victoria. The Committee also acknowledges that planning regulations are a complex field of legislation that intersect with many other aspects of policy and law. It is beyond the scope of this Inquiry to give these matters the full attention they deserve.

In August 2022, the Legislative Council Environment and Planning Committee tabled its Interim Report of its *Inquiry into the protections within the Victorian Planning Framework*. The Environment and Planning Committee recommended:

That, upon commencement of the 60th Parliament, an inquiry into the Victorian planning framework be referred to the Legislative Council Environment and Planning Committee with the following terms of reference:

1. the high cost of housing, including but not limited to—
  - a. provision of social housing;
  - b. access for first home buyers;
  - c. the cost of rental accommodation;
  - d. population policy, state and local;
  - e. factors encouraging housing as an investment vehicle;
  - f. mandatory affordable housing in new housing developments.

The Committee reminds the Victorian Government that it has yet to respond to the Report as required under Legislative Council Standing Orders.

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<sup>153</sup> Municipal Association of Victoria, *Submission 938*, p. 18.

## 7.5 Long-term solutions

The Victorian Government's long-term solution to the housing affordability crisis, as stated in the *Housing Statement*, is to build more houses. It is targeting to build 800,000 new dwellings over the next 10 years.

The Committee heard considerable evidence from a wide range of stakeholders that a primary focus of the Victorian Government in reducing the cost of housing in the long-term should be large-scale investment in social housing.

As noted in Chapters 2 and 3, Victoria has the lowest amount of social housing as a proportion of the overall housing stock in Australia. Further, the current rate of social housing allocation does not come close to meeting demand.

### 7.5.1 Government investment in social housing

Prior to the *Housing Statement*, the Victorian Government had made the following commitments to address social housing shortages in Victoria:

- Public Housing Urban Renewal Program, redeveloping 11 inner suburban public housing estates in Melbourne
- Big Housing Build, 12,000 social and affordable homes. Victoria is now in the final year of the four-year program, with 4,152 of the 9,300 new homes completed<sup>154</sup>
- Social Housing Accelerator, providing up to an additional 769 homes over the next five years with \$2 billion funding from the Commonwealth.<sup>155</sup>

The *Housing Statement* added to these proposals by promising to deliver:

- an extension of the Public Housing Urban Renewal Program to retire and redevelop Melbourne's 44 high-rise public housing tower estates by 2051, as discussed below
- invest \$1 billion into the Affordable Housing Investment Partnership, combining it with the previous Building Financial Capacity of Housing Agencies Program, to create a \$2.1 billion fund to provide low interest loans and government guarantees to finance social and affordable housing for essential key workers
- Ground Lease Model, leasing public land to project groups that finance, design, construct and manage managed community housing
- investments to upgrade more than 2,000 public housing homes per year
- Regional Housing Fund, a \$1 billion investment to deliver more than 1,300 new home across regional Victoria, including a mix of social and affordable housing.

The Public Housing Urban Renewal Program, as expanded under the *Housing Statement*, will see all 44 high-rise public tower estates progressively redeveloped over

<sup>154</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 9.

<sup>155</sup> Victorian Government, *Housing Statement*.

a 28-year period. The redevelopments will result in a significant increase to the number of total dwellings on these sites, as part of which there will be a 10% increase in social housing, The remaining new dwellings will be a mix of affordable and market rate homes.

In his evidence to the Committee, Homes Victoria CEO Simon Newport outlined the challenges facing the current towers and outlined the need for them to be redeveloped:

The other towers are prone to a number of issues, certainly inadequate elevators in terms of just not enough realistically for people to use. They have been retrofitted with sprinkler systems. Obviously when they were first designed they did not have sprinkler systems – fire suppression systems. They have been put in, but the nature of the building is that the elevator shafts sit below ground level so whenever a sprinkler system is tripped the elevator pit fills with water, short-circuits the control board and then the elevators are out of action for some time – 24 to 48 hours – and then you have got the situation where you have got people having to use stairs, sometimes up to 20 and 22 storeys. The elevators are an issue, heating and cooling are an issue in particular, but just generally, those properties were designed in the 50s and built in the late 50s and early 60s and 70s. Having been through a number of them, I think it is fair to say that their time is well past what we would expect for modern standards for Victorians to live in<sup>156</sup>

Mr Newport also noted accessibility issues with the existing towers which make them prohibitive to prospective residents in need of housing:

It is taking up to between 10 and 20 offers on many occasions to actually get people to agree to come and live in these towers, so when you think about the time and effort and the angst that that causes, the tenants themselves are telling us they want to move to new properties.<sup>157</sup>

The first two towers to be rebuilt as part of the project, in Carlton, known colloquially as the ‘red brick towers’, are already unoccupied due them both being uninhabitable:

The sewer stacks – the sewer system – completely failed on them; I know there was a lot of publicity about that. Those two towers in particular, as I said, are uninhabitable, not viable in any way and certainly have to come down ... Of course they are going to be part of the housing accelerator fund of nearly half a billion dollars that the Commonwealth government has paid to the Victorian government, and they are the first announcement. They will be the first cab off the rank. I think, from memory, there are 98 in each block, so 196, and I think we will be converting those into 236.<sup>158</sup>

<sup>156</sup> Simon Newport, Chief Executive Officer, Homes Victoria, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 76.

<sup>157</sup> *Ibid.*, p. 78.

<sup>158</sup> *Ibid.*, p. 75.

One analysis identified around 10,000 social and affordable housing will be supplied through these proposals, amounting to 4% of the housing supply proposed in the *Housing Statement*.<sup>159</sup>

### On the need for social housing, not just affordable housing

Unlike the Big Housing Build, which sets clear funding and construction targets for social and affordable housing separately – 9,300 of the 12,000 homes delivered will be social housing; the remainder affordable housing – the *Housing Statement* tends to conflate ‘social and affordable housing’ as a single category, without distinguishing the construction targets of each tenure type.

While social housing and affordable housing are both important in addressing housing affordability in Australia, the two types are not interchangeable but have significant regulatory status and economic aims.

The Committee received overwhelming evidence on the need for greater government investment in social housing, specifically. However, there was criticism that while the Victorian Government makes statements on the number of social housing dwellings it plans to build, this number is not linked to a number of how many dwellings need to be built.

Several targets for long-term, large-scale investment in Victoria have been proposed over the past decade to bring Victoria in line with the national average:

- In 2010, the Parliament of Victoria Family and Community Development Committee’s *Inquiry into the adequacy and future directions of public housing in Victoria* recommended Victoria implement a ‘a long-term, targeted increase to the supply of Victorian social housing to achieve a progressive target of 5 per cent of total housing stock by 2030’.<sup>160</sup>
- In 2017, in research conducted for the Family Violence Housing Assistance Implementation Taskforce (following the Royal Commission into Family Violence), Dr Judy Yates found that:
  - 1,700 more social housing homes are needed each year over the next 20 years to maintain social housing at its current 3.5 per cent share of the total homes in Victoria. This is an increase of over 30,000 social homes over the next two decades.
  - Double this amount of social housing homes is needed over the next 20 years if lower income households, currently facing housing stress in the private rental market, are to have affordable housing.<sup>161</sup>

<sup>159</sup> David Hayward, ‘Victoria’s housing plan is bold and packed with initiatives. But can it be delivered?’, *The Conversation*, 20 September 2023.

<sup>160</sup> Parliament of Victoria, Family and Community Development Committee, *Inquiry into the adequacy and future directions of public housing in Victoria*, 2010.

<sup>161</sup> Dr Judy Yates, *Victoria’s social housing supply requirements to 2036*, 2017.

- In 2020, the report *Making Social Housing Work*, compiled by the Housing Peaks Alliance, a body of housing and social advocacy groups,<sup>162</sup> assessed largely the same targets as the Yates research but on a 10-year time frame. It noted that:
  - To simply maintain the current level of social housing as 3.2% of the total housing stock in Victoria, 3,500 new public and community housing units would need to be built every year over the next 10 years
  - To bring Victoria up to the (at the time) national average of social housing as 4.5% of the total housing stock, 6,000 social homes need to be built every year for the next ten years.<sup>163</sup>

Members of the Housing Peaks Alliance noted that in February 2021, Homes Victoria released a discussion paper on *Establishing a 10 Year Strategy for Social and Affordable Housing*.<sup>164</sup> However, as the Strategy does not appear to have moved beyond the consultation stage, the Alliance argues its 2020 report remains relevant, in particular its strategy of building 60,000 social housing dwellings over the next 10 years.<sup>165</sup>

According to VCOSS, the strategy should include:<sup>166</sup>

- accountability and outcomes measurement, driven by new systems for collecting, analysing and reporting consistent and meaningful data sets
- the use of existing government data from the Victorian Housing Register and specialist homelessness services, data from child protection, justice and corrections, NDIS data, and local labour force projections.
- design and delivery of diverse housing stock that meets the needs of current and future priority groups.

The same proposals were outlined in 12 submissions to the Committee, including from stakeholders aligned with the Housing Peaks Alliance and other related bodies.<sup>167</sup>

## Aboriginal Housing

The Ten-Year strategy presented by the Housing Peaks Alliance includes 10 per cent of new social housing stock reserved for Aboriginal Victorians.<sup>168</sup> According to the

<sup>162</sup> The Housing Peaks Alliance comprises: Aboriginal Housing Victoria, Community Housing Industry Association Victoria, Council to Homeless Persons, Domestic Violence Victoria, Justice Connect, Tenants Victoria, the Victorian Public Tenants Association and the Victorian Council of Social Service.

<sup>163</sup> Housing Peaks Alliance, *Making Social Housing Work: A Framework for Victoria's Public and Community Housing 2020–2030*, 2020.

<sup>164</sup> Homes Victoria, *Establishing a 10 Year Strategy for Social and Affordable Housing*, 2021.

<sup>165</sup> Ibid.

<sup>166</sup> Victorian Council of Social Services (VCOSS), *Submission 936*, p. 7.

<sup>167</sup> See: *ibid*; Tenants Victoria, *Submission 827*; Justice Connect, *Submission 439*; Cohealth Australia, *Submission 630*; Council of the Aged Victoria, *Submission 916*; Community Housing Industry Association Victoria, *Submission 922*; Anglicare, *Submission 199*; Women's Health in the South East, *Submission 524*; Housing for the Aged Action Group, *Submission 451*; Uniting Vic. Tas., *Submission 523*; Safe+Equal, *Submission 527*; Victorian Forest Products Association, *Submission 532*.

<sup>168</sup> Victorian Council of Social Services (VCOSS), *Submission 936*.

VCOSS, this plan is based on the idea *Mana-na woorn-tyeen maar-takoort*, that every Aboriginal person has a home.

According to the Housing Peaks Alliance, targeted investment is needed to improve housing outcomes for Aboriginal Victorians, including:

- continue to reserve 10% of new social housing stock for Aboriginal people
- maintain tailored support for Aboriginal people experiencing homelessness, including by embracing Housing First models.
- enhance safeguards protecting Aboriginal people from eviction, by guaranteeing long-term funding for the More Than a Landlord program and expanding the Aboriginal Private Rental Program.

The Victorian Aboriginal Child Care Agency made several recommendations specific to the housing of Indigenous Victorians:

- That the Victorian Government provide a dedicated funding of \$800 million for the housing needs of Aboriginal Victorians and commit to building 300 houses a year, as called for by the Aboriginal Housing and Homelessness Forum.
- That the Victorian Government commit to providing \$7.6 million per annum to the More than a Landlord program and \$10.5 million per annum to extend the Aboriginal Private Rental Assistance Program with statewide coverage, as called for by the Aboriginal Housing and Homelessness Forum.
- That the Victorian Government tailor rent-to-buy and shared equity schemes for Aboriginal people, to give Aboriginal Victorians a secure pathway to home ownership.<sup>169</sup>

## Funding new social housing

Proposals for increased government investment in social housing inevitably beg questions of how to pay for new commitments. The Committee received evidence that an increase can be achieved within existing budgetary constraints. The Centre of Equitable Housing calculated that based on the Big Housing Build's commitment to spend just over \$440,000 per unit to build 12,000 homes (from a budget of \$5.6 billion), \$21 billion would need to be spent on social housing over the next 23 years to achieve a target of 60,000 total dwelling. This, the Centre said, was a 'bargain at any reckoning'.<sup>170</sup>

Similarly, Reece Agland from the Australian Institute of Architects told the Committee that funding can be found by reprioritising spending towards housing and away from other 'grand projects' that may not be as urgent.<sup>171</sup>

<sup>169</sup> Victorian Aboriginal Child Care Agency, *Submission 606*.

<sup>170</sup> Centre for Equitable Housing, *Submission 925*, p. 32.

<sup>171</sup> Reece Agland, *Transcript of evidence*, p. 75.

Turning to taxes and levies, the Committee heard two proposals for financing increased investment in social housing.

Firstly, the Centre for Equitable Housing recommended government revive plans to levy the market price value of new developments. In early 2022, the Victorian Government announced plans to introduce a 1.75 per cent levy on all new development with three dwellings or more or three or more lot subdivisions. The levy, which was to come into place from July 2024, was estimated to raise \$800 million to fund new social housing developments. However, the plan was scrapped months later.<sup>172</sup> The Centre ‘urged’:

the Victorian Government to reintroduce this levy, with a public campaign to educate Victorians as to the urgency of such home construction, and with a coordinated campaign drive including parties such as local councils, trade unions and housing advocacy groups to assist in making the case for this levy.<sup>173</sup>

Secondly, the Committee was told the Victorian Government could dedicate its new windfall gains tax to social housing investment. The *Windfall Gains Tax Act 2021* established a tax from 1 July 2023, charging 50% on increases in the value of a property rezoned as residential. In October 2023, the Government announced plans to introduce changes to that law limiting the ability of developers to pass on the costs of the land tax and windfall gains tax to homebuyers by attaching it as items in sales contracts.<sup>174</sup>

Various stakeholders advocated the capture and reinvestment of windfall gains for this purpose, as well as to improve local amenity.<sup>175</sup> Some local councils insisted that revenue captured through the windfall gains tax should be reinvested in that local area.<sup>176</sup>

The Committee heard evidence about the contrasting ways in which social housing providers are taxed at the federal level as compared to the traditional public housing providers run by State Governments. Simon Newport from Homes Victoria said:

The other one is GST. We are treated – Homes Victoria – and in most of the jurisdictions around Australia they are treated the same as a mum-and-dad property investor. We are what is called ‘input taxed’. When we pay the plumber \$110, we do not get the \$10 back from the federal government. That in itself is probably worth somewhere in the order of \$50 million to \$60 million a year to Homes Victoria. That and CRA would probably constitute about \$150 million. That – without again trying to play politics – plus the levy in itself would pretty much put the social housing system on a very sustainable footing for the future.<sup>177</sup>

<sup>172</sup> Michael Bleby and Patrick Durkin, ‘Victoria pulls social housing levy after developers revolt’, *Australian Financial Review*, 1 March 2022, <<https://www.afr.com/property/commercial/victoria-pulls-social-housing-levy-after-developers-revolt-20220228-p5a0az>> access 9 November 2023.

<sup>173</sup> Centre for Equitable Housing, *Submission 925*, p. 32.

<sup>174</sup> Kieran Rooney and Rachel Eddie (2023) “‘Not perfect’ Pallas battles property tax confusion, reveals more changes”, *The Age*, 4 October; Victorian Treasurer (2023) ‘Building more homes and freeing up more homes to rent’, media release, 3 October.

<sup>175</sup> For example: Brendan Coates, *Transcript of evidence*, p. 20; Jonathan O’Brien, *Transcript of evidence*, p. 36; McKell Institute, *Submission 937*, p. 15.

<sup>176</sup> For example, Heather Green, *Transcript of evidence*, p. 29; Cr Andrea Metcalf, *Transcript of evidence*, p. 36; Regional Cities Victoria, *Submission 687*, p. 5.

<sup>177</sup> Simon Newport, *Transcript of evidence*, p. 80.

## Committee comment

It is clear to the Committee that significant investment in social housing is needed. Victoria lag behinds the rest of the country in meeting the housing needs of its most vulnerable people. The *Housing Statement* acknowledges that Victoria needs 55,800 social housing dwellings to meet current demand (at June 2023). Taking into account future population growth, this figure will grow. The Committee notes that although the *Housing Statement* makes several commitments to build new social housing it does not include an overall target. It acknowledges that the Build Housing Build aims to deliver more than 12,000 social and affordable homes across Victoria – including more than 9,300 social homes. As part of the Big Housing Build, 25% of these homes would be delivered in regional Victoria. However, the commitments do not come close to meeting demand.

The Committee believes that estimates of 60,000 new social housing dwellings being needed over the next 10 years may now underestimate the need. Regardless, it believes the Victorian Government should commit to this figure. Further, the Committee believes that to demonstrate the Government’s commitment to this target, 40,000 social housing dwellings should be built by 2028.

**RECOMMENDATION 30:** That the Victorian Government commit to building 60,000 new social housing dwellings by 2034, with 40,000 completed by 2028.

## 7.6 Renting or homeownership? Towards a ‘national mission-based strategy’

The final section of the Victorian Government’s *Housing Statement* addresses how the policies in the Statement match broader national frameworks. It notes two key frameworks:

- **National Housing Accord:** Announced in October 2022, the Accord is an agreement aligning the work of all levels of government, institutional investors and the construction sector, setting an initial target of building one million new, well-located homes in the five years from 2024. As part of the Accord, States and Territories will also deliver 10,000 affordable homes, and expedite zoning, planning and land release for social and affordable housing.
- **The National Cabinet Housing Plan:** In August 2023, National Cabinet agreed on a plan with further measures to boost housing supply and affordability, including lifting the national housing target to 1.2 million new homes over the five years from 1 July 2024. The Commonwealth will support this target with a \$500 million Housing Support Program to help local and State Governments in areas like connecting essential services, amenities to support new housing development and increasing planning capability. National Cabinet’s plan also included a national planning reform blueprint and better protections for renters.

The Committee welcomes the Victorian Government's commitment to placing its initiatives in the context of wider policy. As was noted in Chapter 1 and throughout this Report, it is the Committee's view that any long-term solution to addressing housing affordability and adequacy must be taken at a national level and incorporate all aspects of the housing equation – that is, supply and factors that stimulate demand.

This view was best expressed by individual renters currently experiencing rental stress. As Erin Buckley told the Committee: 'I think something needs to be done about house prices in general, because they are out of control [but] I cannot see a way in this current system that it can be done. I think the system needs to be changed.'<sup>178</sup>

Felicity Walls similarly argued: 'We need the entire market to be brought back down to a reasonable level, because ordinary Joe Blow Australians are not earning six figures.'<sup>179</sup>

Professor Terry Burke stated that a problem that has been decades in the making will also take decades to fix, but we must start now. He advised:

I think the real pushback from this Committee in terms of findings is onto the Commonwealth. Say, 'Look, we have a crisis but you're a large part of the crisis. It's not us. You can't expect us to solve it. You've got to put the policy settings in place to enable us to do the things that we want to do.'<sup>180</sup>

The Committee is fully aware of the complexity of housing provision in Victoria and across Australia. While its primary goal is to maximise housing choice, it recognises that choice sometimes creates conflict.

As is noted in Chapter 2, most Victorians continue to aspire to own a home. However, many feel that aspiration is slipping beyond their grasp for a range of reasons. And as people rent for longer, they are demanding a more professional relationship with their rental providers.

This Chapter includes recommendations that the Committee believes will improve housing choices for Victorians. However, it keeps returning to the fundamental question that can only be answered at a national level: Do we want Australia to be a nation of homeowners or a nation of renters?

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<sup>178</sup> Erin Buckley, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 43.

<sup>179</sup> Felicity Walls, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 18.

<sup>180</sup> Professor Terry Burke, *Transcript of evidence*, p. 29.

**RECOMMENDATION 31:** That the Victorian Government advocate in National Cabinet to begin a conversation between the Commonwealth and State and Territory Governments over a renewed long-term National Housing Policy. The Policy should address fundamental issues such as:

- Is Australia going to be a nation of homeowners or renters?
- What action will be taken and when (i.e. actions linked to timeframes)?
- How much of Australia's economy should depend on high house price growth?
- How will housing keep up with population growth?
- How can the Government ensure that renting remains fair and affordable?
- Do Commonwealth tax concessions distort the housing market, and if so to what extent?
- How do we ensure long-term capital funding for social housing from State, Territory and Commonwealth Governments?



# Chapter 8

## Victoria's short-stay rental accommodation industry

### 8.1 Introduction

The final Chapter of this Report presents an overview of the short-stay rental accommodation industry in Victoria using the most recently available data. It then explains how the short-stay rental accommodation industry is regulated in Victoria, both statewide and by local councils, as well as in as other jurisdictions in Australia and overseas.

The Chapter continues with a discussion of the four most common ways authorities regulate the industry: levies; registers of short-stay providers; codes of conduct; and caps on the amount of days properties can be rented for. It concludes with an analysis of the most recent evidence from Victoria and around the world as to the impact of short-stay rental accommodation on the wider rental market.

This Chapter predominantly considers short-stay rental accommodation platforms, the most common of which is Airbnb but which also includes sites such as Expedia and Stayz. The Committee understands that not all providers who offer short-stay rental accommodation use these platforms.

### 8.2 Victoria's short-stay rental accommodation industry: a snapshot

According to *Victoria's Housing Statement* released in September 2023, there are over 36,000 short-stay rental accommodation properties and that:

- almost half of the properties are in regional Victoria
- over 29,000 of the properties are entire homes.<sup>1</sup>

In its submission, Airbnb provided an overview of its operations in Victoria:

- in the 12 months to March 2023, 2.5 million people stayed in an Airbnb property in Victoria, of which over 1.6 million were Victorians visiting other parts of the State
- in 2019, Victorian Airbnb guests spent \$2.3 billion, supporting 26,000 jobs

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<sup>1</sup> Victorian Government, *Victoria's Housing Statement*, 2023, p. 20.

- 46% of surveyed Victorian hosts stated that they 'engage professional services to manage their listings and bookings', for example domestic cleaners, gardeners and property management services
- 65% of Victorian hosts were women and one-third of hosts were either employed part-time or unemployed.<sup>2</sup>

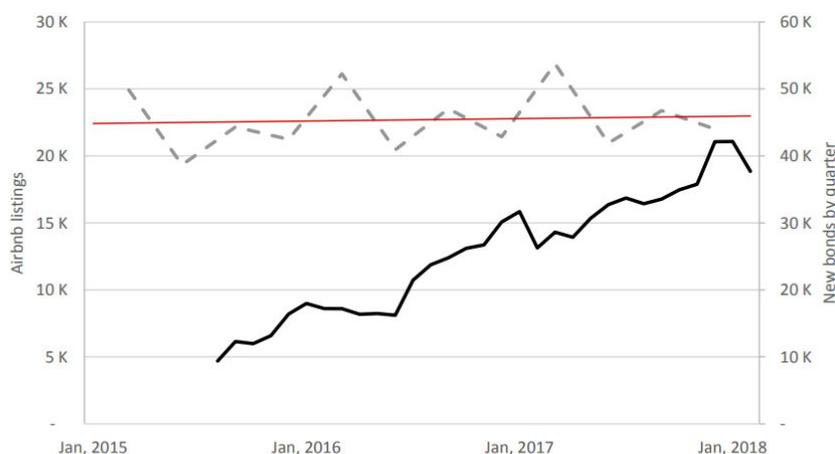
The Victorian Government's figures are broadly consistent with other data. For example, the Australian Short Term Rental Accommodation Association estimated that in Victoria there are 40,000–50,000 properties used for short-term stays, with approximately half non-hosted (i.e. whole homes). The Association also estimated that in Victoria there are over 100,000 property owners, managers and service providers in the short-stay industry.<sup>3</sup>

The Association estimated that short-stay properties account for around 1.5% of Victoria's housing stock.<sup>4</sup> The Australian Housing and Urban Research Institute had a similar estimate, telling the Committee that Airbnb listings represent approximately 1–2% of total rental stock in Melbourne.<sup>5</sup>

These figures are estimates because there is no statewide short-stay rental accommodation registration system, with local councils responsible for regulating property registration. This issue is addressed below at Section 8.3.

The Australian Housing and Urban Research Institute provided data on Airbnb listings in relation to new rental bonds. It shows that between 2015–2018 Airbnb listings increased significantly in the Greater Melbourne area while the new rental bonds figure remained relatively static (Figure 8.1).

**Figure 8.1 Airbnb listings and new rental bonds lodged for Greater Melbourne, 2015–2018**



Source: Australian Housing and Urban Research Institute, *Submission 529*, p. 18.

<sup>2</sup> Airbnb, *Submission 590*, pp. 4–5.

<sup>3</sup> Australian Short Term Rental Accommodation Association (ASTRAA), *Submission 945*, p. 1.

<sup>4</sup> Ibid.

<sup>5</sup> Australian Housing and Urban Research Institute (AHURI), *Submission 529*, p. 18.

High tourism areas tend to have a higher proportion of short-stay properties. Regional Housing Victoria suggested that regions reliant on the visitor economy might see 10–15% of their total housing stock sitting in the short-stay rental accommodation industry.<sup>6</sup>

As the size of the short-stay rental accommodation industry is not consistent statewide assessing, and responding to, its impact on the wider rental market cannot be done at the state level.

### 8.2.1 Behaviour of industry participants

The Committee received many stories from concerned stakeholders about the impact of the industry on local communities and amenities. It is important to understand people's experiences with the industry to understand what regulatory changes are needed and why. This Section outlines some of the key concerns expressed by stakeholders to the Committee.

A common concern for stakeholders living near or among short-stay properties — particularly in apartment buildings — was antisocial behaviour from guests. Box 8.1 provides excerpts from evidence detailing some of these experiences.

#### Box 8.1 Individual stakeholders' experiences with the short-stay industry

**Their behaviour can be abhorrent. Drug and alcohol fuelled parties, noise including screeching, yelling and music at high volume to all hours of the morning, abuse and threatening behaviour ...**

James Muscat, *Submission 321*, p. 1.

**There is an increase in noise levels due to the constant flow of groups coming from the outer suburbs of Melbourne coming in and out of these properties and hosting unruly parties within a private residential building or street**

Rocco Sorace, *Submission 329*, p. 1.

**Two Airbnb Apt are rented out full time and basically function as party venues on the weekends, with large groups partying until early hours in the morning, we had fights going in our common areas, strippers using corridors as changerooms, drug use and drug trade going on from these two apartments. Police is being called nearly every weekend.'**

Roy Hansen, *Submission 356*, p. 1.

Stakeholders argued that hosts, booking platforms and the police do not do enough to curb antisocial behaviour from short-stay guests. These stakeholders advocated for strengthened regulation of the industry to address this behaviour. Stakeholders also expressed frustration about not knowing who to address their complaints to.

<sup>6</sup> Regional Housing Victoria, *Submission 823*, p. 7.

The Committee also received evidence from local councils on their experiences regulating short-stay industries, particularly around amenity issues. Box 8.2 includes some of this evidence.

### **Box 8.2 Local councils' experiences with regulating the short-stay industry**

**It is a by-law, so it is akin to a parking fine or not walking your dog on the lead or something like that, so it is that kind of low-level regulation, which makes it very difficult to enforce as opposed to say the New South Wales model where they are all obligated to register via a state register.**

Cr Steve Holland, Mayor, Mornington Peninsula Shire Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 63.

**We do charge our short-term accommodation providers commercial rates where we can identify that they are short-term rentals. That is really hard without a regulation system. It is a bit like jumping on the likes of Airbnb and Wotif and finding out, so it is not a perfect science.**

Bradley Thomas, Chief Executive Officer, Hepburn Shire Council, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 17.

### **Committee comment**

The Committee wishes to make it clear that most short-stay hosts and guests do the right thing. Parliamentary inquiries typically generate evidence which focuses on negative experiences to articulate areas where laws and regulations can be strengthened to improve systemic issues. However, Victorians' tolerance of bad behaviour is quickly decreasing, suggesting the Victorian Government will soon need to act.

**FINDING 19:** The behaviour of guests using short-stay rental accommodation is outside of the Terms of Reference for this Inquiry. However, the Committee advises the Victorian Government that this is a growing problem that may require a legislated response, such as empowering owners' corporations to decide whether or not to allow short-stay rental accommodation in their buildings.

## **8.2.2 A shortage of data**

There is a shortage of data on the short-stay industry across Victoria. Each platform, and some local councils, collect their own data, but there is no central depository which measures the size, revenue and performance of the industry. Several stakeholders

discussed this issue arguing that reliable data is needed before appropriate regulation can be written.

Will Creedon, Director of the Australian Short Term Rental Accommodation Association, told the Committee that:

one of the things that we are lacking, both the industry and the Victorian government – and most governments, to be honest with you – is evidence of actually how many real short-term rentals are out there ... so we can understand it and who is managing it or if it is hosted will provide the opportunity to make meaningful policy decisions and hopefully negate any unintended consequences<sup>7</sup>

Short-stay platform providers also acknowledged the lack of centralised data, supporting recommendations for a state register to make data more accurate.<sup>8</sup>

The Committee discusses the lack of data and proposals for establishing a central register of providers in Section 8.4.2 below.

**FINDING 20:** Data on the short-stay rental accommodation industry—including its size, revenue and performance—is disparately collected by parts of the industry and some local councils. The lack of central and uniform data collection makes it difficult to assess the scale of the industry and make evidence-based regulation reform.

## 8.3 How is the short stay accommodation industry presently regulated in Victoria and elsewhere?

In Victoria, the short-stay rental accommodation industry is regulated in a variety of ways at the State and local government levels. This Section outlines the current regulatory environment.

### 8.3.1 Victorian Government

On 1 February 2019, short-stay rental accommodation regulations commenced under the *Owners Corporations Amendment (Short-stay rental accommodation) Act 2018 (Vic)*. The Act addressed a range of concerns about the operation of short-stay properties, specifically:

- expanding the power of owners corporations to issue breach notices for issues such as:
  - excessive noise
  - interference with other residents' enjoyment of the premises

<sup>7</sup> Will Creedon, Director and Founder, Australian Short Term Rental Accommodation Association (ASTRAA), public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 48.

<sup>8</sup> Airbnb, *Submission 590*; Expedia Group, *Submission 944*.

- health and safety hazards
- obstruction of common property
- property damage
- empower the Victorian Civil and Administrative Tribunal (VCAT) to:
  - award loss of amenity compensation
  - impose civil penalties on occupants for breach of requirements
  - make orders prohibiting the use of an apartment for short-stay where three or more breaches have occurred in a 24-month period
- make providers jointly liable with occupants for civil penalties or compensation orders
- expand conciliation and mediation powers of Consumer Affairs Victoria to cover all parties involved in a short-stay dispute.<sup>9</sup>

At a public hearing, Nicole Rich, Director of Consumer Affairs Victoria, highlighted that a review of the 2021 changes to the *Owners Corporation Act 2006* is due to take place soon.<sup>10</sup> Section 210 of the Act requires the Government to review the operation of amendments legislated in 2021 'at least 2 years after the commencement day and no later than 5 years after'. Following the completion of the review, the Government must table a report in Parliament.<sup>11</sup>

### 8.3.2 Local council regulations

In addition to State legislation, local governments are increasingly introducing their own by-laws. For example, some local councils have implemented registration processes and guidelines for cancelling short-stay rental accommodation permits.<sup>12</sup>

Several stakeholders said that the responsibility for regulating the industry should primarily remain with local councils. Given the different sizes of industries across local government areas it would be difficult to develop a statewide approach that addresses the specific needs and impacts of short-stay accommodation in each area. For example, and as stated earlier, regional tourism areas have a different relationship with the industry than central Melbourne. The Committee highlights this as an example as to why a multi-faceted approach would be needed in order to address the issues in this Chapter.

<sup>9</sup> Victorian Government, *Submission 946*, p. 15.

<sup>10</sup> Nicole Rich, Director, Consumer Affairs Victoria, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 67.

<sup>11</sup> *Owners Corporations Act 2006* (Vic) s 210.

<sup>12</sup> Centre for Equitable Housing, *Submission 925*, p. 26.

In its submission, the Centre for Equitable Housing said giving scope for local councils to make their own regulations could be beneficial because this would 'allow for context-specific flexibility in responding to the local demand and density'.<sup>13</sup>

Table 8.1 shows the local government areas in Victoria that regulate the short-stay rental accommodation industry and the types of regulation.

**Table 8.1 Victorian local government areas' regulation of the short-stay rental accommodation industry**

Type of regulation	Local government areas
Registration	City of Frankston Shire of Mornington Peninsula City of Warrnambool Shire of Bass Coast
Standard of management	City of Frankston Shire of Mornington Peninsula Shire of Yarra Ranges City of Warrnambool Shire of Bass Coast
Permit	City of Wyndham
Cap on number of days	Nil
Considering registration	City of Melbourne City of Yarra Alpine Shire
Considering standard of management	Alpine Shire
Considering cap on number of days	City of Melbourne City of Yarra
Code of conduct	Shire of Mornington Peninsula City of Warrnambool
Request for non-resident ratepayers to make accommodation available long-term	Shire of Moyne

Source: Legislative Council Legal and Social Issues Committee.

The following case studies provide three different approaches local councils have taken to regulating the short-stay rental accommodation industry. These approaches range from implementing local laws to exploratory work on introducing caps. The Committee advises that the large variation in estimated income figures is further justification of the need for improved data collection.

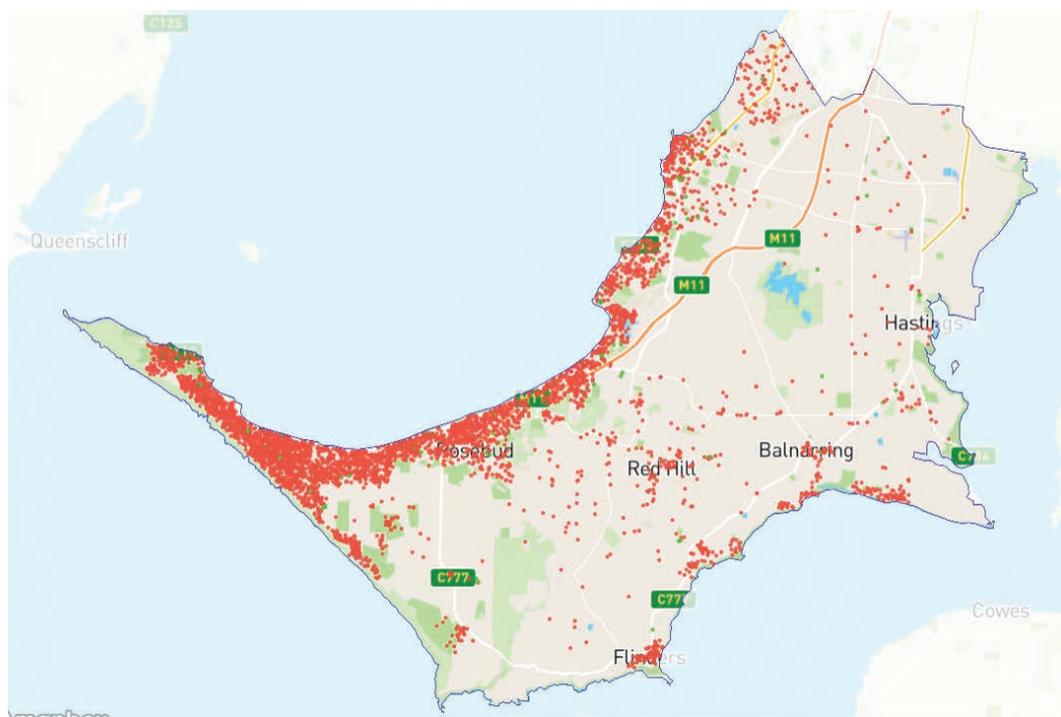
<sup>13</sup> Ibid., p. 27.

## Mornington Peninsula Shire Council

### Box 8.3 Snapshot of short-stays in Mornington Peninsula Shire Council

- Estimated 5,000 property listings as at April 2023.<sup>a</sup>
- 3,205 active short-stay rentals on the Shire's register.<sup>a</sup>
- 53.1% of hosts have multiple listings.<sup>b</sup>
- Estimated average annual income for hosts was \$17,821.<sup>b</sup>

Figure 8.2 Airbnb listings in Mornington Peninsula<sup>b</sup>



a. Mornington Peninsula Shire Council, *Submission 933*, p. 5.

b. Inside Airbnb, *Mornington Peninsula, 2023*, <<http://insideairbnb.com/mornington-peninsula>> accessed 14 October 2023.

The Mornington Peninsula Shire Council explained that currently the area has a 'comparatively small rental market that is now targeted towards short-stay tourism accommodation'.<sup>14</sup>

14 Mornington Peninsula Shire Council, *Submission 933*, p. 5.

To assist with regulating oversight of the short-stay industry, in 2018 Mornington Peninsula Shire introduced a short-stay register and requirements for operators to abide by a code of conduct protecting local amenities. In its submission, the Council stated there were 3,205 active short-stay rentals on its register. The Committee notes that this is below the number of properties listed on online data platforms, which estimated there are over 5,000 listings.<sup>15</sup>

At a public hearing, representatives from the Council explained that most of the issues they are experiencing are amenity issues. In particular, problems arise when commercial activities occur in residential zones. Steve Holland, Mayor of Mornington Peninsula Shire Council, explained that in Mornington Peninsula:

you might have a quiet residential cul-de-sac of 20 houses and it is not unusual for half of those to be short-term rental accommodations, and that causes huge amenity problems for those residents that otherwise want to live in a quiet residential street because you effectively have commercial operators setting up in spaces that are zoned for residential occupation, not for commercial occupation.<sup>16</sup>

The Council has also undertaken community engagement initiatives to encourage property owners to put their homes back on the long-term private rental market. In 2022, the Council 'sent out a flyer with [their] rates notice to encourage homeowners to consider placing their property on the long-term rental market'.<sup>17</sup>

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<sup>15</sup> Ibid.

<sup>16</sup> Steve Holland, Mayor, Mornington Peninsula Shire Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 60.

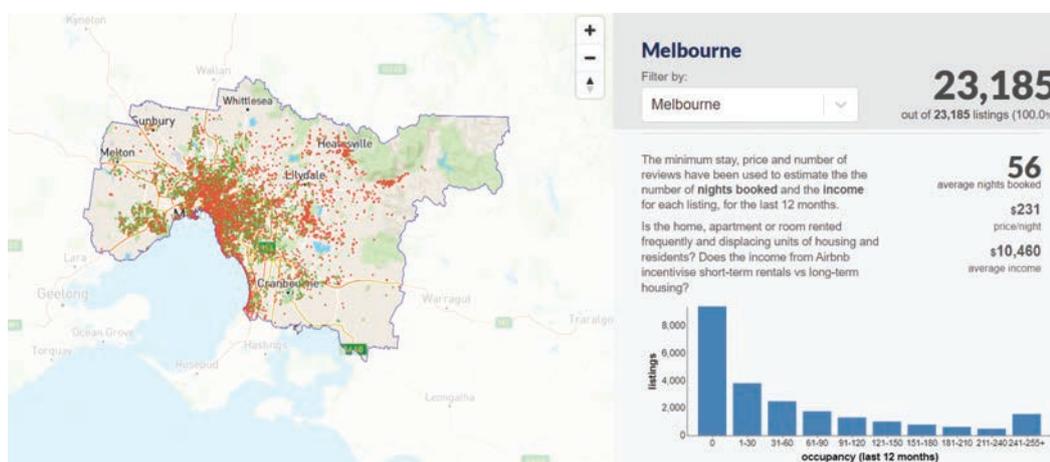
<sup>17</sup> Mornington Peninsula Shire Council, *Submission 933*, p. 5.

## Greater Melbourne (excluding Mornington Peninsula)

### Box 8.4 Snapshot of short-stays in Greater Melbourne (excluding Mornington Peninsula)

- 23,185 properties were listed on Airbnb in the Melbourne (as at 4 September 2023).
- 72.8% of listings were an entire home or apartment.
- 98.1% were short-term rentals (only available for under 30 nights).
- 52.8% of hosts had multiple listings.
- Estimated average annual income for hosts was \$10,460.

Figure 8.3 Airbnb listings in Melbourne, as at 4 September 2023



Source: Inside Airbnb: Melbourne, 2023, <<http://insideairbnb.com/melbourne>> accessed 20 October 2023.

The Committee has considered the regulatory approach from the City of Melbourne, one of the councils which make up the Greater Melbourne area, as one other approach to regulating short-stays.

The City of Melbourne did not address the impact of short-stays in its evidence to the Inquiry. However, in September 2023, the Council announced it was developing a new short-term rental accommodation policy. The City of Melbourne explained the new policy would seek to 'free up the excess of short-term rentals, providing much needed homes'. Several policy options are being considered by the Council, including:

- requiring short-stay rental accommodation operators to register
- introducing a cap on the number of days a short-term property can be rented.<sup>18</sup>

<sup>18</sup> City of Melbourne, *Short-Term Accommodation Policy*, 2023, <<https://participate.melbourne.vic.gov.au/short-term-accommodation>> accessed 20 October 2023.

At the time of writing, public consultation of a new short-stay rental accommodation policy had closed. According to the City of Melbourne's website the next stage was for the Council to draft a 'new Local Law which considers legal requirements and community input'.<sup>19</sup>

## Hepburn Shire Council

### Box 8.5 Snapshot of short-stays in Hepburn Shire

- 10% of properties in Hepburn Shire are listed on short-stay rental accommodation platforms, compared to 7.6% of properties for long-term rentals.<sup>a</sup>
- Over 1,000 available listings as at October 2023, with 40% of listings posted on Airbnb.<sup>b</sup>
- 95% of listings were for an entire property.<sup>b</sup>
- Estimated average annual income for hosts was \$93,000.<sup>b</sup>

a. Hepburn Shire Council, *Submission 709*.

b. AirDNA, *Hepburn*, 2023, <<https://app.airdna.co/data/au/84597>> accessed 19 October 2023.

In its submission, Hepburn Shire Council explained that the 'high proportion' of short-stay rentals was 'driven by a growing tourism sector'.<sup>20</sup> It also contended that the new regulations and associated costs with compliance had 'prompted some [rental providers] to move their properties to the short-term market'.<sup>21</sup>

The Shire charges short-stay rental accommodation providers commercial rates. Bradley Thomas, Chief Executive Officer of Hepburn Shire Council, explained this 'changes the total rates of the property, but it does not actually help us with any increased revenue'. Instead, other rates are reduced.<sup>22</sup>

In September 2023, the Council released the *Affordable Housing Action Plan and Strategy: A Home in Hepburn Shire*. The strategy outlines two key strategies the Council has endorsed to regulate the short-stay industry:

- advocate to the Victorian and Australian Governments to 'introduce an effective regulatory framework for short-term rental accommodation' which promotes long-term rentals supporting local providers to make their own choice
- investigate the creation of local laws on the required standards for short-stay rentals, including a register and guidelines for accessibility.<sup>23</sup>

<sup>19</sup> Ibid.

<sup>20</sup> Hepburn Shire Council, *Submission 709*, p. 3.

<sup>21</sup> Ibid., p. 4.

<sup>22</sup> Bradley Thomas, Chief Executive Officer, Hepburn Shire Council, public hearing, Melbourne, 8 August 2023, *Transcript of evidence*, p. 24.

<sup>23</sup> Hepburn Shire Council, *Affordable Housing Action Plan and Strategy: A Home in Hepburn Shire*, 2023, pp. 23–24.

The Council's submission recommended the Victorian Government 'consider a statewide approach to short-stay rental accommodation regulation'.<sup>24</sup>

**FINDING 21:** Issues with short-stay rental accommodation differ across Victoria. Regional areas are mostly concerned with amenity, while central Melbourne is predominantly focused on the impact on the long-term rental market.

### 8.3.3 Approaches in other jurisdictions

Jurisdictions in Australia and overseas have recently begun expanding their regulatory framework for short-stay rental accommodation. The motivation for acting is generally to address one of two issues: housing supply; or ensuring communities are not negatively affected by the short-stay industry.

#### New South Wales

In New South Wales, there are several regulations in place for the short-stay rental accommodation industry, including:

- a register of all participants in the industry
- introducing the mandatory *Code of conduct for the Short-term Rental Accommodation Industry* (which commenced in December 2020), setting out minimum standards and requirements for:
  - booking platforms
  - hosts
  - letting agents and facilitators
  - guests
- establishing an Exclusion Register in 2022 which lists guests and hosts excluded from the short-term rental accommodation industry
- caps for non-hosted short-stay rental accommodation in certain areas — in areas subject to the cap, short-stay rental properties are restricted to operating up to 180 days a year after which they must apply for 'development consent' from their local councils.<sup>25</sup>

It is important to note that this cap does not function as a hard limit on operating. However, it is generally understood that it is designed to limit the amount of time whole homes can be let out as a short-stay rental. In September 2023, the New South Wales Government approved Byron Shire Council's request to reduce this cap to 60 days.

<sup>24</sup> Hepburn Shire Council, *Submission 709*, p. 4.

<sup>25</sup> NSW Government, *Short-term rental accommodation*, 2023, <<https://www.planning.nsw.gov.au/policy-and-legislation/housing/short-term-rental-accommodation>> accessed 20 October 2023.

Airbnb—who noted in its submission it assisted the New South Wales Government create its framework—described the model as one which ‘provides transparent and uniform rules that apply across the state, with appropriate capabilities for local government areas to address local nuance’.<sup>26</sup>

Several stakeholders discussed the register of participants, particularly emphasising that it provides real time data that can inform policy decisions.<sup>27</sup> Eacham Curry, a Senior Director at Expedia Group, discussed the benefits of the register in New South Wales, stating that it can help with questions around amenity. He said:

we know where the bookings are, we know when they are happening and we know if they have been cancelled, and that all contributes to the thing which the New South Wales Government wants to measure, and that is where there are problems that would result in a strike and would ultimately result in someone being removed.<sup>28</sup>

### International comparison

The Centre for Equitable Housing’s submission provided a snapshot of different global approaches to regulating the short-stay rental accommodation industry. Figure 8.4 summarises different regulatory controls and provides examples of where these controls are in place.

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<sup>26</sup> Airbnb, *Submission 590*, p. 3.

<sup>27</sup> For example, see: Airbnb, *Submission 590*, p. 3; Eacham Curry, Senior Director, Government and Corporate Affairs, Asia-Pacific, Expedia Group, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*.

<sup>28</sup> *Ibid.*, p. 49.

Figure 8.4 Comparison of different regulatory controls for the short-stay rental accommodation industry

	Amsterdam	Barcelona	Berlin	London	New Orleans	New York	Paris	San Francisco	Toronto
<b>Qualitative Regulations</b>									
Limits on host tenure status	✓		✓	✓			✓	✓	✓
Limits on building type	✓					✓		✓	✓
<b>Quantitative Regulations</b>									
Annual nightcaps	✓	✓	✓	✓	✓		✓	✓	✓
Guest limits	✓				✓	✓		✓	
<b>Locational Regulation</b>									
Licence freezes and bans in oversaturated districts		✓			✓			✓	
<b>Density Regulations</b>									
Compensation for lost rental stock			✓				✓		
License caps		✓							
Lottery systems					✓				
<b>Taxation</b>									
Tourist and hotel taxes	✓	✓	✓		✓		✓	✓	✓
<b>Registrations</b>									
Licensing/registration	✓	✓			✓		✓	✓	✓
Planning approval				✓		✓	✓		

Source: Centre for Equitable Housing, *Submission 925*, p. 44.

## 8.4 Options for regulating the short-stay rental accommodation industry

This Section examines evidence on four key options for regulating the short-stay rental accommodation industry:

- a short-stay levy
- a register of short-stay providers
- a mandatory code of conduct
- limiting booking days.

### 8.4.1 Victorian Government's proposed Short Stay Levy

In September 2023, the Victorian Government proposed a new 7.5% consumer-facing levy from short-stay accommodation platforms. Pending the passage of legislation, the levy would come into force on 1 January 2025. The revenue collected – estimated by the Government to be around \$70 million annually – would be used to fund the building and maintaining of social and affordable housing, with 25% to be spent in regional Victoria. When the Short Stay Levy comes into effect, other local council charges will be removed.

In its *Housing Statement*, the Government acknowledged that properties placed on the short-stay rental accommodation market can no longer be 'used for longer-term accommodation or rented out on fixed term agreements – so it makes sense that they should provide some benefit toward the places that can'.<sup>29</sup>

The Committee heard a range of views on the effectiveness of the short-stay rental accommodation levy being proposed by the Victorian Government. The Committee was struck by the fact that the *Housing Statement* does not say the levy is intended to encourage property owners to put their properties on the long-term rental market (albeit revealing that the Victorian Government believes short-stay rental accommodation contributes to a reduction in supply). Yet stakeholders assumed this to be the case.

For example, Brendan Coates, Economic Policy Program Director at Grattan Institute, supported the levy 'to encourage the owners of those properties to put them back on the long-term rental market and boost long-term supply'.<sup>30</sup>

Eacham Curry from Expedia Group also told the Committee that the levy will not shift properties from the short-stay sector to the long-term rental market. He also argued that it will not raise much revenue. Mr Curry instead proposed a lower levy be

<sup>29</sup> Victorian Government, *Victoria's Housing Statement*, p. 20.

<sup>30</sup> Brendan Coates, Economic Policy Program Director, Grattan Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 20.

applied to all accommodation providers and provided the example of the 5% levy in Queenstown, New Zealand, which the Expedia Groups supported 'because we recognise that we do have an impact and it was the right thing to do'.<sup>31</sup>

Will Creedon, Director of the Australian Short Term Rental Accommodation Association, believed that the levy would target guests instead of owners 'removing much-needed revenue in regional and rural Victoria'.<sup>32</sup> In contrast, the Grattan Institute acknowledged that the levy would impose costs on regional tourism but thought the overall benefit to housing justified this cost.<sup>33</sup>

Steve Holland from Mornington Peninsula Shire Council believed that the levy would 'not actually resolve the planning and amenity problems' but did acknowledge it could 'generate some revenue'.<sup>34</sup>

Simon Newport, Chief Executive Officer of Homes Victoria, suggested the Government's proposed levy could also be spent on maintaining existing social housing properties, telling the Committee:

we would like to use it for long-term asset management. Whilst new housing is incredibly welcome, we know that there is a longstanding issue with regard to funding in social housing for genuine asset management long term, so we would like to be able to devote it to that if we could.<sup>35</sup>

The Committee's view on the Victorian Government's short-stay levy, as well as other regulatory options for the short-stay industry, can be read in the 'Committee comment' section below.

#### 8.4.2 A short-stay register

As noted above, there is a paucity of statewide data on the short-stay rental accommodation industry. Some local governments have introduced their own registers, but there is no mandatory statewide register. A common suggestion in evidence on regulating short-stays was that a statewide register would improve data collection and give a clearer picture of the industry.

Short-stay rental accommodation providers who gave evidence to the Inquiry supported the introduction of a statewide register, specifically:

- Australian Short Term Rental Accommodation Association
- Airbnb
- Expedia Group.

<sup>31</sup> Eacham Curry, *Transcript of evidence*, p. 50.

<sup>32</sup> Will Creedon, *Transcript of evidence*, p. 51.

<sup>33</sup> Brendan Coates, *Transcript of evidence*, p. 20.

<sup>34</sup> Steve Holland, *Transcript of evidence*, pp. 60–61.

<sup>35</sup> Simon Newport, Chief Executive Officer, Homes Victoria, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 76.

Will Creedon from the Australian Short Term Rental Accommodation Association contended that a central register would mean 'everybody knows what is happening, which means that if a booking is taken, it is against that unique identifier of that property'.<sup>36</sup>

The Municipal Association of Victoria indicated there was broad-based support among local councils for the Government to legislate a mandatory statewide register.<sup>37</sup>

As well as being a valuable data tool, a register of short-stay operators would assist in regulating the sector. Some stakeholders argued that without a register, regulations may not be evidence based. For example, Swan Hill Rural City Council said:

We do not believe it is appropriate to implement additional regulations on [short-term rental accommodation] in Victoria until it can be shown from an evidence-base built through a Statewide register and code and conduct that it will address the housing challenges as articulated.<sup>38</sup>

### 8.4.3 A mandatory code of conduct

Section 8.2.2 outlined some of the concerns stakeholders raised about the behaviour of industry participants, particularly guests. The Committee heard that establishing a mandatory code of conduct in Victoria would help minimise antisocial behaviour and protect local amenities.

Short-stay rental accommodation providers supported the introduction of a code of conduct for the industry, contending this would ensure a clear expected standard of behaviour for all industry participants.<sup>39</sup> Some platforms already have their own voluntary code of conduct. At a public hearing, Eacham Curry explained that the voluntary code is 'about engagement and outreach' by 'letting others know their expectations for travellers about what is reasonable behaviour'. However, the voluntary nature of the code has meant it only 'works to a degree'.<sup>40</sup>

Expedia Group advocated for Victoria to introduce a mandatory code of conduct. Eacham Curry told the Committee a mandatory code would 'give us legitimacy, but it also means that regulators, and that includes the local government area, and the travellers and the people who list their properties are really clear about the rules'.<sup>41</sup>

This was echoed by Mornington Peninsula Shire, which has introduced a code of conduct. Mayor Steve Holland told the Committee the code has worked 'reasonably well' in allowing Council to amenity issues.<sup>42</sup>

<sup>36</sup> Will Creedon, *Transcript of evidence*, p. 52.

<sup>37</sup> Municipal Association of Victoria, *Submission 938*, p. 18.; Swan Hill Rural City Council, *Submission 533*, p. 4.

<sup>38</sup> Swan Hill Rural City Council, *Submission 533*.

<sup>39</sup> See: Airbnb, *Submission 590*; Expedia Group, *Submission 944*; Australian Short Term Rental Accommodation Association (ASTRAA), *Submission 945*.

<sup>40</sup> Eacham Curry, *Transcript of evidence*, p. 44.

<sup>41</sup> Ibid.

<sup>42</sup> Steve Holland, *Transcript of evidence*, p. 63.

#### 8.4.4 Limiting the number of days a property can be booked annually

The Inquiry received mixed evidence regarding annual caps for the short-stay accommodation industry. Proponents argue caps incentivise operators to put their short-stays back onto the rental market. For example, Accommodation Australia (Victoria) argued caps would 'likely increase the supply of rental accommodation'.<sup>43</sup>

Tenants Victoria's submissions provided several examples of where a cap has been introduced with periods ranging from 30 to 90 days, including:

- annual limits, such as in Amsterdam, New York, San Francisco and London
- only permitted areas can operate short-stay businesses or caps could be placed in defined areas, such as happens in New Orleans and New South Wales, respectively.<sup>44</sup>

Tenants Victoria did not explicitly endorse caps for short-stay properties. However, it did state that it is 'time for Victoria to regulate short-stay accommodation to mitigate its contribution to rental unavailability and unaffordability'.<sup>45</sup>

The impact of the short-stay rental accommodation industry on rental affordability is addressed in Section 8.5 below.

Conversely, critics of caps argued they are hard to enforce and unlikely to increase long-term rental supply. Some also argued that caps would harm tourism across Victoria.

Heather Green, Director of Development and Planning at Swan Hill Rural City Council, questioned how caps could be enforced and how the properties would be used when not operating as a short-stay:

What happens to the other 11 months or 10 months? Do they actually get lived in or do they lay vacant? I most recently, before I came to Swan Hill, worked in Alpine Shire Council where short-term accommodation is huge, and if the accommodation is not available for tourists 12 months of the year, then the other businesses, all the other allied businesses in town, struggle. Beware of the consequences. I think the better idea would be to limit the number of short-term accommodations in an area in some way.<sup>46</sup>

Similarly, Mornington Peninsula Shire Council Mayor Steve Holland said keeping properties as short-stay rental accommodation is better than having them sit vacant. He told the Committee that this is particularly the case in areas such the Mornington Peninsula that do not have many commercial holiday accommodation providers:

<sup>43</sup> Accommodation Australia (Victoria), *Submission 548*, p. 7.

<sup>44</sup> Tenants Victoria, *Submission 827*, pp. 11–12.

<sup>45</sup> *Ibid.*, p. 12.

<sup>46</sup> Heather Green, Director, Development and Planning, Swan Hill Rural City Council, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 32.

If [the cap] was, say, 50 days or 90 days, which has been discussed or floated in the media, it could be very easily surpassed. I think what you would find in that instance is that the properties would simply sit vacant as opposed to being available on the short-term rental market, which is important from our perspective for tourism on the Mornington Peninsula, because we do not have a large number of commercial providers and hotel chains, so we do rely on short-term accommodation, despite the troubles that we have with housing affordability.<sup>47</sup>

The Victorian Tourism Industry Council agreed with the argument that caps would harm the regional tourism economy. It also anticipated three other problems:

- long-term rentals would be difficult to sustain during high tourism periods
- the price of commercial visitor accommodation would increase
- less accommodation for seasonal workers.<sup>48</sup>

#### 8.4.5 Committee comment

The Committee has considered four common proposals for regulating the short-stay rental accommodation industry in Victoria:

- a short-stay levy
- a register of providers
- a mandatory code of conduct
- annual caps on the number of days a property can be booked.

The Committee notes the Victorian Government's commitment to introduce a 7.5% levy on short-stay providers and that revenue from this levy would be provided to Homes Victoria to spend on the building and maintaining of social and affordable housing in Victoria, with 25% of the funds to be invested in regional Victoria.

In response to questions about the impact of this new funding from the levy, the CEO of Homes Victoria told the Inquiry that:

we know that there is a longstanding issue with regard to funding in social housing for genuine asset management long term, so we would like to be able to devote it to that if we could.<sup>49</sup>

Mr Newport also said that:

If [funding from the levy] takes pressure off the asset management processes in terms of the amount of money that we can spend on asset upgrade and prolonging the use of some assets, it does make a significant difference. Each asset is different, and each

<sup>47</sup> Steve Holland, *Transcript of evidence*, p. 60.

<sup>48</sup> Victorian Tourism Industry Council, *Submission 559*, p. 4.

<sup>49</sup> Simon Newport, *Transcript of evidence*, p. 76.

asset has structural and other issues long term. But the fact is, as I said, having a flow of funds that we can devote towards long-term asset management will definitely help in terms of maintaining the current level of houses, which means that we can house more people over time.<sup>50</sup>

In the Committee's view, the Victorian Government has a role to play in developing minimum standards for the short-stay industry and managing a register of properties. These reforms would set expectations for the industry and ensure more accurate data is collected on the size of the industry and the extent of any non-compliance. The Committee has recommended that the Victorian Government establish both a register and a mandatory code of conduct. With the latter, the Committee believes local governments should have the power add their own requirements specific to their region.

**RECOMMENDATION 32:** That the Victorian Government ensure that, as announced in the *Housing Statement*, the funds raised from the 7.5% short stay levy will go to Homes Victoria, supporting their work building and maintaining public and community housing across the State, with 25% of funds to be invested in regional Victoria.

**RECOMMENDATION 33:** That the Victorian Government establish a statewide register of short-stay providers. The register should be publicly available and data updated and published in real time.

**RECOMMENDATION 34:** That the Victorian Government introduce legislation, either standalone or by amending the *Owners Corporations Act 2006*, to establish a mandatory code of conduct for the short-stay rental accommodation industry. The code should allow local councils to add additional regulations related to their region.

### Problems with a statewide approach to regulating short-stay rental accommodation

In the Committee's view, given the differing sizes and contributions of short-stay industries across the State a flexible approach—empowering local councils to set regulations—is preferable.

Regional Cities Victoria advocated for a flexible approach stating that 'any action taken in relation to short-stay rental accommodation does need to be assessed by region and with consideration given on the impact to the local tourism industry'.<sup>51</sup>

<sup>50</sup> Ibid.

<sup>51</sup> Regional Cities Victoria, *Submission 687*, p. 7.

Terry Burke, who helped design the New South Wales Government's booking cap, said a more nuanced, council-by-council approach was needed, as 'generic, across-the-board policies are no good; you have got to just tailor it to some markets'.<sup>52</sup>

The Committee recognises that not all stakeholders agreed with allowing regulations to be set at the local level. Regional Housing Victoria argued that a flexible approach to regulating the industry would be 'problematic' because it would 'likely lead to duplication of effort and variation of controls across the State'. It believed that a statewide approach to regulation would 'ensure some predictability ... saving each Council from having to identify, establish and implement their own mechanisms'.<sup>53</sup>

The Committee recognises the merits of this argument. However, on balance it believes that local governments know what works best for their communities. While consistency is needed at times – such as the proposed mandatory code of conduct – generally speaking adopting a flexible approach means that regulations are fit for purpose and reflect the industry's unique impacts in each part of the Victoria.

**FINDING 22:** Given the differing scale and impacts of the short-stay rental accommodation industry across local government areas, a more flexible approach to regulation is preferable to a uniform statewide system.

## 8.5 Impact of short-stay rental accommodation on the private rental market

The short-stay rental accommodation sector has grown rapidly in a very short time. This means that there is yet to be firm evidence collected on its impact on the long-term rental market. Some people believe that short-stay rental accommodation worsens rental supply and affordability in Victoria by diverting properties away from the long-term market and contributing to low vacancy rates. Others contend that these assertions greatly exaggerate the impact of the sector.

In its submission, Airbnb contended that housing issues are driven by 'legacy factors' predating the industry. According to Airbnb these factors are:

the supply of new homes, the ratio of affordable to social housing stock, demographic changes, the number of empty dwellings and rooms, shrinking household sizes, migration, interest rates, taxation settings, as well as state and federal policy and broader economic conditions.<sup>54</sup>

As noted throughout this Chapter, evidence suggests a difference between metropolitan and regional areas, where short-stay properties are more likely to be holiday homes that have never been part of the long-term rental market.

<sup>52</sup> Professor Terry Burke, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 29.

<sup>53</sup> Regional Housing Victoria, *Submission 823*, p. 9.

<sup>54</sup> Airbnb, *Submission 590*, p. 1.

The Australian Housing and Urban Research Institute said that its research showed that short-stay rental accommodation was 'probably not significantly worsening rental affordability at the metropolitan scale'. It added the caveat that that short-stay rental accommodation platforms may have an 'impact on the availability of rental properties in high-demand inner city areas that have significant tourism appeal'.<sup>55</sup>

Similarly, the City of Port Phillip spoke of diversity even within Melbourne with the impact most likely to be felt in 'specific high-demand tourist areas such as St Kilda'.<sup>56</sup>

Both of the above contributions denote impact on demand and consequent scarcity of long-term rental properties, which as highlighted in Chapter 4, may prompt demand-driven rent increases.

This is consistent with international evidence. Recently, a number of major cities have begun implementing regulations for the short-stay industry because of its impact on the supply of long-term properties. Jurisdictions such as Berlin, London and New York have introduced such regulations, in particular for non-hosted properties.

For example, in January 2023, New York City introduced requirements for short-stay hosts to provide proof that they live on the same property advertised for bookings.<sup>57</sup> This requirement was implemented among a suite of regulations—referred to as Local Law 18—addressing the impact of short-stays in New York City.

An October 2023 article in *The Guardian* discussed early outcomes following the city's new regulations. The article discussed data from Inside Airbnb, an online platform that produces data on Airbnb, which showed a huge decrease in short-term rentals on Airbnb, from 21,785 in August to 3,227 in October. The article also highlighted data showing that rental costs in New York are 'backing off from record highs, as the vacancy rate increases to a level not seen in three years', although it did not state that this was because of an increase in the supply of long-term rentals.<sup>58</sup>

Will Creedon from the Australian Short Term Rental Accommodation Association told the Committee that in the Shire of Byron to date over 90% of short-stay rental accommodation operators have not added their properties to the long-term rental market.<sup>59</sup>

The impact of short-stay rental accommodation on long-term rental properties in regional and rural Victoria is equally unclear. Regional differences – for example, whether an area is predominantly a tourism or agricultural area – make any impact particularly difficult to assess.

<sup>55</sup> Australian Housing and Urban Research Institute (AHURI), *Submission 529*, p. 18.

<sup>56</sup> Port Phillip City Council, *Submission 355*, p. 3.

<sup>57</sup> Victoria Tourism Industry Council, *Submission 559*, p. 8.

<sup>58</sup> Wilfred Chan, 'We're in a housing desert: a month in, is New York's Airbnb crackdown working?', *The Guardian*, 23 October 2023, <<https://www.theguardian.com/us-news/2023/oct/23/new-york-airbnb-crackdown-rules-housing>> accessed 24 October 2023.

<sup>59</sup> Will Creedon, Director and Founder, Australian Short Term Rental Accommodation Association, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 48.

### 8.5.1 Does the short-stay industry drive up rental prices?

The Committee received a lot of evidence, largely anecdotal, that the short-stay rental accommodation industry is one cause of rental prices increasing. Box 8.6 below provides a several examples of this evidence.

#### Box 8.6 Excerpts of evidence asserting short-stay rental accommodation drives up rental prices

**We are a tourist town, so we make our money from visitors coming in. But how are we going to make money when there are no businesses open because the local people cannot afford to live here or there is nowhere for them to live?**

Shaye Topaz, public hearing, online, 8 August 2023, *Transcript of evidence*, p. 13.

**The broader impact of [short-stay] is not only do we not have those properties in the long-term leasing market, it means that people that are living in those holiday destination areas, especially people that are working in the service industries, cannot get affordable housing.**

Rebecca Thistleton, Executive Director, McKell Institute, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 26.

**Conversion of long-term rentals to short-term accommodations limits the availability of affordable housing, increases rental prices, and disrupts the social fabric of communities.**

Kelly Sarena, *Submission 392*, p. 2.

This argument seems to be based on the assumed drop in supply caused by the sector resulting in an increase in rents. As noted, this argument needs to be treated with some caution keeping in mind that some short-stay properties have never been on the long-term rental market.

Other stakeholders told the Committee that even if short-stay properties were added to the long-term rental market, most would be at such a high cost they would not improve affordability as they are generally not in the areas with the highest need for affordable housing.<sup>60</sup> Again, this reflects differences found in regional and metropolitan areas.

#### Committee comment

The Committee found that evidence regarding the impact of the short-stay rental accommodation industry on the long-term rental market is relatively new and, as such, not settled. Further, given the different ways the industry interacts with different

<sup>60</sup> Eacham Curry, Senior Director, Government and Corporate Affairs, Asia-Pacific, public hearing, Melbourne, 10 October 2023, *Transcript of evidence*, p. 46; Cr Steve Holland, Mayor, Mornington Peninsula Shire Council, public hearing, Melbourne, 22 August 2023, *Transcript of evidence*, p. 59.

local government areas, a locally nuanced approach is required to assess the impact of short stays on Victoria's housing market as a whole. Therefore, the Committee encourages policy makers to consider individual regions and sub-markets.

**FINDING 23:** There is a need for more evidence to assess the impact of the short-stay rental accommodation industry on the long-term rental market. This is true across the world as major cities in particular implement measures aimed at limiting the industry.

**Adopted by the Legislative Council Legal and Social Issues Committee  
Parliament of Victoria, East Melbourne  
9 November 2023**

# Appendix A

## About the Inquiry

### A.1 Submissions

1	John Wilkins	31	Thomas Benter
2	Gerard Regan	32	Emma Osborne
3	Cameron Allen	33	Carey Ciuro
4	Herschel Landes	34	Name withheld
5	Name withheld	35	Name withheld
6	Name withheld	36	Name withheld
7	Name withheld	37	Mathew McCullough
8	Ronald Hobbs	38	Name withheld
9	Georgia H	39	Theo Hemeidan
10	Name withheld	40	Oliver Ekserdjian
11	Name withheld	41	Christopher Kaleta
12	Christopher Whaler	42	Name withheld
13	Name withheld	43	Jared Balstrup
14	Muhammad Ejaz	44	Sherman Tang
15	John Verdon	45	Name withheld
16	Name withheld	46	Name withheld
17	Nathalie Lue	47	Silss Renwick
18	Name withheld	48	Name withheld
19	Muhammad Usman Ahmed	49	Athena Blood
20	Name withheld	50	Michele Zimmerman
21	Francis de Vries	51	Name withheld
22	Confidential	52	Name withheld
23	Logan Doody	53	Tselmeg Lkhagvajargal
24	Timothy Hurley	54	Abbey Treloar
25	Sean Budd	55	Confidential
26	Confidential	56	Name withheld
27	Brad Peters	57	Nicholas Damianopoulos
28	Eugene Teo	58	Danyon Edwards
29	Name withheld	59	Oneil Pinto
30	Name withheld	60	Shannon Westwood

61	Maxim Rumsey	99	Name withheld
62	Taylor Jackson	100	Name withheld
63	Name withheld	101	Darcy Killen
64	Name withheld	102	Bidhya Pathak
65	Name withheld	103	Andrew Curtis
66	Phoebe Sawyer	104	Name withheld
67	Edward Butler	105	Name withheld
68	Name withheld	106	Name withheld
69	Name withheld	107	Name withheld
70	Name withheld	108	Name withheld
71	Name withheld	109	Name withheld
72	Tegan Evans	110	Name withheld
73	Kirill Kliavin	111	Thomas Ingram
74	Alyssa Morgan	112	Breeanna Pratt
75	Name withheld	113	Name withheld
76	Daniel Ferguson	114	Liam Mantesso
77	Samuel Brunker	115	Name withheld
78	Name withheld	116	Name withheld
79	Wil Davis	117	Samuel Fenton
80	Name withheld	118	Name withheld
81	Jyhe Mark	119	Joshua Maas
82	Name withheld	120	Munir Azizullah
83	Confidential	121	Name withheld
84	Tyler Sydenham	122	Ezekiel Fischer
85	Name withheld	123	Name withheld
86	Lachlan McRae	124	Jack Latrobe
87	Name withheld	125	Name withheld
88	Name withheld	126	Ruby Allen
89	Aditya Kumar	127	Sam Cohen
90	Name withheld	128	Name withheld
91	Hayden Philpott	129	Name withheld
92	Sam Ellis	130	Conor Mooney
93	Trent Patience	131	Name withheld
94	Name withheld	132	Nicholas White
95	Name withheld	133	Name withheld
96	Ashleigh Tomkins	134	Confidential
97	Adam McDougall	135	Name withheld
98	Name withheld	136	Name withheld

137	Simon Robilliard	175	Name withheld
138	Name withheld	176	Name withheld
139	Name withheld	177	Jas Wagstaff
140	Jessica Hyne	178	Name withheld
141	wren pleasant	179	Name withheld
142	Name withheld	180	Confidential
143	Samuel Wilson	181	Kevin Walsh
144	Name withheld	182	Name withheld
145	Name withheld	183	Name withheld
146	Name withheld	184	Olympia Universe
147	Adam Noble	185	Griffey Saunders
148	Confidential	186	Gary Saunders
149	Name withheld	187	Kate Middleton
150	Sean Argall	188	Jeremy Press
151	Confidential	189	Name withheld
152	Travers Eira	190	Felicity Walls
153	Rowan Boreham	191	Name withheld
154	Hex Init	192	Name withheld
155	Name withheld	193	Name withheld
156	Hayley Davies	194	Name withheld
157	Cooper French	195	Ellen Van Holstein
158	Emily Chapman	196	Name withheld
159	Name withheld	197	Name withheld
160	Anita Toumbourou	198	Name withheld
161	Lian Reads	199	Name withheld
162	Anna Zobe	200	Michael Wilson
163	Confidential	201	Name withheld
164	Adam Walton	202	Name withheld
165	Name withheld	203	Brooke Browning
166	Name withheld	204	Maddy Butler
167	Claudia Cassar	205	LaTrobe Student Union
168	Cate Bakos	206	Name withheld
169	Name withheld	207	Name withheld
170	Name withheld	208	Michael Forster
171	Name withheld	209	Ella Reed
172	Ray Evans	210	Name withheld
173	Name withheld	211	Name withheld
174	Keith Kooloos	212	Name withheld

213	Confidential	251	Name withheld
214	Lucinda Willshire	252	Name withheld
215	Name withheld	253	Name withheld
216	Linda Black	254	Name withheld
217	Cadence Baker	255	Neal Salan
218	Kim Harris	256	Name withheld
219	Name withheld	257	Name withheld
220	Name withheld	258	Name withheld
221	Name withheld	259	Lukas Matovinovic
222	Name withheld	260	Confidential
223	Name withheld	261	Name withheld
224	Name withheld	262	Name withheld
225	Name withheld	263	Breanna de Jong
226	Name withheld	264	Blake Noske
227	Name withheld	265	Lara Joyce
228	Name withheld	266	Name withheld
229	Name withheld	267	Confidential
230	Connor Trainor	268	Kristy Penington
231	Chelsea Close	269	Henry Parker
232	Travis Jordan	270	Name withheld
233	Name withheld	271	University of Melbourne Student Union (UMSU)
234	Melissa Fankhauser	272	Angela Ballard
235	Scott Brique	273	Name withheld
236	Georgia Dobsa	274	Name withheld
237	Name withheld	275	Name withheld
238	Name withheld	276	Name withheld
239	Name withheld	277	Name withheld
240	Name withheld	278	Name withheld
241	Alexandra Braun	279	Name withheld
242	Confidential	280	Jessica Burns
243	Name withheld	281	Name withheld
244	Samantha Cure	282	Jordan van den Berg
245	Name Withheld	283	Name withheld
246	John Bingham	284	Clint Bravo
247	Name withheld	285	Wendy Radford
248	Skylar Howard	286	Scott Vine
249	Hayley Stockall	287	Name withheld
250	Hannah Wilsonn		

288	John Gai	326	Sean Stebbings
289	Nicolette Hill	327	Dr Lisa Anderson
290	Name withheld	328	Brett Jarvis
291	Tristan Hennessy	329	Rocco Sorace
292	Jessie Lea Skillcorn	330	Stephen Koci
293	Name withheld	331	Rori Cyanide
294	Name withheld	332	Anton Heyneke
295	Name withheld	333	Christopher Kyriacou
296	Mrs Sandra Hawkins	334	David Lejarcegui
297	Name withheld	335	Seryse Lewis
298	Lachlan Simpson	336	John Fletcher
299	Name withheld	337	Katherine Ross
300	Erin Buckley	338	Debra-Lee Wilkinson-Reed
301	Geoffrey Tonks	339	LeteischaKing
302	Yicheng Liu	340	Name withheld
303	Zara Hastie	341	Vasu Somasundaram
304	Name withheld	342	Gayle Edwards
305	Name withheld	343	Name Withheld
306	Name withheld	344	Allie Stapleton
307	Mr Alexander Frost	345	Amanda Ransom
308	Name withheld	346	Di Drew
309	Ms Sarah Casey	347	Mark Hall
310	Name withheld	348	Stephanie Tadic
311	Mr Brad Every	349	Conor Merrigan-Turner
312	Name withheld	350	Millicent Matthew
313	Name withheld	351	Georgia Walker
314	Name withheld	352	Alice Willemsen
315	Name withheld	353	Ella Rose
316	Name withheld	354	Sam Syed
317	Ms Angel Lea	355	City of Port Phillip
318	Dr Timothy Connors	356	Roy Hansen
319	Melissa Di Giacomo	357	James Walker
320	Dean Peters	358	Wes Davidson Real Estate
321	James Muscat	359	Chelsea Robbins
322	Fabio Scalia	360	Urszula Wynd
323	Nathalie Nieto	361	Luca Bergamin
324	Alexandra Francis	362	Prosper Australia
325	Javeen Tharka	363	Bass Coast Shire

364	Susan Leavold	402	Name withheld
365	Mount Alexander Shire Council	403	Mr Simon Robbinson
366	Fair Go For Pensioners	404	Name withheld
367	Anglicare Victoria	405	Marita Kennedy
368	Name withheld	406	Ms Madeleine Houston
369	Sweltering Cities	407	Name withheld
370	Julie Courvoisier	408	Mr Jayden Foord
371	Ms Jenny Edge	409	Name withheld
372	Centre for Independent Studies	410	Name withheld
373	Homes Melbourne (City of Melbourne)	411	Name withheld
374	Name withheld	412	Ms Santosh Kaur
375	Kim Crole	413	Mr Chris Woods
376	Mr Murray Wilkinson	414	Mr Stephen Kennett
377	Name withheld	415	Name withheld
378	Mrs Maureen Cooper	416	Miss Lauren Wells
379	Name withheld	417	Name withheld
380	Ms Catherine Jones	418	Miss Nicola Birkett
381	Mr Peter Julian	419	Mrs Nicole Lovell
382	Ms Anita Pedder	420	Mr Stephen Moore
383	Name withheld	421	Name withheld
384	Mr Mitchell Ross	422	Name withheld
385	Mr Maarten Mulder	423	Name withheld
386	Mr Thomas Gant	424	Confidential
387	Name withheld	425	Mr Patrick McConnachie
388	Name withheld	426	Southern Homelessness Services Network
389	Mr Timothy Garlick	427	Name withheld
390	Name withheld	428	Mr Samuel Milne
391	Name withheld	429	The Honourable Lucas Heenan
392	Ms Kelly Sarena	430	Mr Oliver Leverton
393	Ms Dana Sang	431	Mrs Julie Vulin
394	Name withheld	432	Name withheld
395	Name withheld	433	Name withheld
396	Name withheld	434	Name withheld
397	Name withheld	435	Name withheld
398	Confidential	436	Mr Nikolay Novouspenskiy
399	Mr Scott Joziassie	437	Name withheld
400	Miss Blaze Morris	438	Name withheld
401	Mr Brett Wislemsen	439	Justice Connect

440	Mrs Linda Wimetal	477	Mr Grahame Rowell
441	Centre for Multicultural Youth	478	Name withheld
442	Mr Colin Aslin	479	Greystar Australia
443	Confidential	480	Name withheld
444	Ms Jacqueline Carter	481	Name withheld
445	South-East Monash Legal Service (SMLS)	482	A 10 year plan to house FRANKSTON
446	Mr Vladislav Fedorov	483	Name withheld
447	Confidential	484	Name withheld
448	Name withheld	485	Name withheld
449	Renters and Housing Union	486	Name withheld
450	Name withheld	487	Housing Industry Association
451	Housing for the Aged Action Group Inc. (HAAG)	488	Name withheld
452	Mrs Gurvinder Kaur	489	Mrs Catherine Coe
453	Ms Chris Fox	490	Name withheld
454	Name withheld	491	Name withheld
455	Name withheld	492	Merri-bek City Council
456	Name withheld	493	Name withheld
457	Bernadette Thomas	494	Name withheld
458	Vanessa LaManna	495	Ms Catherine Haar
459	Mr Glenn Jones	496	Name withheld
460	Alex Kelly	497	Name withheld
461	Mrs Lucas Maddock	498	Property Owners' Association of Victoria
462	Name withheld	499	Victorian Public Tenants Association
463	Name withheld	500	Name withheld
464	Name withheld	501	Ms Harriet Pudney
465	Miss Jaz Yates	502	South Gippsland Shire Council
466	Name withheld	503	Mr William Harry Millward
467	Ms Ro Willows	504	Name withheld
468	Name withheld	505	Mr Peter McIntyre
469	Name withheld	506	Dr James Lennox
470	Mr Gavin Blackwell	507	Name withheld
471	Registered Accommodation Association of Victoria	508	Miss India Potoczko
472	Mr Terry Gazelle	509	Latrobe Health Advocate
473	Ms Claire Weeden	510	Jenny Backholer
474	Ms Eliza Finch	511	Statewide Children's Resource Program
475	Name withheld	512	Stephanie Daniele
476	Ms Helen Sankey	513	Neami National
		514	Mr Stu McIntyre

515	Mr thong Dao	552	Safe Steps Family Violence Response Centre
516	Wellways	553	Mr John Ken
517	Mrs Monique O’Garr	554	Ms Melanie Pearson
518	Name withheld	555	Name withheld
519	Terry Burke	556	YIMBY Melbourne
520	Ms Jo Willers	557	Mrs Natalie Jacotine
521	Youth Affairs Council	558	Miss Shannon Klaassen
522	Name withheld	559	Victoria Tourism Industry Council (VTIC)
523	Uniting Vic.Tas	560	Digital Rights Watch
524	Confidential	561	Mr Neal Taylor
525	Name withheld	562	Grattan Institute
526	Renew	563	Rural Councils Victoria
527	Safe and Equal	564	Name withheld
528	Ms Jeanette McRae	565	Labor for Housing
529	Australian Housing and Urban Research Institute (AHURI)	566	Mull Pty Ltd t/a Benalla Residential Rural Real Estate
530	Guenter Sahr	567	Master Builders Association of Victoria
531	Wellsprings for Women	568	Benjamin Anderson
532	Victorian Forest Products Association	569	Name withheld
533	Swan Hill Rural City Council	570	Ms Tara Burnett
534	Name withheld	571	Name withheld
535	Name withheld	572	Confidential
536	Name withheld	573	Name withheld
537	Name withheld	574	Greater Dandenong City Council
538	Name withheld	575	Dr John Iser
539	Name withheld	576	Name withheld
540	Mr Andrew Cerini	577	Ms Roberta Buchanan
541	Confidential	578	Ms Monica Balaz
542	Parul Sen	579	Mr Theo Della Bosca
543	Confidential	580	Name withheld
544	Name withheld	581	Name withheld
545	Property Council of Australia	582	Ms Isabella Doran
546	Business Council of Co-operatives and Mutuals (BCCM)	583	Mr Jesse Ivory
547	Name withheld	584	Name withheld
548	Accommodation Australia (Victoria)	585	Anika Legal
549	Name withheld	586	Confidential
550	Name withheld	587	Name withheld
551	Name withheld	588	Perrin Date

589	Name withheld	627	Mr Cameron Frew
590	AIR BNB	628	Yarra Ranges Shire Council
591	Mr Tarek Bieganski	629	Name withheld
592	Name withheld	630	Cohealth
593	Mr Alexander Peerman	631	Mr Jason Thomasse
594	Name withheld	632	Ms Jillian Warne
595	Name withheld	633	Ms Scarlett Davey
596	Mr Mark Kessel	634	Name withheld
597	Ms Geraldine Chapman	635	Name withheld
598	Jacinda Liau	636	Name withheld
599	Mr Aidan Priest	637	Anglican Aged Care Services Group T/A Benetas
600	Name withheld	638	Adaraya Lloyd
601	Name withheld	639	Confidential
602	Ms Emilie Flynn	640	Confidential
603	Ms Erin Lewis	641	Asthma Australia
604	Name withheld	642	Mr Matthew McDonald
605	Dr Duncan Rouch	643	Miss Kat Crowley
606	Victorian Aboriginal Child Care Agency	644	Name withheld
607	TaskForce Community Agency	645	Bendigo Real Estate Pty Ltd
608	Ms Yolande van Oosten	646	Real Estate Institute of Victoria
609	Miss Kimberley Webber	647	Novus
610	Mr Angelo Ozella	648	Mr Tam Richards-Matlakowski
611	Name withheld	649	Name withheld
612	Name withheld	650	Better Renting
613	Dave Thompson	651	Name withheld
614	Miss Laura Trenerry	652	Mr John and Lesley Visser
615	Miss Louise Davison	653	Confidential
616	Mr Sean Burrows	654	Miss Yohanna Wibhakti
617	Haven Home Safe	655	Property Investors Council of Australia
618	Kate Brimacombe	656	Name withheld
619	Ms Alexandra Flynn	657	Mr Mark Baker
620	Mr Jesse Cameron	658	Miss Brooke Hutchinson
621	Ms Angelique Zabelle	659	Name withheld
622	The Salvation Army Australia	660	Name withheld
623	Northern Homelessness Network	661	Claudia Gallois
624	Mr Leo Mancini	662	Ms Mitchell Alexander
625	Name withheld	663	Sustainable Population Australia Victoria and Tasmania Branch
626	Mr Travis Jordan		

664	Name withheld	702	Name withheld
665	Mr Robert Kozlovski	703	Ms Madeline Blair
666	Miss Teresa Kervin	704	Arlo Murfett
667	Ms Liv Bradfield	705	Name withheld
668	Name withheld	706	Name withheld
669	Mrs Imogen Armstrong-Orr	707	Name withheld
670	Mr Stuart Baker	708	Confidential
671	Name withheld	709	Hepburn Shire Council
672	Mrs Suzanne Wicks	710	Name withheld
673	Name withheld	711	Name withheld
674	Name withheld	712	Mr Lawrie De La Rue
675	Name withheld	713	Ms Gemma Dawes
676	Name withheld	714	Name withheld
677	Helen Travers	715	Name withheld
678	Miss Alexandra Paine	716	Name withheld
679	Name withheld	717	Global Property Enterprises Pty Ltd T/A Schroeder & Wallis
680	Mrs Joanne Vetos	718	Name withheld
681	Name withheld	719	Name withheld
682	Name withheld	720	Mr John Wallis
683	Name withheld	721	Hamish Lindsay
684	Name withheld	722	Ben Specht
685	Miss Monique Forbes	723	Mr Ange Kenos
686	Name withheld	724	Gemma Randall
687	Regional Cities Victoria	725	Miss Ash Philips
688	Name withheld	726	Name withheld
689	Mr Dave Saunders	727	Rebecca Staple
690	Name withheld	728	Name withheld
691	Hiero Badge	729	Mrs Alyce Rollason
692	Mr Tom Dong	730	Ms Sabrina Gray-Viggiano
693	Name withheld	731	Name withheld
694	Name withheld	732	Name withheld
695	Ms Hazel Kearns-Rees	733	Name withheld
696	Mr Heung Hui	734	Name withheld
697	Debra White	735	Name withheld
698	Ms Rachel McKenna	736	Confidential
699	Name withheld	737	Miss Paris Williment
700	Healthy Homes for Renters	738	Name withheld
701	Dr Margaret Mayhew		

739	Name withheld	777	Name withheld
740	Name withheld	778	Name withheld
741	Name withheld	779	Name withheld
742	Name withheld	780	Name withheld
743	Name withheld	781	Ms Phoebe Browne
744	Name withheld	782	Frankston Zero
745	Mrs Sreynearth Chim	783	Name withheld
746	Name withheld	784	Name withheld
747	Name withheld	785	Ms Rylie Sanderson
748	Confidential	786	RYVE Property Services
749	Mr Casey McAneny	787	Miss Ashleigh Taulor
750	Miss Ella Lucas	788	Name withheld
751	Name withheld	789	Name withheld
752	Miss Darcy Smith	790	Miss Nirmala Watts
753	Miss Lilie Paxton-White	791	Miss Alice Wright
754	Ms Kaity Cooper	792	Name withheld
755	Name withheld	793	Mr Wei Huang
756	Ms Tizzie Diamond	794	Name withheld
757	Miss Bell Salvatore	795	Name withheld
758	Ms Samantha Burton	796	Lachlan Tong
759	Mr Alexander Davies	797	Name withheld
760	Ms Meaghan Sinclair	798	Name withheld
761	Name withheld	799	Mr Daniel McCormack
762	Name withheld	800	Confidential
763	Name withheld	801	Name withheld
764	Name withheld	802	Name withheld
765	Name withheld	803	Name withheld
766	Miss Bridget Slater	804	Mr Perrin Hoyle
767	Name withheld	805	Name withheld
768	Mr James Murdoch	806	Ms Rose Hallam
769	Confidential	807	Miss Nikola Guzys-McAuliffe
770	Mr Angus Logue	808	Name withheld
771	Name withheld	809	Miss Danielle Braun
772	Name withheld	810	Name withheld
773	Name withheld	811	Mr Nicholas Robinson
774	Miss Greer Dalrymple	812	Name withheld
775	Ms Lucille Piper	813	Mr Alan Barlee
776	Name withheld	814	Miss Tayla Murray

815	Mr Daniel Cameron	853	Miss Emily Chadbourne
816	Name withheld	854	Name withheld
817	Ms Tess Spillane	855	Name withheld
818	Hayden Hearne	856	Miss Selina Droessler
819	Confidential	857	Name withheld
820	Name withheld	858	Name withheld
821	Mr Guy Webster	859	Name withheld
822	Mrs Casey Wemyss	860	Miss Ashleigh Eaves
823	Regional Housing Victoria	861	Name withheld
824	Name withheld	862	Mrs Keely Stevens
825	Name withheld	863	Name withheld
826	Name withheld	864	Miss Areka Brown
827	Tenants Victoria	865	Mr Malcolm Rust
828	Ms Ashley Sutherland	866	Name withheld
829	Miss Georgia McKenzie	867	Confidential
830	Dr Michael Schumacher	868	Name withheld
831	Name withheld	869	Name withheld
832	Ms Sam Montalvo	870	Name withheld
833	Name withheld	871	Miss Abigail Keeley
834	Miss Emily Windred	872	Name withheld
835	Name withheld	873	Name withheld
836	Ms Sylvie Goetz	874	Confidential
837	Name withheld	875	Name withheld
838	Ms Ellen Holdway	876	Name withheld
839	Name withheld	877	Name withheld
840	Name withheld	878	Name withheld
841	Orygen	879	Name withheld
842	Name withheld	880	Name withheld
843	Sarah Edmonds	881	Miss Toni Phillips
844	Name withheld	882	Confidential
845	Name Withheld	883	Name withheld
846	Name withheld	884	Name withheld
847	Name withheld	885	Ms Carmah Tregenza
848	Name withheld	886	Mr Thomas Santilli
849	Mrs Sheray White	887	Dr Yuchen Pei
850	Mrs Jessica Barr	888	Name withheld
851	Name withheld	889	Name withheld
852	Name withheld	890	Name withheld

891	Miss Sarah Edwards	921	RACV
892	Name withheld	922	Community Housing Industry Association Victoria
893	Name withheld	923	Joint Submission – Authors: Priya Kunjan, Libby Porter and David Kelly RMIT
894	Ms Taaryn Wright	924	Deakin Student Legal Service
895	Max Brown Real Estate Group	925	Per Capita, Centre for Equitable Housing
896	Tnealle Worsley	926	Western Homelessness Network
897	Name withheld	927	Gippsland Homelessness Network
898	Centre for Excellence in Child and Family Welfare	928	Rethink Warburton Mountain Bike Destination
899	Name withheld	929	Oz Gentrification
900	Name withheld	930	Inner Melbourne Community Legal
901	Ms Gemma Morgain	931	Australian Institute of Architects
902	Ms Michelle Tyrrell	932	Cohousing Australia
903	Name withheld	933	Mornington Peninsula Shire
904	Trimson Partners	934	Council to Homeless Persons
905	Ms Jordan Smith	935	Strata Community Association (SCA)
906	Miss Lauren Fawcett	936	Victorian Council of Social Services (VCOSS)
907	Dr Tehmina Khan	937	McKell Institute
908	Ms Christine Miller	938	Municipal Association of Victoria
909	Name withheld	939	Housing All Australians
910	Mr David Ingram	940	Gabrielle de Vietri
911	Miss Madeline Theodore	941	Council of Single Mothers and their Children
912	Name withheld	942	Federation of Community Legal Centres
913	Dr Angela Ballard	943	East Gippsland Shire Council
914	Sumarlinah Winoto	944	Expedia Group
915	Joint Submission-authoring organisations: Assemble, Nightingale and Super Housing Partnerships	945	Australian Short-Term Rental Accommodation (ASTRA)
916	COTA Victoria	946	Victorian Government
917	Launch Housing	947	Parliamentary Budget Office (PBO)
918	Mildura Rural City Council	948	Mallee District Aboriginal Services
919	Anjie Kortman		
920	Jon Stark		

## A.2 Public hearings

### Tuesday, 8 August 2023

Via Zoom

Name	Title	Organisation
Daniel McCormack		Renter
Jillian Warne		Renter
Shaye Topaz		Renter
Sarah Edwards		Renter
Neal Taylor		Renter
Mark Jenkins	Interim General Manager, Strategy and Growth	Mildura Rural City Council
Vincent Wilson	Chief Executive Officer, Mallee Accommodation and Support Program	Mildura Rural City Council
Heather Green	Director, Development and Planning	Swan Hill Rural City Council
Bradley Thomas	Chief Executive Officer	Hepburn Shire Council
Steve Dunn	Director	Regional Housing Victoria
Cr Mary-Ann Brown	Chair	Rural Councils Victoria
Cr Andrea Metcalf	Chair	Regional Cities Victoria

### Tuesday, 22 August 2023

Davui Room, 55 Saint Andrews Place, East Melbourne, 3002

Name	Title	Organisation
Michelle Tyrrell		Metropolitan Renters
Wren Pleasant		Metropolitan Renters
Alison Cooke		Metropolitan Renters
Felicity Walls		Metropolitan Renters
Tim Connors		Metropolitan Renters
Christine Miller		Metropolitan Renters
Tarek Bieganski		Metropolitan Renters
Angela Ballard		Metropolitan Renters
Erin Buckley		Metropolitan Renters
Teresa Kervin		Metropolitan Renters
James Drinias		Metropolitan Renters
Peter Johnstone	Coordinator Community Advocacy	Greater Dandenong City Council

Name	Title	Organisation
Brett Jackson	Manager Strategic & Environmental Planning	Greater Dandenong City Council
Cr Steve Holland	Mayor	Mornington Peninsula Shire
Cr Chris Munro	Manager Community Partnerships	Mornington Peninsula Shire
Kelly Wilson	Social Planning Officer	Mornington Peninsula Shire

## Wednesday, 23 August 2023

Davui Room, 55 Saint Andrews Place, East Melbourne, 3002

Name	Title	Organisation
Jennifer Beveridge	Chief Executive Officer	Tenants Victoria
Amy Frew	Director of Client Services and Principal Lawyer	Tenants Victoria
Farah Faroque	Directory Community Engagement	Tenants Victoria
Joel Dignam	Executive Director	Better Renting
J.R Hewitt	Media and Communications Advisor	Renters and Housing Union
Harry Millward		Renters and Housing Union
Jess Pomeroy	Acting Chief Executive Officer	Community Housing Industry Association
Katelyn Butterss	Chief Executive Officer	Victorian Public Tenants Association
Emma Telfer	Chief Operating Officer	Assemble
Nemesia Kennett	Executive Head of Development	Nightingale Housing
Professor Libby Porter	Professor of Urban Planning	Centre for Urban Research, RMIT
Isabelle Butler	Senior Lawyer	University of Melbourne Student Union
Louisa Gibbs	Chief Executive Officer	Federation of Community Legal Centres
Jenny Davidson	Chief Executive Officer	Council of Single Mothers and their Children
Jacqui Ng	Support Service Coordinator	Council of Single Mothers and their Children
Sarah Gafforini	Director, Office of the CEO	Victorian Aboriginal Child Care Agency
Sam Floreani	Program Lead	Digital Rights Watch
Emma Bacon	Executive Director	Sweltering Cities
Sophie Emdar	Community Campaigner	Sweltering Cities
Ben Rogers	Manager of Policy and Advocacy	Council of the Aged
Fiona York	Executive Officer	Housing of the Aged and Action Group

## Tuesday, 19 September 2023

Davui Room, 55 Saint Andrews Place, East Melbourne, 3002

Name	Title	Organisation
Lachlan Simpson		Rental Provider
Geoffrey Tonks		Rental Provider
Ange Kenos		Rental Provider
Carmen Litley		Wyndham Property Management
Jessica Barr	Executive Director, Victoria	Harcourts, Warragul
Quentin Kilian	Chief Executive Officer	Real Estate Institute of Victoria
Sarika Bhalla	Marketing & Communications Manager	Real Estate Institute of Victoria
Tim Graham	Vice President	Strata Community Association (SCA)
Ben Kingsley	Chair	Property Investors Council of Australia
Cath Evans	Executive Director	Property Council of Australia
Andrew Lowcock	Deputy Executive Director	Property Council of Australia
Sean Ryan	Senior Director, Development	Greystar Australia
Michael King	Transactions Manager	Novus
Reece Agland	Policy and Advocacy Manager	Australian Institute of Architects
Rob McGauran	Director MGS Architects	Australian Institute of Architects
Michaela Lihou	Chief Executive Officer	Master Builders Association of Victoria
Diana Dajcman	Policy Advisor	Master Builders Association of Victoria

## Tuesday, 10 October 2023

Davui Room, 55 Saint Andrews Place, East Melbourne, 3002

Name	Title	Organisation
Robert Pradolin	Founder	Housing all Australians
Damien Patterson	Policy and Advocacy Officer	Council to Homeless Persons
Jody Letts	Lived Experience Advocate	Council to Homeless Persons
Joseph Moloney	Senior Associate	Grattan Institute
Brendan Coates	Economic Policy Program Director	Grattan Institute
Peter Tulip	Chief Economist	Centre for Independent Studies
Matthew Lloyd-Cape	Director	Per Capita, Centre for Equitable Housing
Rebecca Thistleton	Executive Director	McKell Institute
Professor Terry Burke		Swinburne University
Jonathan O'Brien		YIMBY Melbourne
Don Holloway		YIMBY Melbourne

<b>Name</b>	<b>Title</b>	<b>Organisation</b>
Linda Seaborn	Co-operative Housing Lead	Business Council of Co-operatives and Mutuals
Richard Thomas	CEHL General Manager, Housing and Asset Services	Business Council of Co-operatives and Mutuals
Eacham Curry	Senior Director, Government & Corporate Affairs, Asia-Pacific	Expedia Group
Will Creedon	Director, Founder and Chief Executive Officer of Alloggio	Australian Short Term Rental Accommodation Association
Xavier Rimmer	Acting Parliamentary Budget Officer	Parliamentary Budget Office
Ross Hutchings	Acting Director of Policy Analysis and Advice	Parliamentary Budget Office
Nicole Rich	Director	Consumer Affairs Australia
Simon Newport	Chief Executive Officer	Homes Victoria



# Extracts of proceedings

Legislative Council Standing Order 23.27(5) requires the Committee to include in its report all divisions on a question relating to the adoption of the draft report.

All Members have a deliberative vote. In the event of an equality of votes, the Chair also has a casting vote.

The Committee divided on the following questions during consideration of this report. Questions agreed to without division are not recorded in these extracts.

Following the amendments made below, the Finding and Recommendation numbers noted in the extracts may no longer align with the numbers in the final report.

## Committee meeting – 9 November 2023

### Chapter 1

Aiv Puglielli moved that in Chapter 1, section 1.3, delete bullet point 4, “Social housing”, and replace with:

“Demolishing Victoria’s remaining public housing towers and replacing them with private and social housing”.

#### The question was put. The Committee divided.

Ayes	Noes
Aiv Puglielli	Trung Luu
	Ryan Batchelor
	Rachel Payne
	Matthew Bach
	Lee Tarlamis
	Michael Galea
	Joe McCracken

#### The question was negatived.

Michael Galea moved that, in Chapter 1, section 1.5, after “Professor Terry Burke” insert the phrase:

“, in a submission to the Inquiry supplied prior to the release of the Government’s Housing Statement,”.

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Trung Luu
Michael Galea	Rachel Payne
Lee Tarlamis	Aiv Puglielli
	Joe McCracken
	Matthew Bach

**The question was negatived.**

Aiv Puglielli moved that, in Chapter 1, section 1.5, a new Recommendation be inserted, stating:

“RECOMMENDATION X: That the Victorian government investigate enshrining the right to housing in the Victorian Charter of Human Rights, including considering advice from the Victorian Human Rights Commissioner.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Ryan Batchelor	Joe McCracken
Michael Galea	Matthew Bach
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Aiv Puglielli moved that, in Chapter 1, section 1.5, a new Recommendation be inserted stating:

“RECOMMENDATION X: That the Victorian government legislate the goal to end homelessness by 2030.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

### Chapter 3

Aiv Puglielli moved that, in Chapter 3, section 3.3.4, a new line be added after the sentence ending “households”, stating:

“While the Planning and Environment Act defines the cohort for which affordability should be considered it does not specify how to calculate affordability, leaving planning schemes and developers to decide which factors to include, and taking into account factors unrelated to a person’s ability to pay for housing, such as location, quality, and market competition.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that, in Chapter 3, section 3.3.4, a new Recommendation be inserted, stating:

“RECOMMENDATION X: Set a precise definition of ‘affordable’ in legislation that requires rent or purchase prices that are significantly below housing stress levels.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

## Chapter 4

Aiv Puglielli moved that, in Chapter 4, section 4.2.3, a new line be added after the quote ending “vital initiative”, stating:

“However, the NIMBYism argument is frequently used to deflect blame from state government for its failure to build enough public housing, towards councils. Data collected by The Age shows the municipalities criticised for their NIMBYism approve the vast majority of applications that come before them.

Merri-bek, which has been attacked by the burgeoning YIMBY movement for knocking back an apartment block by boutique developer Nightingale, approved 88 per cent of the 6644 planning applications received over the past five financial years to 2022, resulting in more than 15,000 new dwellings.

The City of Yarra is also frequently labelled a NIMBY council, despite evidence showing that it approved 98% of planning applications it received over the past 4 years, and together with the City of Melbourne and Port Phillip, accommodates almost half of the new housing development in established suburbs in Victoria.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Ryan Batchelor moved that, in in Chapter 4, section 4.2.3, a new line be added under the sub-heading “New designs, new ways of living”, stating:

“The Committee notes in 2021 that the City of Yarra voted to oppose a new social housing development in the municipality.”

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Trung Luu
Michael Galea	Joe McCracken
Lee Tarlamis	Rachel Payne
Matthew Bach	Aiv Puglielli

**The Ayes and Noes being equal, the Chair gave his casting vote with the Noes. The question was negated.**

Ryan Batchelor moved that in Chapter 4, Section 4.3, to delete: “FINDING 8, The majority of discourse about housing focuses on supply issues, whereas evidence suggests there should be equal emphasis on investigating ways of reducing demand.”

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Trung Luu
Michael Galea	Joe McCracken
Lee Tarlamis	
Matthew Bach	
Rachel Payne	
Aiv Puglielli	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 4, Section 4.5.1, replacing the following:

“Concomitant with these thoughts were arguments about the predominant class of rental providers, small investors. The ‘greedy landlord’ was a recurrent theme through many of the individual submissions to this Inquiry. The theme pointed not only...”

with

“On average landlords have raised rents at a much faster rate than wages and inflation, in the year to September 2023 rents in Victoria have increased 5.8% and nationally 7.6%. (ABS). Under current regulations for uncapped rental price increases, many submitters have suggested that landlords have taken the opportunity of low vacancy and high competition to raise rents, despite any wealth disparity with their tenants and regardless of hardship that could the tenant could face. Submissions pointed...”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Matthew Bach
Trung Luu	Joe McCracken
Ryan Batchelor	
Michael Galea	
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 4, section 4.5.1, adding a new line after the sentence ending “nation of renters”, stating:

“Further, it is not certain whether an increase in build-to-rent options will positively impact rental affordability, especially for low to moderate income earners. Build-to-rent complexes tend to offer rental properties for higher income earners, typically at about 20% above market rate. This model also has the risk of further concentrating wealth and power in the hands of large corporate investors and developers, making the imbalance between tenants and landlords even greater.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 4, section 4.5.2, adding a new line after the sentence ending “reducing investment in building new publicly owned housing (see Chapter 2)”, stating:

“The state government’s proposed demolition of all 44 of Victoria’s public housing towers will further exacerbate this issue. Over the next 28 years, almost 7000 public homes will be demolished, with no proposed new public housing. During the process public housing tenants will be shifted into vacant public, community or private housing stock, while those waiting on the Victorian Housing Register will be less and less likely to be allocated a public home at all. While the government plans include increased housing stock on this public land, 95% of the additional stock will be private market-rate apartments.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

## Chapter 5

Aiv Puglielli moved that in Chapter 5, section 5.3, delete “RECOMMENDATION 3: That the Victorian Government review the minimum rental standards to address the year-round liveability of rental properties. This review should consider best practice options which are energy efficient and cost-effective for rental providers.”

and replace with:

“RECOMMENDATION X: That the Victorian Government legislate higher minimum standards to increase the year-round liveability and cost-efficiency of rental properties, taking into account the impacts of the worsening climate crisis. This should include energy efficiency, cooling, better heating and removal of gas appliances.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 5, section 5.3, that a new Recommendation be inserted, stating:

“RECOMMENDATION X: That the Victorian Government undertake an independent review of the factors, effects and solutions to possible discrimination in the rental application process for Victorian properties.”

**The question was put. The Committee divided.**

Ayes	Noes
Trung Luu	Joe McCracken
Ryan Batchelor	Matthew Bach
Michael Galea	
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Ryan Batchelor moved that in Chapter 5, section 5.4.2, a new Recommendation be inserted, stating:

“RECOMMENDATION X: The Victorian Government, as announced in the *Housing Statement*, urgently implement its new policy to better protect renters privacy and data by limiting the information agents or landlords can keep on file, store and how long they can keep it for.”

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Joe McCracken
Michael Galea	
Lee Tarlamis	
Rachel Payne	
Aiv Puglielli	
Trung Luu	
Matthew Bach	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 5, section 5.5, add a new line after the sentence ending “rental providers for multi-year leases”, stating:

“The Committee notes in the below contributions the evident impacts of the power imbalance between renters and rental providers/agents/managers, particularly in relation to lease length negotiation (if any negotiation is present).”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Ryan Batchelor	Matthew Bach
Michael Galea	Joe McCracken
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 5, Section 5.5, add a new line after the sentence ending “control over their rental agreements”, stating:

“The Committee notes the resounding message from the submissions from renters and advocacy groups that introduced regulation and legislation of rental accommodation must take into account the inherent power imbalance between the property asset-owning rental providers and renters (the vast majority of which are without property assets and the safety net they provide).”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Ryan Batchelor	Matthew Bach
Michael Galea	Joe McCracken
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 5, section 5.5, a new Recommendation be inserted stating:

“Recommendation X: That the Victorian Government introduce legislation to amending the Residential Tenancies Act to:

- prevent no-grounds notices to vacate, even where notice is given, and even at the end of a lease,
- ensure that tenants cannot be given a notice to vacate on the grounds that the property is being sold,
- ensure that if a notice to vacate is issued for the owner or a family member to move in, that the property cannot be leased again for a period of two years after the tenant has vacated,

- allow renters to terminate a lease with 30 days’ notice, and
- ensure renters are given the option of a secure 5-year lease unless a shorter lease is warranted and justified.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negated.**

## Chapter 6

Aiv Puglielli moved that in Chapter 6, section 6.3.3, a line be added to the end of the sentence, “In the Committee’s view, the minimum rental standards in Victoria are not onerous for rental providers to implement”, stating:

“and do not as some claim favour renters over rental provider.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
Ryan Batchelor	Joe McCracken
Michael Galea	
Lee Tarlamis	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 6, section 6.3.5, to omit the sentence: “Although rental freezes provide obvious benefits to renters, the Committee believes that they should only be considered as a short-term solution in extreme times, such as in Victoria during the COVID-19 pandemic.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.3.5, inserting a line are the sentence ending, “from rental stress”, stating:

“The Committee rejects any assertion that a landlord has an inherent right to profit, year after year, from their investment. Such a right to profit does not exist in other asset classes and is inappropriate as a concept in the face of a rental and housing crisis.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Joe McCracken
	Matthew Bach
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.5.3., to replace the line:

“However, there is inconsistent evidence on the long-term efficacy of rental caps, both generally and in jurisdictions where a fairness formula is currently applied”,

with:

“There is also, however, an abundance of evidence provided to this Committee that the status quo in Victoria is failing.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.5.3., to delete the lines from the sentence beginning, “As such, the Committee has not made a recommendation for rental control in Victoria”, up to and including Recommendation 8, and replace with a new Recommendation, stating:

“Recommendation X: Introduce an urgent temporary rent freeze to give renters immediate relief from rent rises, followed by permanent rent caps of 2% every 24 months.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, at the end of section 6.5.3, a new Recommendation be inserted stating:

“RECOMMENDATION X: Introduce an urgent temporary rent freeze while the Victorian Government devises the best formula for permanent rent caps to be introduced at the end of the rent freeze period.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Puglielli moved that in Chapter 6, at the end of section 6.5.3, a new recommendation be inserted stating:

“RECOMMENDATION X: That the Victorian Government introduces a ‘fairness formula’ into the Residential Tenancies Act that would set maximum allowable rent increases based on size, quality and location of a rental property.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, at the end of section 6.5.3, a new finding be inserted stating:

“FINDING X: The Committee notes that in the absence of rent controls, rental providers will continue to increase rents by unrestricted amounts.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Ryan Batchelor moved that in Chapter 6, section 6.6.1, “to delete Recommendation 9 and insert recommendation”:

“RECOMMENDATION X: That the Victorian Government undertake a review of relevant government agencies (including Consumer Affairs Victoria) enforcement functions and associated penalties for non-compliance with the goal to improving compliance in the rental system.”—

Aiv Puglielli moved to amend the amendment to omit “delete Recommendation 9 and”.

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

**The question was put on the original amendment. The Committee divided.**

Ayes	Noes
Trung Luu	Aiv Puglielli
Matthew Bach	
Joe McCracken	
Ryan Batchelor	
Michael Galea	
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: The State Government amend the Residential Tenancies Act to reverse the onus when it comes to rent increases. This means that rather than tenants having to request a review by Consumer Affairs, or take their landlord to VCAT, the burden of proof would be on landlords to prove that a rent increase above a certain amount is reasonable and warranted.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: The State Government amend the Residential Tenancies Act to reverse the onus onto landlords when it comes to disputing a basic repair or maintenance, or meeting minimum standards. This would enable tenants to have basic repairs and maintenance carried out on their home at the cost of the landlord, via a “minimum standards” regulatory body. This means that rather than tenants having to take their landlord to VCAT to have minimum standards met or basic repairs approved, the burden of proof would be on landlords to dispute that works are not reasonable or warranted.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: The State Government amend the Residential Tenancies Act to reverse the onus when it comes to bond disputes so that bonds are returned automatically, unless landlords can prove there is a valid reason to withhold it.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: The State Government devise a ‘minimum standards’ enforcement body designed to ensure that rental properties meet existing standards.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: That the Victorian Government adequately fund free, accessible legal support for renters.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: That the Victorian Government introduces mandatory listing timeframes for all rental matters at the relevant administrative review tribunal.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.6.1, a new recommendation be inserted stating:

“RECOMMENDATION X: That the Victorian Government strengthens Consumer Affairs Victoria to investigate and enforce breaches by landlords, property managers and real estate agents.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 6, section 6.7.1, to delete the following line from Recommendation 10: “Alternatively, a certification system could be created for businesses who provide assessments of rental properties.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

## Chapter 7

Aiv Puglielli moved that in Chapter 7, at the beginning of section 7.2, to delete the sentence, “For many, an ideal housing market is one which provides people choice. Choice to buy, or choice to rent”, and insert:

“For many, the ideal housing market is one where anyone can afford a safe, appropriate and secure place to live that is close to their work, school and community.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Joe McCracken
Rachel Payne	
Ryan Batchelor	
Michael Galea	
Lee Tarlamis	
Trung Luu	
Matthew Bach	

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, at the end of section 7.3.1, to insert the line: “The housing crisis could represent one such situation, and as such a short-term, temporary rent freeze would be appropriate, followed by permanent regulations to prevent further unlimited rent rises.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Ryan Batchelor moved that in Chapter 7, section 7.3.2, to delete Recommendation 14 and replace with:

“RECOMMENDATION X: The Victorian Government should review first home buyer supports to ensure they are effective and well targeted towards improving home affordability.”

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Trung Luu
Michael Galea	Matthew Bach
Lee Tarlamis	Joe McCracken
Rachel Payne	Aiv Puglielli

**The Ayes and Noes being equal, the Chair gave his casting vote with the Noes. The question was negated.**

Aiv Puglielli moved that in Chapter 7, section 7.3.2, to delete Recommendation 14 and replace with:

“RECOMMENDATION X: That the Victorian Government discontinue its First Home Owners Grant and transfer the funding to the provision of public housing.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negated.**

Aiv Puglielli moved that in Chapter 7, at the end of section 7.3.2, to delete from Recommendation 14 the line: “and transfer the funding to the Private Rental Assistance Program.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Matthew Bach	Ryan Batchelor
Joe McCracken	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negated.**

Aiv Puglielli moved that in Chapter 7, at the end of section 7.3.2, to add a line after the sentence ending, “depressed market following COVID-19”, stating:

“However, since 30 June 2018, and despite the ambition of the Big Housing Build, the state government has increased the net number of social homes by just 74 units in four years.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Matthew Bach	Ryan Batchelor
Joe McCracken	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, section 7.3.4, to delete Recommendation 17 and replace with:

“RECOMMENDATION X: Introduce mandatory inclusionary zoning in private developments to include a minimum of 30% public and affordable housing in new developments of 15 or more homes across the state.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, section 7.3.6, to delete Recommendation 18 and replace with:

“RECOMMENDATION X: That the Victorian Government develops legislation to ensure that the build-to-rent sector provides genuinely affordable housing for households on low to moderate incomes.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, at the end of section 7.3.6, to delete “RECOMMENDATION 19: That the Victorian Government amend s 32 of the *Subdivision Act 1988* replacing ‘unanimous resolution’ with ‘special resolution’.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negatived.**

Ryan Batchelor moved that in Chapter 7, at the end of section 7.3.7, to delete the line, “At the time of writing, it was not clear if the Government’s proposed tax changes would act as a ‘double tax’ in local government areas where higher rates on vacant land already apply”,

and to delete, “RECOMMENDATION 20: That the Victorian Governments ensures its expanded Vacant Residential Land Tax does not act as a ‘double tax’ on landowners in metropolitan Melbourne.”

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Trung Luu
Michael Galea	Matthew Bach
Lee Tarlamis	Joe McCracken
Rachel Payne	
Aiv Puglielli	

**The question was agreed.**

Aiv Puglielli moved that in Chapter 7, section 7.3.2, to insert a new Recommendation, stating:

“RECOMMENDATION X: That the government increase the vacancy tax rate to 3% and increase compliance with an opt-out system rather than the current self-declaration system.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis
	Rachel Payne

**The question was negated.**

Mr McCracken moved that in Chapter 7, at the end of section 7.4.1, a new finding be inserted, stating:

“FINDING X: Evidence provided reveals that the time taken to obtain relevant permits and approvals causes significant delays in bringing housing developments to fruition.”

**The question was put. The Committee divided.**

Ayes	Noes
Trung Luu	Aiv Puglielli
Matthew Bach	
Joe McCracken	
Ryan Batchelor	
Michael Galea	
Lee Tarlamis	
Rachel Payne	

**The question was agreed.**

Mr McCracken moved that in Chapter 7, at the end of section 7.4.1, a new recommendation be inserted stating:

“RECOMMENDATION X: As a matter of urgency, the Victorian Government commit to:

- Improving planning processing times
- Clearing the backlog of planning approvals currently under consideration” —

Mr Pugleilli moved to insert at the end of the amendment:

“appropriate penalties applied to the practice of land banking.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negated.**

The original amendment carried on the voices.

Ryan Batchelor moved that in Chapter 7, section 7.4.6, a new line be inserted after the quote ending “activity centres”, stating:

“This commitment to recruit 90 new planners has been followed through upon with the launch of a recruitment campaign on the 31st October 2023.”

**The question was put. The Committee divided.**

Ayes	Noes
Ryan Batchelor	Trung Luu
Michael Galea	Matthew Bach
Lee Tarlamis	Joe McCracken
	Aiv Puglielli
	Rachel Payne

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, section 7.5.1, that in Recommendation 24, which states:

“RECOMMENDATION 24: That the Victorian Government commits to building 60,000 new social housing dwellings by 2034, with 40,000 completed by 2028.”

the word “social” be changed to “public”.

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, section 7.5.1, a new recommendation be inserted, stating:

“RECOMMENDATION X: That the state government stop the demolition of Victoria’s 44 public housing towers and instead repair and maintain existing stock.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, section 7.5.1, a new Recommendation be inserted, stating:

“RECOMMENDATION X: That the Victorian Government remove the definition of “social” housing as an umbrella term referring to public and community housing, and require the government and industry refer to different housing types accurately and transparently.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 7, section 7.6, to insert new lines at the end of Recommendation 25, stating:

“What is best practice model for introduction of rent controls in Victoria?

How can Government ensure there is reforms to negative gearing and capital gains tax discounts to ensure owner occupiers are not disadvantaged when buying a home?

How can Government ensure long-term funding for significant public housing maintenance and building is achieved?”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

## Chapter 8

Aiv Puglielli moved that in Chapter 8, section 8.2, the paragraph “As the size of the short-stay rental accommodation industry is not consistent statewide assessing, and responding to, its impact on the wider rental market cannot be done at the state level”, be replaced with:

“As the significant presence of the short stay rental accommodation industry is not consistent statewide, assessing and responding to its impact on the wider housing market requires a nuanced approach to consider a range of potential measures to ensure best community outcomes, as well as offer capacity to improve housing affordability in relation to local supply and demand factors.”

**The question was put. The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.2.2., the paragraph:

“The Committee wishes to make it clear that most short-stay hosts and guests do the right thing. Parliamentary inquiries typically generate evidence which focuses on negative experiences to articulate areas where laws and regulations can be strengthened to improve systemic issues. However, Victorians’ tolerance of bad behaviour is quickly decreasing suggesting the Victorian Government will soon need to act.”

be replaced with:

“The Committee notes that Parliamentary inquiries often attract evidence which highlights negative experiences to articulate areas where laws and regulations can be strengthened to improve systemic issues. Nonetheless, the provision of evidence regarding short stays from a cross-section of the community correlating on the need for further regulations highlights that the status quo cannot continue and that State and Local governments have a responsibility to address these concerns.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.2.2., Finding 19 be deleted and replaced with:

“The behaviour of guests using short-stay rental accommodation is a specific point raised across the broad spectrum of related submissions, despite not being explicitly referred to within the Inquiry’s Terms of Reference. From this provided evidence, the Committee advises the Victorian Government that this appears to be a growing problem likely warranting new coordinated regulation or legislation between State and Local governments, such as empowering owner’s corporations to decide whether or not to allow short-stay rental accommodation in their buildings. Further, the Committee notes that it is essential that both short stay providers and guests utilising these services receive the same due scrutiny when considering legislative options.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.3., a new line be inserted after the sentence ending “regulatory environment”, stating:

“The Committee notes the breadth of submissions to this Inquiry which have regarded the current regulations as ineffective or effectively non-existent, particularly from individual community members i.e. renters and property owners.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.4.3, a line be inserted at the end of the sentence ending “only ‘works to a degree’, stating:

“, as has been similarly noted as an enforcement issue relating to other voluntary regulatory measures in the housing market, such as the State’s current voluntary vacancy tax.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.4.4, a line be inserted after the quote ending “area in some way”, stating:

“The Committee notes that the final line of the above contribution refers to licence freezes and/or bans in key areas (i.e. oversaturated districts) as present in International Comparisons Figure 8.2 of this Chapter, and is noted by the Committee as a separate potential policy solution.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Ryan Batchelor moved that in Chapter 8, section 8.4.5, to delete the sentences:

“However, rather than allocating 25% of the revenue raised to regional Victoria, the Committee believes the revenue raised in each local government area should be spent on housing in that area. This is a natural conclusion arising from the Government’s view about the link between short-stay and long-term accommodation.”

and replace with:

“and that revenue from this levy will be provided to Homes Victoria to spend on the building and maintaining of social and affordable housing in Victoria, with 25 per cent of the funds to be invested in regional Victoria.

In response to questions about the impact of this new funding from the short stay levy, the CEO of Homes Victoria told the inquiry that: ‘we know that there is a longstanding issue with regard to funding in social housing for genuine asset management long term, so we would like to be able to devote it to that if we could.’

Mr Newport also said that ‘If [funds from the levy] takes pressure off the asset management processes in terms of the amount of money that we can spend on asset upgrade and prolonging the use of some assets, it does make a significant difference. Each asset is different, and each asset has structural and other issues long term. But the fact is, as I said, having a flow of funds that we can devote towards long-term asset management will definitely help in terms of maintaining the current level of houses, which means that we can house more people over time.’”

#### **The question was put. The Committee divided.**

<b>Ayes</b>	<b>Noes</b>
Ryan Batchelor	Trung Luu
Michael Galea	Matthew Bach
Lee Tarlamis	Joe McCracken
Aiv Puglielli	
Rachel Payne	

#### **The amendment carried.**

Ryan Batchelor moved that in Chapter 8, section 8.4.5, to delete:

“RECOMMENDATION 26: That the Victorian Government adjust its 7.5% Short Stay Levy so that the revenue from each local government area is spent on housing in that area”.

and replace with:

“RECOMMENDATION X: That the Victorian Government ensure that, as announced in the Housing Statement, the funds raised from the 7.5 per cent short stay levy will go to Homes Victoria, supporting their work building and maintaining public and community housing across the state, with 25 per cent of funds to be invested in regional Victoria.”

#### **The question was put. The Committee divided.**

<b>Ayes</b>	<b>Noes</b>
Ryan Batchelor	Trung Luu
Michael Galea	Matthew Bach
Lee Tarlamis	Joe McCracken
Aiv Puglielli	
Rachel Payne	

#### **The amendment carried.**

Aiv Puglielli moved that in Chapter 8, section 8.4.5, a new recommendation be inserted, stating:

“RECOMMENDATION X: That the Victorian Government introduce legislation to give power for owners corporations to limit or ban short stays in their building.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.5, to insert a line at the end of the sentence ending, “increase the supply of long-term rentals”, stating:

“Nonetheless, the Committee notes the apparent correlation between these two factors.”

**The question was put. The Committee divided.**

Ayes	Noes
Aiv Puglielli	Trung Luu
	Matthew Bach
	Joe McCracken
	Rachel Payne
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

**The question was negatived.**

Aiv Puglielli moved that in Chapter 8, section 8.5.2, to insert a new Recommendation stating:

“RECOMMENDATION X: That the Victorian Government make investment properties available for long-term rental or for purchase by owner-occupiers by regulating the short-stays market with a maximum 90-day cap per year that a property can be listed on the short-stay market.”

The question was put. The Committee divided.

Ayes	Noes
Aiv Puglielli	Trung Luu
Rachel Payne	Matthew Bach
	Joe McCracken
	Ryan Batchelor
	Michael Galea
	Lee Tarlamis

The question was negatived.



# Minority report



**VICTORIAN GREENS' MINORITY REPORT**

**Inquiry into the rental and housing  
affordability crisis in Victoria**

Authored by Aiv Puglielli MLC, Sarah Mansfield MLC



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## 1. INTRODUCTION

Everyone should have a safe, secure and affordable home, yet right now two thirds of people in Australia are in housing stress.<sup>1</sup> Almost a third of Victorians rent and 82% of renters in Australia are currently experiencing housing stress.<sup>2</sup>

In Victoria, 120,000 people are on the public housing waiting list, with 30,000 people experiencing homelessness on any given night.<sup>3</sup> One in three clients seeking help from homelessness services are turned away due to lack of resources.<sup>4</sup>

The most recent Anglicare Rental Affordability Report highlights how 'affordability has crashed to record lows' with only 0.9% of suitable properties across Victoria affordable to people receiving income support payments without leaving them in housing stress.<sup>5</sup>

Regarding the deepening experience of housing insecurity in Victoria, the necessity for immediate, tangible action in response to this inquiry cannot be understated.

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923 page 1

The Inquiry into the rental and housing affordability crisis was an opportunity to understand the impact that this crisis is having on people and to hear from experts and those with lived experience about the immediate and long-term solutions to the housing crisis.

This minority report takes as its starting point the common understanding that Victoria is experiencing an escalating housing crisis, and that inaction will have dire health, social and economic consequences.

The current rental crisis didn't occur overnight - it's from decades of divestment from social housing, investment into negative gearing, and absolutely no policies to protect renters or housing affordability.

- Shannon Klaassen, submission #558

The Committee received 948 submissions from renters, housing advocates, service providers, legal firms and industry stakeholders, like property developers, real estate agents and landlords. Renters' submissions painted a dire picture of an acute housing crisis, where people are being forced to sacrifice basic needs, sleep in cars, caravans or under bridges. These exposed the urgency with which solutions must be found and implemented.

The Victorian State Government has at its disposal an array of policy levers that it can pull to alleviate Victorians of the crisis, and to make more affordable homes available to Victorians. This report outlines the contributions to the Inquiry by organisations and individuals and summarises their key

<sup>1</sup> : Azize, M. (2023) Brutal Reality: The Human Cost of Australia's Housing Crisis. Everybody's Home: Melbourne. [Everybody's Home \(everybodyshome.com.au\)](https://everybodyshome.com.au)

<sup>2</sup> [Everybody's Home \(everybodyshome.com.au\)](https://everybodyshome.com.au)

<sup>3</sup> [Public housing waitlist in Victoria balloons by 55%: 'I'd never get anything, so why bother?' | Housing | The Guardian](https://www.theguardian.com/australia-news/housing/article/2023-07-07-public-housing-waitlist-in-victoria-balloons-by-55-percent)

<sup>4</sup> [Homelessness more than doubles in some parts of Victoria \(theage.com.au\)](https://www.theage.com.au/news/homelessness-more-than-doubles-in-some-parts-of-victoria-2023-07-07)

<sup>4</sup> <https://everybodyshome.com.au/wp-content/uploads/2023/07/EH-Brutal-Reality-Report-2023.pdf>

<sup>5</sup> [Anglicare Cairns Region RAS 2023 final report](https://www.anglicare.org.au/~/media/2023/07/Anglicare-Cairns-Region-RAS-2023-final-report.pdf)

recommendations. It aims to draw attention to voices that the Committee's report did not take into account, and address omissions and misconceptions contained in the Committee's report.

Overwhelmingly, submissions from housing experts, welfare organisations, social services and renters call for government intervention in two key areas: introducing urgent rent controls and building significant quantities of new public housing.

Notably, over 250 submissions called on rent controls in the form of rent freeze or rent caps. More than twenty organisations recommended or supported the government introducing some form of rent control to protect renters from unlimited rent increases, including: Tenants Victoria, Victorian Council of Social Services, Council of Single Mothers and their Children, Federation of Community Legal Centres, Better Renting, Anika Legal, Fair Go For Pensioners Coalition Victoria Inc, University of Melbourne Student Union, Renters and Housing Union, Victorian Aboriginal Child Care Agency, Mallee District Aboriginal, Better Renting, Merri-bek Council, Centre for Multicultural Youth, Victorian Public Tenants Association, Centre for Urban Transitions, Swinburne University, Youth Affairs Council, Australian Housing and Urban Research Institute, Wellsprings for Women, Assemble and Centre for Urban Research, RMIT. Some landlords, who recognised the devastating impact of unlimited rent controls on renters, also declared their support for rent controls.

They additionally call for the inclusion of housing as a human right in the Victorian Charter of Human Rights, stronger protections for renters against evictions and privacy breaches, cooling and energy efficiency minimum standards, an overhaul of the dispute resolutions system, a stronger, enforceable vacancy tax, the abolition of federal tax incentives for investors, regulation of the short stays industry, and inclusionary zoning in private developments. Many are critical of governments' reliance on "market solutions" and refute claims - generally from individuals or groups who stand to profit from the rental market - about the consequences of regulating the rental market.

Submissions particularly from renters with lived experience and specialist organisations outlined the disproportionate impact that the rental affordability crisis has on those typically marginalised by society, for example young people and children, older people, LGBTIQ+ people, disabled people, First Nations people, those experiencing mental illness and those facing domestic violence. Their submissions contain important further recommendations that mitigate the impact on those cohorts.

#### **DISPROPORTIONATE IMPACT ON THOSE WHO ARE MARGINALISED**

While homelessness typically arises from a complex web of interconnected factors, it is consistently clear that women and children experiencing family violence are the most at risk alongside young people, First Nations Victorians and those experiencing mental illness.

- Uniting Vic.Tas, submission #523, page 6

In 2017–18 Indigenous people were 9.4 times as likely to use specialist homelessness services as non-Indigenous people, up from 9.1 times in 2015–16.

- Statewide Children's Resource Program, submission #511, page 4

LGBTIQ+ Victorians experience homelessness at rates far higher than the general population. Research suggests that the incidence of at least one experience of homelessness across a lifetime in Australia is 13.4 per cent for heterosexuals, 20.8 per cent for bisexual people and 33.7 per cent for lesbian/gay people.

While specific data on incidence of homelessness amongst transgender, non-binary, or gender diverse peoples do not exist, health surveys of LGBTIQ+ people indicate trans and gender-diverse people experience higher levels of homelessness than lesbian, gay and bisexual people.

- Council to Homeless Persons, submission #934, page 15

[S]ome people with mental health challenges find themselves moving between short-term and insecure housing types such as boarding houses, caravan parks and improvised dwellings such as sleeping in their car, exposing them to the risk of harm from other people and the elements.

- Neami National, submission #513, page 10

The current lack of affordable housing options inhibits victim survivors' safety and recovery as they continue to face uncertainty and the risk of homelessness when considering whether or not to leave abusive relationships.

- Safe + Equal, submission #527, page 3

Frequent moving impacts life stability and can have flow-on effects on a young person's access to education, employment, and family and community support.

- Youth Affairs Council, submission #521, page 3

This crisis in the affordability and availability of housing is also disproportionately affecting students with other vulnerabilities who may additionally face the burden of discrimination in accessing housing, including students with a disability who are seeking accessible housing, Aboriginal and Torres Strait Islander students, and LGBTQIA+ students.

- University of Melbourne Student Union Legal Service, submission #271 page 3

In Victoria, unlike all private rental accommodation, students in university accommodation are not covered by the Residential Tenancies Act. This greatly reduces the legal protections in place.

- La Trobe Student Union Submission #205 page 1

It is the view of the authors of this minority report that the narrow selection of stakeholders that the Committee relied on in its report and recommendations, reflected a bias towards property developer and landlord interests, and disregarded the overwhelming evidence submitted by renters. This minority report attempts to reflect the submissions of renters - who are bearing the consequences of the government's decision-making - and of experts whose recommendations are not motivated by financial self-interest.

## 2. HOUSING IS A HUMAN RIGHT

Many submissions referred to housing as a basic need and a human right. As such, they called the right to housing to be protected under the *Victorian Charter of Human Rights and Responsibilities Act 2006* (the Charter). Inclusion of housing in the Charter would require the government to consider the impact of laws and decisions on people's access to housing, rather than regard housing primarily as a commodity.

The United Nations International Covenant on Economic, Social and Cultural Rights recognises housing as a human right at Article 11.<sup>6</sup> The Legislative Council Legal and Social Issues Committee's Report from their Inquiry into Homelessness in Victoria in 2021 recommended the inclusion of

<sup>6</sup> Office of the High Commissioners, Human Rights, 'International Covenant on Economic, Social and Cultural Rights', <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights>.

housing as a human right in the Charter.<sup>7</sup> The Victorian Ombudsman in 2022 also called for its inclusion.<sup>8</sup>

When treated as a human right, rather than a vehicle for wealth production, governments are required to ensure that everyone has access to a safe, affordable and secure home. As noted in a joint RMIT submission to the Committee, “[current] policy incentives encourage and accelerate the supply of ‘asset housing’ which positions private rental as a passive income vehicle that seeks the highest possible rent.”<sup>9</sup>

### **HOUSING IS A HUMAN RIGHT**

Access to good quality affordable housing is a human right and is fundamental to wellbeing. Children’s lives are uniquely and severely impacted by homelessness and many children risk being trapped in poverty.

- Statewide Children’s Resource Program, submission #511, page 1

Community consensus has been building strongly around the need to provide greater clarity around the status of housing in the Victorian Charter of Human Rights and Responsibilities Act 2006 (Vic) (‘the Charter’).

- Victorian Public Tenants Association, submission #499, page 13

I believe that housing is a human right. I think a good first step is a rent freeze. Followed by massive increases in numbers of public and social houses.

- Name withheld, submission #879

Housing is a human right, and it is within both individual and collective interests to invest in sustainable social housing, enable rent caps and prioritise renter’s rights.

- Monique Forbes, submission #685

Housing is a basic human right. Stable and affordable housing affects the trajectory of someone’s life - their ability to maintain a job, access physical and mental health services, feel safe, and reduce stress. Evidence also shows significant correlations between stressful experiences, homelessness, and substance use. Having a safe and affordable place to rent is essential to poverty, substance use, and criminal activity. It is much more than just a roof over someone’s head.

- Name withheld, submission #706

Landlords do not need to make money off of us more than we need safe places to live.

- Name withheld, submission #612

Housing is a human right and government funding should ensure sufficient funds to cover present and future affordable housing stock/needs for all Australian citizens.

- Fair Go For Pensioners submission 366 page 6

Public and social housing should not be treated as charity. It should be treated in accordance with adequate housing being a fundamental human right that applies to everyone.

- Fair Go For Pensioners submission 366 page 11

<sup>7</sup> Parliament of Victoria Legislative Council Legal and Social Issues Committee, ‘Inquiry into Homelessness in Victoria – Final Report’, March 2021, pg xxxv-xxxvi.

<sup>8</sup> Victorian Ombudsman, ‘Investigation into complaint handling in the Victorian social housing sector,’ 2022, page 98.

<sup>9</sup> Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923, page 8

Wellways believes housing is a human right and an essential ingredient to maintain physical, emotional, and social well-being.

- Wellways, submission 516, page 2

Uniting Vic.Tas believes that affordable, safe, and secure housing is an essential human right that underpins a person's capacity to live a dignified, healthy, and meaningful life within their community.

- Uniting, submission #521, page 4

Housing is a basic human right, it shouldn't be treated as an investment with endless and increasing returns for landlords.

- Name withheld, submission #82

I don't believe housing should be seen as an investment, it should primarily be somewhere to live and grow a family. This shouldn't be seen as a wild or odd concept.

Housing is just that, a home. It is ridiculous how many homes are bought simply as an investment and it is unfair.

- Liam Mantesso, submission #114

Treating housing as an investment portfolio rather than a basic human need/right is leading to an impossible living situation where home ownership or affordable and practical renting are beyond the reach of the average Australian.

- Adam Noble, submission #147

Housing should be seen as a right, not a wealth creation tool.

- Name withheld, submission #266

The cost of housing is artificially high because it's allowed to be used as an investment vehicle instead of a place where you actually live ... ("breaking into the housing market", a truly psychotic turn of phrase)

- Thomas Ingram, submission #111

[Recommendation] 2.1 Include the right to adequate housing as a standalone right within the Victorian Charter of Human Rights and Responsibilities.

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923, page 9

This is my biggest concern; housing shouldn't be some rock solid investment with guaranteed ROI, it should be viewed as shelter.

- Lachlan McRae, submission #86 page 1

In acknowledgement of the existing Committee report recommendation that the State Government should "investigate enshrining" the right to housing in the Charter, we propose that given the overwhelming evidence and dire need in the community, immediate action is required to enshrine this fundamental human right.

**AMENDED RECOMMENDATION 2:** That the Victorian Government protect Victorians' right to housing under the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

### 3. RENT AFFORDABILITY

The Committee heard from renters who are currently experiencing extreme levels of housing stress. Renters living in caravans<sup>10</sup> or house-sitting out of desperation.<sup>11</sup> Renters who, despite having full-time employment, have been unable to break the cycle of poverty and housing stress because of the high cost of rent.<sup>12</sup> At least 386 submissions spoke of the extreme stress relating to rent increases. Over 250 submissions from individuals and organisations called on rent controls in the form of rent freeze or rent caps.

Excessive rents have impacted not only renters. Submissions from regional and rural submitters indicated that the lack of affordable rentals has led to the understaffing of essential services because workers are unable to find long-term housing. Submissions from Castlemaine to the LaTrobe Valley have indicated that lack of affordable rentals has impacted the provision of child care, dental and other health and community services.<sup>13</sup>

#### RENTERS' STORIES

Since I moved out of home at 18, I've shuffled between countless share houses, rarely being allowed to stay more than a year or two at most before either being evicted for a sale or the owner wanting to move back in or rent going up way faster than my pay did. I'm on my fifteenth home in fifteen years. I've done my time homeless too—spending months couch surfing or living out of my car.

- Travis Jordan, submission #232

Last year when Canberra's rental crisis made us homeless I packed my bags with my wife and lived in hotels in Melbourne for 1 month, we attended "only" 10 inspections, each one was crowded, I often left inspections in tears thinking "we won't get it" terrified of the future. Now I'm sitting here with another renewal coming waiting for what increase is waiting for me, never sleeping wondering if it's homelessness again. It makes me feel suicidal and with no hope for any future.

- Mark Hall, submission 327, page 1

In my experience as a renter in the competitive inner north of Melbourne I've found that obtaining an affordable rental is now near impossible. Single bedroom units are dilapidated, depressing shoeboxes that are miserable and yet cost more than anyone in a retail or hospitality wage could ever afford.

- Name withheld, submission #682

My experience is common to many women in their 60s, particularly in outer-regional or rural areas, where secure, well-paid work is rare. It was difficult to purchase a home as a sole parent. Career opportunities are limited in rural areas. Women are paid less and have little superannuation. As a result of rising mortgage rates and the cost of trades and materials to undertake repairs, I was forced to sell my home.... I needed to find a house to rent. Despite contacting every real estate agent in the district and approaching home owners directly, I could not find anything in three months, despite being a desirable tenant: a mature person with no pets, able to care for a house and garden, able to pay rent and bond. I am currently house-sitting for a friend while they travel until October, paying rent and paying separately for storage. The home owners could return at any time before October, rendering me effectively homeless. No properties have come up for rent; I am still searching, and now must consider moving out of the area.

- Jillian Warne, public hearing transcript, Tuesday 8 August 2023

<sup>10</sup> Daniel McCormack, public hearings, Tuesday August 8 2023

<sup>11</sup> Jillian Warne, public hearings, Tuesday August 8 2023

<sup>12</sup> Sarah Edwards, public hearings, Tuesday August 8 2023

<sup>13</sup> Lucas Maddock submission #, and La Trobe Valley Health Advocate, submission #509, page 2

I am a mum of three and I am a small business owner. My family and I recently had to find a new home when our landlord decided to reoccupy the home that we were living in. We had lived there for six years and were paying at the time \$260 a week. As all things do, this relocation came with really bad timing. I was around five months pregnant with our youngest, and we had just received primary custody of my stepdaughter... We started looking immediately. There were very few homes available for rent in our area, let alone within our price range... The months kept going by. I am getting bigger and bigger, pregnant, starting to freak out about: 'Where are we going to live? Where am I going to birth this baby? How are we going to settle as a family?' We ended up having to kind of talk to my in-laws about potentially moving in with them with – we would have three kids at that point. We did a huge letter drop around the Lake Tyers Beach region, hundreds and hundreds of letters basically begging for somewhere to live.

- Shaye Topaz, public hearings transcript, Tuesday 8 August 2023

The cost of rent has had a serious impact on my health. I have had to go to the food bank to cover rent and bills as I cannot afford those and also groceries, but my disability limits my ability to leave the house so I cannot always make it to the food bank and face food instability.

- Name withheld, submission #397, page 1

Every rental inspection is like a battle. You wander around someone's dwelling for 15 minutes trying to decide if its worth a 1 year commitment. Often the previous tenants belongings are still there, so part of that might be trying to figure out why they're leaving. Out of a dozen or more people inspecting the place, your application gets accepted – congratulations, you get to move in and discover everything the property manager wouldn't have been up front about. Mold, poor insulation, insane neighbours etc – but you don't have a choice. You're stuck paying a significant portion of your wage somewhere inadequate because a) there is no guarantee you will find somewhere better and b) because if you did, chances are it's much more expensive (and may have similar hidden issues)

- Lachlan McRae, submission #86 page 1

Hi, I am a single mother, and am currently in the rental market & finding it impossible to find affordable housing for my family.

- Name withheld

In spite of non-discrimination laws, rental discrimination due to disability or unemployment is still inevitable because people on low incomes or who require accessible housing are not able to compete in the property market.....My rent will increase by \$80/week in August, and I need to find a new home as soon as possible to avoid financial strain. However, since becoming disabled, it has become increasingly difficult for me to find affordable, safe and suitable accommodation

- Cadence Baker, submissions #217

Noting the above, a Guardian Essential Poll showed that 60% of Australians support a rent freeze.<sup>14</sup> During the Inquiry, the call for government action in the face of soaring costs of rent came in many different forms, but there was overwhelming agreement from housing and service organisations as well as renters and some landlords that unlimited rent increases should not be legal and that regulating rent increases was a reasonable and necessary intervention.

Over 250 submissions called on rent controls in the form of rent freeze or rent caps. A broad cross section of organisations - from service providers, to legal services, housing advocates and unions - recommended that the government introduce rent controls in some form. Various terms were employed including: *rent caps*, *rent freeze*, *rent control*, *limiting rent increases*, *regulating rent increases*, *rent stabilisation* and a *fairness formula for rent increases*, but in their implementation would all have a

<sup>14</sup> [Guardian Essential poll: majority of Australians support rent freezes and migration cap amid housing crisis | Essential poll | The Guardian](#)

similar effect of limiting the amount by which rent can be increased. Some landlords, who recognised the devastating impact of unlimited rent controls on renters, declared their support for rent controls.

### **CALLS FOR RENT CONTROLS FROM ORGANISATIONS**

Legislating for a 'fairness formula' for rent increases would ensure more certainty for renters and better reflect the reality that the provision of housing is an essential service.

- Tenants Victoria, submission #827, page 6

VCOSS also recommends establishing a formula for fair rent increases.

- Victorian Council of Social Services, submission #936, page 15

The government can, in our view, take steps to improve the quality of life for renters, particularly those in the private rental market where insecurity is high. The first is to find a way to ensure rents are no longer able to be raised according to whatever the market will bear.

- Council of Single Mothers and their Children, submission # 941, page 5

We strongly support the call to introduce legislation to provide a fairness formula for rent increases.

- Federation of Community Legal Centres, sub 942 pg 3

We concur with and support Better Renting's recommendation that a rental freeze or increase rental controls tied to wage growth or CPI ought to be implemented.

- Anika Legal, submission #585, page 5

Making more affordable housing availability must be coupled with action to stop the rate by which rents are rising through suitable legislation and proper enforcement.

- Fair Go For Pensioners Coalition Victoria Inc, submission #366, page 4

As a crucial step towards improving housing affordability in Victoria, we commend calls from Tenants Victoria and other community organisations for action to alleviate rental stress, such as legislated rent increases via a "fairness formula" in line with factors such as average weekly earnings for a given area or the consumer price index (as is currently the case in the ACT), and the additional possibility of a temporary rent freeze.

- University of Melbourne Student Union, submission #271, page 4

Reintroduce effective rent control: Investigate and reinstate beneficial rent control policies, such as broad rent controls, caps on rent increases and tenancy-based rent increase restrictions.

- Renters and Housing Union, submission #449 page 8

The Committee should recommend the Victorian Government to... identify measures to provide meaningful short-term relief for renters from the ongoing rent increases...

Applying a "fairness formula" to renting would provide more security of tenure and certainty. For example, this could include limiting rent increases no more than once every 12 months and at a fixed percentage, and allowing longer-term leases with no penalty for tenants to break them.

- Housing for the Aged Action Group, submission #451 page 2 / 8

On 9 November 2022, Merri-bek City Council passed a resolution noting that the current housing crisis is causing significant social harm across the community, as rent rises continue to rapidly outpace inflation. The resolution called on the State Government to make a commitment to an immediate rent cap in Victoria for two years for all renters.

One way to prevent homelessness is to cap rents so that people can sustain their rental payments.

- Merri-bek Council, Submission #492, page 3

[Centre for Multicultural Youth recommends the government] Review and strengthen regulations of the private rental market to address affordability and accessibility.

- Centre for Multicultural Youth, submission #441, page 3

It is not reasonable for residential rental providers to pass on the entirety of their cost increases to their renters. Therefore, the VPTA considers that the Victorian Government should take further regulatory action to prevent unfair price increases in the private rental market... A formula could be pegged to an external measure, such as CPI or wage - growth, or to the weekly rent itself.

- Victorian Public Tenants Association, submission #499, page 12

The early evidence is that these forms of control do have positive benefits and the side effects are not great (Kholodilin K 2022 Marsh et al 2022, O'Toole 2023)<sup>15</sup>. Victoria should give considered thought to soft rent control but in conjunction with other actions such as landlord registration, which would help in the monitoring and evaluation of any such controls.

- Terry Burke, Centre for Urban Transitions, Swinburne University submission #519, page 6

While landlords can only increase rent once a year, the lack of regulation around the amount of the increase means young people may be forced to leave a rental they can no longer afford... Recommendation 5: Introduce a limit on rental price increases.

- Youth Affairs Council, submission #521 page 3

In the short term, there may be options to improve availability, affordability, and security of rental accommodation in Victoria through: Providing targeted relief to renters on lower incomes, such as capping rents for a temporary period.

- Australian Housing and Urban Research Institute, submission #529, page 10

Recommendations 3: State Government to pass legislation that regulates the frequency and rental increase by also considering a cap on the increase.

- Wellsprings for Women, submission #531, page 6

[Recommendation] 2.3 Legislate stricter regulations around rental increases, including but not limited to:

- Immediately introducing a cap on rent increases to a maximum of 5% of current rent.
- Reversing rent increases that have occurred since January 2022 and are in excess of 5% of the previous rent price.
- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923, page 10

If a rent cap or a rent freeze continues to be investigated within Victoria, a rent control method within the planning framework is something that we would advocate for when it comes to the delivery of social and affordable housing.

- Emma Telfer, CEO Assemble, public hearings, 23 August 2023

I agree with reasonableness and fairness. I think that there has to be some sort of accountability built into the system of: why are you increasing the rent?

- Sarah Gafforini, Director, Office of the CEO, Victorian Aboriginal Child Care Agency, public hearings, 23 August 2023

In our view, a cap on the amount rents can increase should be further investigated. Whilst rental increases are currently legislated to once per 12-month period for fixed-term agreements, there is no cap on maximum price increases. Legislating maximum rent increases could provide surety for renters around planning for annual price hikes, whilst providing some comfort to the investors who are also experiencing pressure.

- Mallee District Aboriginal Services sub 948 pg 13

<sup>15</sup> Kholodilin K 2022 Rent Control Effects through the Lens of Empirical Research: An almost Complete Review of the Literature DIW Deutsches Institut für Wirtschaftsforschung, Berlin  
O'Toole C (2023) Exploring rent pressure zones: Ireland's recent rent control regime, International Journal of Housing Policy, DOI: 10.1080/19491247.2022.2155338

I am based in Canberra and Better Renting began in the ACT, so we are very familiar with the model here, which I think is probably not as strong as a rent cap, I would say, but it does involve a sort of threshold that is based around the consumer price index for rents, and then with increases above that threshold the onus is on the landlord to actually apply to the tribunal to have them approved. I think that is a fairly mild form of limitation on rent increases, but it does have that benefit of steering increases towards the lower end, giving tenants a little bit more recourse.

- Joel Dingham, Better Renting, public hearings, 23 August 2023

### **CALLS FOR RENT CONTROLS FROM HOME-OWNERS AND LANDLORDS**

I do not believe my tenants are responsible for my mortgage, I do not treat them like they are paying a mortgage. They are renting. Renters have no power, landlords have way too much leeway in how they offer, maintain and charge for their properties. Housing is an essential service and if you don't want to bear the costs and responsibilities that come with that, you should not be investing in them.

- Jared Balstrup, submission # 43, page 1

Those of us who are living comfortably in our own homes and gardens with established community links and helpful neighbours should be ensuring that renters are able to enjoy these benefits of security, belonging and stability, as these are major contributors to individual health and wellbeing.

- Jenny Backholer, homeowner, submission #510, page 1

I am fully in support of rental caps. I think that they are necessary, especially in times of particular hardship like this.

- Lachlan Simpson, landlord, public hearings, Tuesday 19 September 2023

I am in favour of a rent freeze and more oversight of lessors to stamp out immoral and illegal practices including rent increases well beyond the rate of inflation.

- Neal Salan, landlord, submission #255, page 1

I am ethically opposed to raising rent beyond what people can realistically afford, which has become the current strategy recommended even by real estate agents who have approached me. The government needs to set a limit on rent increases in proportion to the original lease and to avoid the displacement of its people.

- Jacinda Liao, home owner, submission #598, page 1

### **CALLS FOR RENT CONTROLS FROM RENTERS AND INDIVIDUALS**

"We are barely holding on when it comes to rent. Any further increases would absolutely cripple us and put us on the street. A rent freeze or more forms of regulation would prevent this"

- Name withheld, sub #940, pg 71

In the ten years I've been renting in Melbourne, the price has almost doubled for rooms in houses the same size, condition, and location. I've experienced countless rent rises, but my income has never increased at the same rate. Because of this I've been forced to move further and further out into the suburbs, further away from public transport which I rely on, and further away from workplaces. A rent freeze would be extremely helpful

- Lauren Spark, sub #940, pg 101

It would be good to have a rent freeze maybe according to sq.ft of a property. The market cannot be the only factor to increase the rent. The economy maybe reviving after the pandemic but that does not mean the people are reviving as well. If I'm going to pay \$500 per week, the property, building and facilities should be worth it. Also, additional consideration for students would be of big help.

- Aishwarya Mahadevan sub #940, pg 117

40%+ of my income has gone to rent my whole adult life (im 37), rent is constantly increased, i have never experienced a rent reduction, often rent increases are too frequent, too high and have no justification, they don't take renter's needs and abilities and incomes into account at all. often houses i've rented have been owned by property investors. rent caps and rent control and more regulation would free up my income to be spent on better quality food, appliances, healthcare, mental healthcare, dental, transportation, recovering from injury, etc.

- Name withheld, sub #940 pg 83

Limit rent increases to a maximum of 1% each year in fixed long-term leases.

- Sean Budd, submission #25 page 14

Implement annual controls for rent increases, for example indexed at the consumer price index or wage price index Victoria plus 10%, whichever is lower, modelled on Part Five of the Residential Tenancies Act 1997(ACT).

- Travis Jordan, submission #232, page 8

While the Committee's report does not make a recommendation in relation to future rent controls, it does state the following:

Although rental freezes provide obvious benefits to renters, the Committee believes that they should only be considered as a short-term solution in extreme times, such as in Victoria during the COVID-19 pandemic.

- Victorian Parliament Inquiry into the Rental and Housing Affordability Crisis, Legal and Social Issues Committee Report, s 6.5.3, p.20

Since the writing of the report, data from the Rental Affordability Index from SGS Economics and peak body National Shelter has come to light revealing that renters in every capital city in Australia are in a worse position than before the pandemic.<sup>16</sup> By the report's own benchmarking, the current rental crisis would call for the urgent introduction of a rent freeze.

**NEW RECOMMENDATION:** That the Victorian Government introduce an immediate, temporary 2-year rent freeze, followed by a permanent cap on rent increases.

### The case against rent control

Notably, those who spoke most strongly against rent controls were those whose financial interest in property would be negatively impacted by it, for example, real estate agents, landlords and property developers. Often such proponents cited onerous regulations impacting the financial viability of investing in property, forcing landlords to sell and resulting in a dramatic drop in the construction of new dwellings. The insinuation of these claims was that investors should be able to expect

<sup>16</sup> [Rental Affordability Index: Australia's rental market has gone from bad to worse \(9news.com.au\)](https://www.9news.com.au/news/rental-affordability-index-australia-rental-market-has-gone-from-bad-to-worse)  
SGS Economics and Planning, *Rental Affordability Index*, p.55, November 2023.  
[https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_RAI2023-Website.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_RAI2023-Website.pdf)

ever-increasing returns on their investment, and any negative impacts of regulations would be passed on by investors to renters.

However, such claims were often not substantiated by any evidence, and many other submissions refuted these statements with evidence to the contrary. For example, a Better Renting report on rent regulation in Australia concluded that the 2019 amendments to the ACT model, which caps rents at 110 per cent of CPI, have made it more robust and effective without adversely impacting housing supply or investment.<sup>17</sup>

Warnings from landlords and property developers that rent controls would force them to act against the interests of their tenant, by selling their investment or evicting them in favour of a new tenant who would pay a higher rate, exposes potential loopholes that would need to be closed in regulations to ensure prevent reactive, punitive measures by landlords against their tenant.

For example:

- **End no-grounds evictions**, even at the end of a lease, regardless of how much notice is given to prevent a landlord evicting tenants at the end of a lease.
- Ensure that rented properties are sold tenanted, **ending the right to evict a tenant in order to sell a property** to mitigate the impact on the tenant of a landlord selling their property in response to regulations.
- Ensuring **rent controls are attached to the property**, not the tenant or lease, to prevent a landlord ending a tenant's lease in order to increase the rent.
- Base rent controls on a **retrospective rate** and **implement immediately** to prevent landlords from increasing prices in response to speculation or announcements.
- **Regulate short stays industry** simultaneously to prevent landlords from converting rental properties to short stay properties.
- **Outlaw rent bidding** so that the property cannot be leased at a higher rate than advertised.

The backlash against recent minor reforms to the *Residential Tenancies Act* has led the Real Estate Institute of Victoria and the Property Council to claim that investors have sold up due to the onerous regulations (see below). However, when a property investor sells, they either sell to another investor, in which case the property would remain available for rental, or to an owner-occupier, which would take pressure off the rental market by removing one more household from the rental competition.

While we agree it may prompt some investors to sell their properties, this poses no issue for rental affordability since the housing stock itself cannot disappear from the market. Such investor sales offer an opportunity for renters to become homeowners or for other investors to acquire the property.

- Prosper Australia submission #362 page 2

It's also worth noting that the majority of rental properties are purchased as existing properties, and are not constructed new. This shines light on the misplaced claim that regulating the market would significantly curb investment in new developments.

Regulation does not appear to have adversely impacted rental housing investment – rather it has, if

<sup>17</sup> Better Renting. *Rent regulation around Australia*. 18 November 2022.

anything, accommodated and facilitated it (Martin et al. 2022).<sup>18</sup>  
 - Urban Research Institute, submission #529, page 16

Other vocal critics of rent control point to less robust examples of rent control to assert that rent controls simply do not work. However, in its submission Victorian Council of Social Service points to a 2015 review of the rental system in Victoria that focussed on the San Francisco and New York models of rent control.<sup>19</sup>

In their housing statement, the State Government appears to rely solely on this research to back its claim that rent control “doesn’t work long term.”<sup>20</sup> However, Travis Jordan (who also contributed to Digital Rights Watch, Renters and Housing Union and YIMBY Melbourne submission) states that “[a] lot of vocal critics point to the American experience with rent controls as a reason not to do it. But in America, most rent controls are spot controls - individual homes or neighbourhoods that have different controls placed on them relative to surrounds. Most Australian proponents want to emulate the European experience—indexing rent increases for all residential tenancies no matter where they are. The ACT has had this model of rent caps since the mid 1990s and it hasn’t destroyed their housing market.”<sup>21</sup>

Indeed, rent control examples across Europe consistently point to their success in keeping renting a viable long-term housing option for many households across generations.

- In **Germany** rent is set region-to-region according to a rent index which considers the size, location and equipment provided.<sup>22</sup> Furthermore, in response to the escalating cost of living crisis, the German government has recently announced its intention to implement a three-year “rent break” to further protect tenants from rent increases.<sup>23</sup>
- In **France**, rent increases are capped to a maximum of 3.5% on the mainland and 2% in Corsica.<sup>24</sup> In **Paris** rents have been capped at a government-regulated price per square metre since 2015.<sup>25</sup>
- **Spain** has capped rent increases nationwide at 2 percent.<sup>26</sup>
- **Denmark** has introduced a two-year “rent ceiling” of 4% to replace their usual cap linked to CPI, which would see renters faced with rapidly increasing rent.<sup>27</sup>

While the VPTA recognises that all sectors of the community are experiencing increased financial pressure, the VPTA also considers that those who are in the privileged position to own an investment property have chosen to invest and therefore must understand that there are periods of growth and decline that are inherent to, and unavoidable in, that process.

- Victorian Public Tenants Association, submission #499, page 12

<sup>18</sup> Martin, C., Hulse, K., Ghasri, M., Ralston, L., Crommelin, L., Goodall, Z., Parkinson, S. and O'Brien Webb, E. (2022) Regulation of residential tenancies and impacts on investment, AHURI Final Report No. 391, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/finalreports/391>, doi: 10.18408/ahuri7124801.

<sup>19</sup> VCOSS, submission #936 page 12

<sup>20</sup> [DTP0424 Housing Statement v6 FA WEB.pdf \(content.vic.gov.au\)](#)

<sup>21</sup> Travis Jordan, submission #232, page 8

<sup>22</sup> [Tenants in Germany 'need more protection against rent hikes' - The Local](#)

<sup>23</sup> [Germany's ruling party plans to curb rent increases \(ft.com\)](#)

<sup>24</sup> [Protection of purchasing power -Capping rent increases to a maximum of 3.5%, 3.5% increase in housing subsidies | Service-public.fr](#)

<sup>25</sup> <https://www.france24.com/en/20190405-france-paris-rent-control-controversial-comeback-housing-crisis-rising-living-costs>

<sup>26</sup> [Rent Control Keeps Failing. Countries Keep Trying – Atlantic Sentinel](#)

<sup>27</sup> [Learn how rent-controlled housing should be priced – Rent Hero](#)

## SUBMISSIONS AGAINST RENT CONTROL

Landlords highlighted that the onerous expectations that have been put on them, along with the rules that keep on changing, rising interest rates and maintenance costs, falling yields and a cap on rent rises (now changed from 6 monthly to yearly increases) have also made holding on to an investment property untenable for some. It is critical further policy reform in Victoria avoids such an outcome to deliver effective housing solutions.

- Property Council of Australia, submission #545, page 4

The rental investment market is highly compromised and making it harder for investors to see a return and it must be acknowledged that rent caps or rent freezes will prove disastrous in the current climate.

- Property Council of Australia, submission #545, page 4

The imposition of rent caps will likely result in many investors choosing to sell their properties or not invest in the Victorian market, resulting in fewer available rental properties for renters.

- Property Council of Australia, submission #545, page 10

Tenant lease security is reduced as turnover is likely to increase, as landlords are motivated to force tenants out to re-list at higher rates. If turnover increases, tenants then face higher costs associated with moving such as the cost of removalists and relocation, downtime from work and further stress on them.

- Property Council of Australia, submission #545, page 7

“Rent control such as rent capping or a rent freeze is not the solution to rental affordability and risks worsening the housing crisis as investors leave the Victorian market to prioritise interstate or international investment opportunities and the quality of rental housing stock deteriorates.”

- Greystar, submission #479, page 2. (Greystar manages 803,100 rental beds and has \$7.4 billion of rental assets, currently has 2,300 rental properties in the pipeline in Victoria.)

The authors note that many individuals and entities (although not all) who stood to gain financially from the rental market did not support rent controls, and rather argued for less restrictions, and more subsidies for investors.<sup>28</sup>

## 4. HOUSING MARKET FAILURE

Compounding factors of increased demand for rental housing, low rental vacancy rates, and policies that promote housing as an investment class have contributed to rising rental costs. Rental rates are exceeding the growth in median incomes and significantly outpacing pensions and other welfare benefits.

- Homes Melbourne Submission #373 page 1

Whilst the private rental market has consistently provided barriers for people on low incomes to access, it has now become a cause of great financial stress or completely inaccessible to this population.

<sup>28</sup> See for example, Property Owners Association, submission #498

- Wellways, submission #516, page 2

Market-based solutions as proposed in the Committee report often rely on an assumption that a supply of new, higher quality dwellings for higher income households may also lead to additional supply of dwellings for lower income households, by taking higher income earners out of the rental competition and by the process of properties being passed into lower income brackets as they age. This trickle-down process in the housing market is called “filtering”. A recent AHURI report found that filtering is “incompatible as a reliable source of additional affordable housing.”<sup>29</sup>

“Under the prevailing housing market and planning conditions, the evidence does not support relying on filtering as a substitute for the non-market provision of affordable housing for low-income households.”<sup>30</sup>

- AHURI Report, *‘Filtering as a Source of Low Income Housing in Australia’*, 2022

The erroneous reliance on filtering appears to underpin the State Government’s current market-based solutions to the housing crisis such as the privatisation of public housing, the deregulation of planning, and the support of the build-to-rent sector.

### **The furphy of the Labor Government’s Build-to-Rent ‘solution’**

Build-to-Rent (BTR) is a form of large-scale rental housing provided under a single corporate entity. In BTR projects the developer usually owns and manages a suite of properties in the one building. Proponents of this model claim that it assists renters because corporate landlords are purported to be more concerned about long-term stability across many properties and therefore less likely to raise rents or evict tenants. Submissions from stakeholders who stand to gain financially from deregulation, tax breaks and other government support for BTR, like Greystar Australia and the Property Council of Australia (#545, p7), were in favour of BTR.

The BTR sector has lobbied the State Government extensively using affordability as their catch.<sup>31</sup> In response, as part of their “Big Housing Build” in 2020, the Victorian Labor Government announced sizable tax-breaks for BTR projects, in the form of a 50% land tax concession for up to 30 years and a full exemption from Absentee Owner Surcharge over the same period.<sup>32</sup>

However, in practice, BTR projects in Melbourne are typically 20% more expensive than market-rate,<sup>33</sup> catering for the upper-end of the housing market, and tenants face the same insecurity issues as other renters in the private market.<sup>34</sup> The Productivity Commission’s 2019 *Vulnerable private renters* report noted that it is unclear “that institutional investment provides an avenue for more affordable housing in particular. So far, most of Australia’s pioneering build-to-rent projects have targeted the

<sup>29</sup> Nygaard, C., van den Nouwelant, R., Glackin, S., Martin, C. and Sisson, A. (2022) Filtering as a source of low-income housing in Australia: conceptualisation and testing, AHURI Final Report No. 387, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/387>

<sup>30</sup><https://www.ahuri.edu.au/sites/default/files/documents/2022-09/AHURI-Final-Report-387-Filtering-as-a-source-of-low-income-housing-in-Australia-conceptualisation-and-testing.pdf> p. 1

<sup>31</sup>[propertycouncil.com.au/wp-content/uploads/2023/04/PCA-Build-to-Rent-housing-advice-Stage-1-2-Final-Public-Release-Update-04.04.23.pdf](https://propertycouncil.com.au/wp-content/uploads/2023/04/PCA-Build-to-Rent-housing-advice-Stage-1-2-Final-Public-Release-Update-04.04.23.pdf)

<sup>32</sup> [Microsoft Word - BTR Fact sheet FINAL 111021.DOCX \(dtf.vic.gov.au\)](https://www.dtf.vic.gov.au/~/media/DTF/Build-to-rent/BTR-Fact-sheet-FINAL-111021.DOCX)

<sup>33</sup> [Build-to-rent makes sense for Mirvac. and its tenants \(afr.com\)](https://www.afr.com/real-estate/build-to-rent-makes-sense-for-mirvac-and-its-tenants-20220922)

<sup>34</sup> [Inside Mirvac’s first build-to-rent apartment Liv Indigo \(afr.com\)](https://www.afr.com/real-estate/inside-mirvac-s-first-build-to-rent-apartment-liv-indigo-20220922)

<sup>34</sup> [Build to rent? The Melbourne apartments where a third of tenants are being kicked out or getting rent hikes | Renting | The Guardian](https://www.theguardian.com/australia-news/housing/article/2022-09-22/build-to-rent?hpid=hp_build-to-rent%3Ahomepage%2Fstory&hpid=hp_build-to-rent%3Ahomepage%2Fstory)

premium segment of the rental market (for example, see Mirvac 2018). Private investors will not provide accommodation below market rents without ongoing government subsidies, and the experience with the National Rental Affordability Scheme is that the subsidies required are large and difficult to target well.<sup>35</sup>

### Supply argument

The Committee recommendations are based on the prevailing assumption that "[a]ny increase in supply will make housing more affordable,"<sup>36</sup> regardless of typology. However, according to a recent study by Everybody's Home, Australia now has **more dwellings per adult** than at any other time in our history, and yet affordability is the lowest it has ever been.<sup>37</sup> Moreover, Australia currently **builds significantly more dwellings** per capita than most other OECD countries.<sup>38</sup> On the 2021 census night in Victoria **11.1% of homes**, or 300,000 properties, were **vacant**.<sup>39</sup> That same year, Victoria saw a record number of residential building approvals with almost **71,000 new homes** approved for construction.<sup>40</sup>

#### SUBMISSIONS AGAINST THE SUPPLY ARGUMENT

The fashionable (although pushed for decades) solution to the supply problem is deregulation of the planning system, just build more dwellings. It is a myth that this idea, along with the associated concentration of development within the existing urban area, will increase housing supply and specifically rental supply. This appears more an accommodation to lobbying and wishful thinking than reflection on how the housing system works. We have now had over thirty years of increasing deregulation and is there any evidence that it has increased housing supply, improved affordability, mitigated homelessness, increased housing security or housing quality? No!

- Terry Burke, submission #519 page 3

[S]upply is not really the answer for making housing more affordable for lower income Victorians, and we really see that both public housing and community housing are an essential part of the solution.

- Jess Pomeroy, Acting Chief Executive Officer, Community Housing Industry Association, public hearings, 23 August 2023

Despite relentless criticism by the State Government and developers, inner city Councils in particular tend to approve the **majority of housing developments** with the planning system approving on average 37,400 multi-unit dwellings for development statewide each year.<sup>41</sup>

The NIMBYism (Not In My Backyard) argument is frequently employed as a precursor to deregulating development, and as a shortcut to deflect blame from the State Government for its failure to build enough public housing, towards councils and communities. However, data collected by The Age

<sup>35</sup> <https://www.pc.gov.au/research/completed/renters/private-renters.pdf> p. 106

<sup>36</sup> Legal and Social Issues Committee Report, Inquiry into the Rental and Housing Affordability Crisis, 2023, page 11

<sup>37</sup> [EH Brutal-Reality-Report 2023.pdf \(everybodyshome.com.au\)](#) (Australian Bureau of Statistics (2021) Census of Population and Housing. Compared with figures from 1991).

<sup>38</sup> [\[Title\] \(oecd.org\)](#). See: Figure HM1.1.4. Housing construction over time

<sup>39</sup> [Are there 1 million empty homes and 13 million unused bedrooms? | AHURI](#)

<sup>40</sup> [Changing patterns of residential building approvals \(planning.vic.gov.au\)](#)

<sup>41</sup> [Housing crisis: Is talk of NIMBYs and council red tape a red herring? \(theage.com.au\)](#)

shows the municipalities criticised for their NIMBYism in reality approve the vast majority of applications that come before them.<sup>42</sup>

“Merri-bek, which has been attacked by the burgeoning YIMBY movement for knocking back an apartment block by boutique developer Nightingale, approved 88 per cent of the 6644 planning applications received over the past five financial years to 2022, resulting in more than 15,000 new dwellings.”<sup>43</sup>

- The Age, 24 June 2023

The City of Yarra, as another example, was singled out in the Committee report. However, evidence shows that Yarra accommodates more than its fair share when it comes to housing supply, approving 98% of planning applications,<sup>44</sup> and together with the City of Melbourne and Port Phillip, accommodates almost half of the new housing development in established suburbs in Victoria.<sup>45</sup>

Further debunking the supply-and-demand arguments, a Prosper Australia study on the consequences of population change and housing construction during the pandemic in Victoria showed that despite an unprecedented drop in population, accompanied by a construction boom, the effects on housing costs were short-lived to the point of being inconsequential.<sup>46</sup>

“We estimate that over the two years to mid-2021 construction in excess of population growth generated an excess supply of dwellings of 5.1% to 6.7% of the housing stock - equivalent to adding 100,000 to 130,000 dwellings more than were required to house the population at the pre-pandemic average household size.

The speed and scale of this excess supply shock far outstripped what even the most optimistic advocate for supply-side regulatory reform would claim is possible - meaning Melbourne’s experience should be a living demonstration of the value of land use deregulation.

Yet the effects on housing costs were small and short-lived. Average market rents fell by only 12% to the bottom of the market in mid-2021, and had recovered to pre-COVID levels by mid-2022.”

- Tim Helm, Prosper Australia, ‘Speculation, *Housing Supply and Prices*’ 24 July 2023

The development industry frequently claims that every planning permit required, every infrastructure contribution levied, and every building inspection conducted results in direct costs passed on to homebuyers. This is inconsistent with the economics of development, however. Developers are ultimately price takers, not price makers.

As an example, consider infrastructure contributions. If the cost of contributions were passed directly on to homebuyers, the inverse should also hold. If infrastructure contributions were to disappear tomorrow developers would not discount home prices at tens of thousands of dollars below market value. Yet it is exactly this logic that these claims rely on.

- Municipal Association of Victoria, submission #938, page 14

<sup>42</sup><https://www.theage.com.au/national/victoria/housing-crisis-is-talk-of-nimbys-and-council-red-tape-a-red-herring-20230623-p5dj15.html>

<sup>43</sup> [Housing crisis: Is talk of NIMBYs and council red tape a red herring? \(theage.com.au\)](https://www.theage.com.au/national/victoria/housing-crisis-is-talk-of-nimbys-and-council-red-tape-a-red-herring-20230623-p5dj15.html)

<sup>44</sup><https://www.yarracity.vic.gov.au/news/2023/09/21/yarra-responds-to-good-decisions-made-faster>

<sup>45</sup><https://www.theage.com.au/national/victoria/the-suburbs-that-will-suffer-most-from-melbourne-s-planning-failure-20221007-p5bo5c.html>

<sup>46</sup> Ibid, p2.

The points raised above lead to the conclusion that providing incentives for property developers to build market rate housing, and deregulating planning to allow more, bigger and faster developments will do little to resolve the escalating rental and housing crisis, so long as unlimited rent increases remain legal and investment in public housing stagnates.

## 5. CONDITIONS AND STANDARDS OF RENTAL PROPERTIES

Throughout the course of this Inquiry into the rental and housing affordability, the Committee was presented with significant numbers of both written and in-person accounts of substandard, unsafe and inadequate housing currently being provided to Victorians who rent. Some changes to the Residential Tenancies Act were introduced by the State Government in previous years - such as lockable doors, flushable toilets, the right (with the landlord's consent) to hang paintings and live with a pet. However, it was remarked upon by many that due to the lack of enforcement and the basic nature of the standards introduced, these previous changes did not impact meaningfully on a tenant's experience of a home. Submitters called for homes of a liveable temperature, amenity and standard of living that is expected by other Victorians.

### RENTERS' STORIES - CONDITIONS AND STANDARDS

Within days the problems started. The heating had issues, the landlord fixed it himself instead of paying the appropriate tradesmen. We have had issues with it since and now we are just praying it holds out until the end of our lease. Next we had issues with the bathroom. The tiles were not installed by a professional and water leaked behind them causing mushrooms to grow. Once again, instead of hiring a professional tradesman the landlord attempted to fix it himself. The problem was not resolved and the real estate called for a plumber.

- Erin Buckley, submission #300, page 1

When I had to move in August last year it took me months to find anything suitable because of such a gross lack of basic amenities in "affordable" housing. Most places didn't have access to taps for a washing machine (a MUST for me due to allergies) and often places did not even have an oven... There is not only a gross lack of affordable rentals, but a gross lack of care in low cost rentals, with most being poorly kept, having issues with mould, heating, and other basic amenities that rich people would abhor not having.

- Alexandra Paine

If I'm going to pay \$500 per week, the property, building and facilities should be worth it.

- Aishwarya Mahadevan, submission 940, page 117

We have members living in slums essentially, where they're holding onto affordable rent and not reporting mould, leaks in the roof [and] other things because they know that what they have is the best they are going to get for what they can afford.

- Harry Millward, Renters and Housing Union, public hearings, August 23 2023

Enforcement of existing regulation of the housing industry is demonstrably inadequate. The result is that dwellings do not meet the legal conditions set out in legislation. Tenants are therefore living below what Australia and the state regard as the minimum conditions necessary for proper housing.

- Fair Go For Pensioners, submission 366 page 8

Renters in public, affordable or private housing are more likely to live in low energy efficiency homes with no insulation or air conditioning. They are facing extreme temperatures with limited power to

improve their home thermal comfort. The Sweltering Cities 2022 Summer Survey found that 50% of renters were leaving their homes to go to cool safe spaces on hot days, compared to 15% of homeowners.

- Sweltering Cities submission 369 page 1

[I]ssues in the private rental market cannot be, will not be, solved by tweaking at the edges of the Residential Tenancies Act.

- Victorian Public Tenants Association, submission 499, page 5

In Victoria, the minimum standards for rentals were updated in 2021. However, there has been little enforcement of these standards since then towards private rental agents and/or landlords, and limited rights to empower renters if their current dwelling is not up to the standards... The burden should not be on young people to identify or deal with issues of poor housing standards or inappropriate rent increases; there needs to be greater resources and power for regulating bodies such as VCAT to monitor and enforce compliance with Victoria's rent regulations.

- Youth Affairs Council, submission #521, page 5

Rental homes have worse energy efficiency than owner-occupied homes. Nationally, one study found that poor energy efficiency leaves renters paying 8% more in energy bills compared to owner occupiers in similar homes.<sup>47</sup> A higher proportion of renters experiences energy stress than owner-occupiers.<sup>48</sup>

- Renew, submission #526, page 1

Despite the introduction of a suite of rental tenancy protections introduced in 2021, renters in Victoria still face considerable barriers to enforcing their housing rights. For example, and as outlined in Tenants Victoria's report on mould in Victorian rental properties, renters across private, public and community housing have been forced to endure conditions that pose significant risks to their health.<sup>49</sup>

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923, page 5

Deplorable standards of rental properties reported by tenants, such as insufficient heating or cooling, mould, water damage, broken amenities as well as privacy breaches by agents or landlords, create dwellings that are not fit for purpose and should not be tolerated by Victorians who rent. The Committee ought to recognise these dire concerns at face value and make the following recommendations accordingly.

**NEW RECOMMENDATION:** That the Victorian Government require and support Consumer Affairs Victoria to enforce current and additional minimum standards under the Residential Tenancies Act.

**NEW RECOMMENDATION:** That the Victorian Government legislate to include energy efficiency, as well as electric heating and cooling to be enforced under the Residential Tenancies Act.

**NEW RECOMMENDATION:** That the Victorian Government further investigate safe liveable temperature guidelines for housing in Victoria, particularly with regard to the worsening effects of the climate crisis.

<sup>47</sup> <https://ccep.crawford.anu.edu.au/sites/default/files/publication/ccep Crawford anu edu au/2022-05/ccep2202bestburke.pdf>

<sup>48</sup> <https://www.bsl.org.au/research/publications/power-pain/>

<sup>49</sup> <https://tenantsvic.org.au/articles/files/reports/The-Mould-Report-A-Renter-Snapshot-May-2023.pdf>

**NEW RECOMMENDATION:** That the Victorian Government update regulations to ensure any cooling-related maintenance requests (including air conditioners, windows, blinds and other repairs) on Victorian properties are considered urgent and actioned within 24 hours.

**NEW RECOMMENDATION:** That the State Government legislate to introduce adequate insulation standards for rental homes in Victoria, including measures to retrofit existing homes to be liveable in a worsening climate crisis.

## 6. ADDITIONAL RENTERS' RIGHTS

"We are now paying more rent than we can afford, about 70% of our combined incomes. My wife is legally blind and on total disability insurance payments and I work full time.

As renters for more than 20 years, there is no such thing as feeling secure. We know that we can have our lease broken at any moment for any reason and we have no option to contest. The power imbalance is real and the idea of renters holding the power because we are allowed to hang pictures now is insulting."

- David Thompson, submission #613

In contrast to the uncertainty that was presented in the Committee report, data clearly shows that the majority of renters across all age brackets have no choice but to rent (see table below). The authors of this report agree with the Municipal Association of Victoria when they state that "[s]tronger laws protecting tenants' rights would give tenants increased security of tenure and make them more likely to consider renting as a true alternative, rather than a last resort."<sup>50</sup>

Reason to rent	18-24	25-34	35-44	45-54	55-64	65+
I can't afford to buy anything appropriate	20%	19%	22%	23%	26%	29%
I have no other option	16%	14%	19%	26%	34%	43%
I want to own but I don't have enough for a deposit	19%	25%	24%	20%	17%	8%
<b>Forced to rent</b>	<b>55%</b>	<b>58%</b>	<b>65%</b>	<b>69%</b>	<b>77%</b>	<b>80%</b>
I prefer renting at the moment	24%	21%	19%	18%	15%	14%
I want to retain the flexibility to move quickly	9%	11%	8%	7%	4%	3%
I can afford to buy but I am not ready to do so yet	12%	10%	9%	7%	4%	3%
<b>Choose to rent</b>	<b>45%</b>	<b>42%</b>	<b>36%</b>	<b>32%</b>	<b>23%</b>	<b>20%</b>

Table 1 – Reasons to rent. Source: Bankwest Curtin Economics Centre<sup>11</sup>

## Terminations of Rental Agreements

Australia has comparatively weak protections for renters. Our laws in many respects value the right of a landlord over their investment higher than the right of a tenant to their home. Australia is

<sup>50</sup> MAV, submission #938, page 16

significantly out of step with other similarly wealthy countries, particularly when it comes to no-grounds eviction.

- Municipal Association of Victoria, submission #938, page 12

Remove no-grounds terminations and specify reasonable grounds with 6 month minimum notice periods.

- RAHU Submission #25 page 14

Victoria should remove the remaining 'no reason' notice to vacate at the end of the first fixed term... Anecdotal evidence tells us that this eviction notice in particular is often used in a retaliatory manner, but that the lack of a requirement for landlords to demonstrate any reason for the eviction serves to hide this motive from view.

- Council to Homeless Persons, submission # 934, page 18

**NEW RECOMMENDATION:** That the Victorian Government amend the Residential Tenancies Act to end no-grounds evictions, even at the end of a lease, regardless of how much notice is given.

**NEW RECOMMENDATION:** That the Victorian Government amend the Residential Tenancies Act to ensure that rented properties are sold tenanted, to mitigate the impact on the tenant of a landlord selling their property.

**NEW RECOMMENDATION:** That the Victorian Government repeal Section 21 of the Residential Tenancies Act to ensure that tenants in student accommodation have the same rights as all other renters in Victoria.

### Longer leases

The Committee heard numerous calls for the introduction and increased offering of longer leases on Victorian properties. Several of these submissions were referenced in the main Committee report, however the substance of these claims does not seem to have been adequately addressed in terms of tangible recommendations to the State Government.

One such submission included was that of renter Shaye Topaz:

'We prefer a longer lease too obviously – it is hard to move. We asked if we could stay longer and they told us that it is a 12-month lease with the opportunity to extend. Obviously, the same thing – they want to check out how you are going. It makes it really nerve-racking to ask for changes to the property. If there is some mould in the bathroom, I do not want to rock the boat because I do not want to have to get kicked out of this house. That really prohibits us from making changes to our living circumstances when we do not want to have to find a new house'

- Shaye Topaz, public hearing, 8 August 2023, Transcript of evidence, p. 8

In its submission, Anika Legal proposed a form of perpetual lease to replace fixed term leases: "Government should incentivise rental providers to provide open-ended, indefinite tenancies at the outset, removing renters from the possibility of having to move upon the expiration of every fixed term

lease.”<sup>51</sup> The effect of a long term fixed lease, combined with the removal of no-grounds evictions, even at the end of a lease achieves the same outcome as a perpetual lease.

As clearly articulated above, there were many renters who outlined the power imbalance which exists between the tenant and landlord in the Victorian property market, and the consequent outcome regarding lease lengths being typically offered to Victorians who rent.

It is evident in these submissions that without legislated frameworks which reinforce the behaviour of landlords offering longer leases, this problem will persist and the insecurity facing renters’ tenure of their home will continue.

**NEW RECOMMENDATION:** That the Victorian Government legislate to ensure all renters are given the option of a secure, long-term five year lease, providing a mandatory framework to landlords to ensure rental properties offer stable, secure housing to Victorians who rent.

### Privacy & Data Management

The real estate industry is often overlooked in conversations about data privacy and security—but it is one of the most data invasive industries, accumulating huge amounts of personal information home buyers, renters and people wanting to inspect homes. Digital technologies and automated systems are increasingly being integrated into the housing sector, with little public scrutiny. Given the ubiquity of the industry, this creates significant risks for almost everyone in Australian society.

- Digital Rights Watch, submission #560, page 5

To start, the Victorian Government should introduce strict rules that limit the amount of personal information that real estate agents can collect, retain and pass-on from renters, their references and from third party sources like creditor Police checks. For example, by instating clear rules or guidelines on acceptable questions ask when conducting reference checks, and prohibitions on collecting additional information from social media profiles or data or data brokers.

- Travis Jordan

2Apply, I’ve never felt so violated in my life by the information they demand for which we have no choice but to comply or be homeless, I feel like a 3rd class citizen and it makes me feel like the Government wants me to just give in and kill myself

- Mark Hall submission 347 page 1

We are concerned about the increasing use of data collection platforms like Snug by landlords and real estate agencies. These platforms opaquely aggregate tenant applicant data to build digital suitability profiles from a variety of third-party sites, with data collection reliant on a lack of both regulatory protections and choice for renters in the private market.<sup>52</sup>

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923, page 4

**NEW RECOMMENDATION:** That the Victorian Government mandate the minimisation of data collection by landlords and real estate agents.

<sup>51</sup> Anika Legal, submission 535 page 5

<sup>52</sup><https://www.theguardian.com/australia-news/2022/nov/17/imperfect-match-australian-renters-in-the-dark-over-u-seof-data-by-tech-company-snug>

**NEW RECOMMENDATION:** That the Victorian Government ensures that renter use of third party property management or rent payment apps are strictly opt-in.

## 7. DEFINING HOUSING TYPES

### Social housing

The State Government amended the Housing Act in 2016 to define “social housing” as an umbrella term that includes both public housing and community housing.<sup>53</sup> The two housing types however, are operated differently, tenants have different rights and they pay different rates. The umbrella term therefore creates confusion and has provided something of a smokescreen that allows governments and developers to outsource and privatise public housing. While some submissions to the Inquiry use the term social and public housing interchangeably, a number of submissions, outlined below, specifically and deliberately called for investment in public housing - secure, long-term housing that is owned and operated by the government and capped at 25% of a tenant’s income.

### Affordable housing

In the vast majority of submissions and public hearings, the use of the word ‘affordable’ is employed and understood by its common definition - that the person paying the rent can pay it without experiencing rental stress or cutting back on other essentials. Housing experts identify the point of housing stress to be when a tenant pays more than 30 per cent of their income on rent.

However, when the Victorian State Government - and consequently Victorian developers - use the word ‘affordable’, they are referring to a completely different paradigm - one that is guided by legislation but exists in the negotiations between State Government, developers and planning authorities. The income brackets for whom ‘affordable’ housing should be provided is set under the Planning and Environment Act 1987 in conjunction with regulations set by the Minister. However, the Act does not include a method for calculating affordability for those cohorts and it explicitly prohibits “price ranges or prices for the purchase or rent of housing”.<sup>54</sup> This means that in practice, developers are free to, and often choose to provide so-called ‘affordable housing’ only for those at the top end of this bracket, and are encouraged in planning schemes to take into account factors other than a tenant’s capacity to pay - like demand, quality and location, when setting ‘affordable’ prices.

This has resulted in definitions by Homes Victoria itself of “affordable housing” where rents “will never be higher than the market rent for the area.”<sup>55</sup>

### CLEARER DEFINITIONS

“Affordable housing” is a misnomer. All housing should be affordable to the people who live in it.

- Professor Libby Porter, Professor of Urban Planning, Centre for Urban Research, RMIT, public hearings, 23 August 2023

There is substantial public confusion regarding social housing and affordable housing.

<sup>53</sup> [Chapter 1 Legislative framework and decision making principles.docx \(live.com\)](#)

<sup>54</sup> [PLANNING AND ENVIRONMENT ACT 1987 - SECT 3AA Meaning of affordable housing \(austlii.edu.au\)](#)

<sup>55</sup> [About Homes Victoria affordable | Homes Victoria](#)

- Victorian Public Tenants Association, submission #499, page 5

Affordable housing, we think, needs to be better defined, and it needs to be enforced, because 75 per cent or 80 per cent of the market rate is not affordable.

- Fiona York, Executive Officer, Housing of the Aged and Action Group, public hearings, August 23 2023

The government needs to build public - not social, not "affordable", public - housing, cap rent increases and massively decrease the power imbalance which currently exists in favour of landlords and developers.

- Tara Burnett

I'd like to see the State Government mandate (and change legislation) the provision of affordable rental housing and public housing within large developments..... The Planning and Environment Act leaves any negotiation of affordable housing contribution to Council and the land owner. This is an inconsistent method with varying results and provides no certainty for developers or Council. Affordable rental properties are a key housing product needed to increase home ownership in Victoria.

- Name withheld

Allocating affordable housing by ballot goes against stated commitment to fairness and transparency in announcement of the Victorian Affordable Housing Program in the Victorian Government Gazette: "By Homes Victoria (or its nominee) to satisfy the eligibility criteria of the Affordable Housing Rental Scheme while also promoting fairness and transparency in the selection process."<sup>56</sup>

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923 page 4

We are still waiting for details, but affordable housing can mean absolutely anything. It could mean that the apartments are sold at a percentage below market rate as a one-off hit, so that one buyer gets the benefit and then future generations do not see any of that benefit

- Matthew LLOYD-CAPE, public hearings, Tuesday 10 October 2023

Probably the main challenge arising out of this discussion is that affordable housing and public housing or social housing we see as two different things that are often thrown in the same amorphous bucket, and they should not be.

- Tim Graham, Strata Community Association (SCA), public hearings, 19 September 2023

Out there there are a number of different ideas about how 'affordable' is. From the industry perspective, I think the most accurate is in relation to income and something that is under 30 per cent of your disposable income. Anything above that you have to start making sacrifices elsewhere to pay for your rent. You can set pricepoints, but that is very hard and it is constantly changing, so I think income – below 30 per cent is probably around where we would think.

- Reece Agland, public hearing

Look, I think it is very important that there is nuance in this. (In response to the question: What would you define as an affordable home?)

- Rob McGauran, Director, MGS Architects, public hearings, 19 September 2023

I think the 30 per cent of income, if you want to put a marker. But I think it is important to know that it is complex.

- Michaela LIHOU, CEO Master Builders Association of Victoria, public hearings, 19 September 2023

<sup>56</sup> <https://www.gazette.vic.gov.au/gazette/Gazettes2023/GG2023G004.pdf#page=15> p. 81

**NEW RECOMMENDATION:** That the Victorian Government discontinue the use of the term “social housing” and instead refer to “public” and “community” housing, with clear definitions on the rate and rights each one confers on tenants.

**NEW RECOMMENDATION:** That the Victorian Government amend the Planning and Environment Act 1987 to define affordable rental housing as being strictly less than 30 percent of a tenant’s income.

## 8. PUBLIC HOUSING

The joint submission by Priya Kunjan, Libby Porter and David Kelly at RMIT’s Centre for Urban Research painted a damning picture of long-term and deliberate neglect of existing public housing coupled with a deliberate failure to build new public housing.<sup>57</sup>

The State Government’s proposal to demolish and privatise all 44 remaining public housing towers in Victoria was announced as the public hearings came to an end. The Inquiry, therefore, was not in a position to adequately analyse and respond to the impact this would have on private and public housing. However, the recommendations for public housing contained herein are all the more relevant with recent events, as any further decline in public housing stock would have a disastrous impact on the availability of affordable housing in Victoria.

Calls for a significant and urgent investment in public and community homes were made by the Victorian Council of Social Service, Victorian Public Tenants Association, Tenants Victoria, Community Housing Industry Association Victoria, Grattan Institute, Youth Affairs Council, Uniting Vic. Tas, Safe + Equal, Wellsprings for Women, YIMBY Melbourne, Housing for the Aged Action Group, Renters and Housing Union, Real Estate Institute of Victoria, Southern Homelessness Services Network, Fair Go for Pensioners, Inner Melbourne Community Legal, Australian Institute of Architects and the Centre for Urban Research as well as many renters and individual contributors to the Inquiry.

### SUPPORT FOR PUBLIC HOUSING

Public housing in Victoria has been affected by a policy of ‘managed decline’ that has been in place for at least the last three decades.<sup>58</sup>

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923, page 6

The Victorian state government has a crucial role to play in providing non-market housing to address the housing crisis.

- Joint Submission - Priya Kunjan, Libby Porter and David Kelly, Centre for Urban Research RMIT, submission #923, page 8

Government-funded housing stock has fallen out of favour with all levels of government and within the major political parties (other than the Greens). Direct housing provision has been dropped in favour of payments and subsidies. However, payments and subsidies only act to increase the availability of money, not necessarily the availability of new housing. If there is insufficient

<sup>57</sup> Joint Submission - Authors: Priya Kunjan, Libby Porter and David Kelly RMIT, submission #923, page 6

<sup>58</sup> <https://cur.org.au/cms/wp-content/uploads/2019/05/understanding-the-impacts-of-phrp-final-5-6-19.pdf>

housing, it just means more money for the same housing stock. This is a recipe for rental price inflation, and this is what has occurred.

- Australian Institute of Architects, submissions # 931, page 6

RECOMMENDATIONS 1. Increase the supply of public housing through building more government owned and managed public housing dwellings.

- Inner Melbourne Community Legal, submission 930, page 4

If there was to be a market led solution it would have already corrected the problem. The failure means that government intervention is necessary, and this must be on a much bigger scale and quality than we have seen so far.

- Fair Go for Pensioners Submission 366 page 4

Public housing stock is shrinking through its hand over to private investors and other forms of social housing. Public housing is demonstrably the best option for a significant part of our community. Other forms of social housing are important to meet other needs. Public housing needs more investment. So do other forms of social housing.

- Fair Go for Pensioners Submission 366 page 4

I want long term stable housing so I can form a community that I don't have to leave every few years that's available for people like me on low income. Invest in public housing please!

- Willian Harry Milward

I'm strongly in favour of sweeping reforms to our rental systems and such ideas (put forward by parties such as the Greens and the Victorian Socialists) as caps and freezes on rent increases, more secure longer-term leases, more publicly owned/funded housing, restrictions on the number of properties individuals and businesses can own, etc.

- Aidan Priest

The low availability of rental properties is the result of multiple causes, including: ... Transferring State and LGA housing responsibilities away from public housing and toward community and private housing, with associated land-use and planning restrictions

- Alan Barlee

I believe that to fix the housing crisis, we should be building quality high rise public and low cost housing in the job centres of this country, so people are able to live near where they work.

- Alexandra Flynn

The wait-list for public housing is incredibly long and too hard to get on, and most are very old high rise buildings unsuitable for people with disabilities (many stairs) which makes the wait list 10x longer for us.

- Alexandra Paine

I propose that a few things be done in the short term: Rent freeze meaning that home owners are barred from increasing rent. Increase of public housing properties. Rent relief for low income earners that do not receive youth allowance or jobseeker.

- Name withheld

There are no public housing options, and any resources available are over burdened because parliament members when asked for assistance push their voters off to systems that are overwhelmed and under funded.

- Name withheld

I would like the government to build more public & affordable housing, introduce disincentives to owning multiple investment properties, & regulate airb&b.

- Name withheld

The Netherlands provides free housing to the homeless population, which solved homelessness. I have heard that public housing used to be much more commonplace, and higher quality too, which used to provide a baseline for quality and competition for landlords. Human needs should come before profit.

- Jess Ivory

Me and my daughter have been waiting for public housing with modifications for some time now and I'm sure a while to go. My lease ends around the end of the year and I'm so afraid there will be another rent increase, I barely get by

- Jessie Townsend

The most cost effective way to achieve this solution is for Governments to provide housing that is safe, accessible, affordable, available, appropriate and sustainable.

- Southern Homelessness Services Network submissions #426 page 19

I'd like to see a larger investment into public housing and reduce the waitlist.

- Name withheld

Creation of a State and/or Federal construction and rental authority/company which acquires, refurbishes and develops industry-benchmark affordable, public and social housing by the public for the public

- Vladislav Fedeorov

There needs to be immediate action taken to build many more social housing developments in Victoria. The investment would change the lives of the most vulnerable and allow them to thrive long term, working and contributing to the economy and the communities in which they live.

- Yolande van Oosten

The State Government has not been building or maintaining Public Housing and has in fact sold off a lot of its stock or begun doing deals with developers to exchange the land existing public housing estates for rebuilding some social/public housing and allowing the creation of new 'for profit' housing developments on the remainder of the estate. This means that there is a huge waiting list of people who qualify for public housing.

- Terry McMeekin

Public housing and other forms of social housing meet different needs, and this must be respected. They are not interchangeable. One should not be sacrificed for the other.

- Fair Go For Pensioners submission 366 page 11

[Justice Connect recommends] Public and community housing stock in Victoria be increased by at least 6000 new properties each year for the next decade, helping to safely house many Victorians who are unable to access or afford the private rental market.

- Justice Connect, submission #439 page 4

Increase public housing: Develop a strategy to significantly expand public housing stock, involving both the construction of new units and the acquisition of existing market housing stock.

- Renters and Housing Union, submission #449 page 8

The Committee should recommend the Victorian Government to build 60,000 public and community homes by 2030 across the state and a long-term mechanism for ongoing funding to increase and maintain housing supply.

- Housing for the Aged Action Group, submission 451 page 2

Decades of chronic underinvestment in supports for people experiencing homelessness and housing insecurity have severely limited the availability of public housing, community housing, affordable housing and crisis/transitional options for people experiencing homelessness.

- Victorian Public Tenants Association, submission 499, page 4

Without a strong, accessible social housing system, private landlords have no incentive to deliver adequate homes at diverse price points and Victorians have no housing options.

- Victorian Public Tenants Association, submission 499, page 5

Recent State government programs which seek to grow the social housing stock portfolio have almost exclusively focussed on properties that will be managed by the community housing sector and have delivered no growth in the publicly owned and managed tenure, public housing. It is public housing which is the most accessible, with the most affordable rent and the fairest allocation mechanism that is the tenure most relied upon by many.

- Victorian Public Tenants Association, submission 499, page 6

We also prefer public investment in public housing as this delivers benefits to entire communities, rather than to individuals as home ownership schemes tend to.

- Victorian Public Tenants Association, submission #499, page 5

For every \$1 invested in social housing, there is a \$3 return in community benefits such as worker retention, health cost savings, reduced family violence, and reduced crime.

- Youth Affairs Council, submission #521, page 11

Uniting joins other service organisations and our Peak Body the Victorian Council of Social Services (VCOSS) in calling for the construction of 60,000 new public and community homes by 2031.

- Uniting Vic. Tas, submission 523, page 6

However, building more housing—whether for market rental or social housing—will improve affordability only slowly.

- Grattan Institute, submission 562, page 3

The problem stems back over many decades, and it sits firmly in the seat of government in not providing a continual and growing supply of public and social housing. We have seen over the last two decades or three decades the public housing being built dropping off so dramatically but the need for that is growing at an equal rate to how it is actually disappearing. The issue comes not now. The issue came three or four decades ago, when it should have been attended to.

- Quentin Killian, CEO Real Estate Institute of Victoria, public hearings, 19 September 2023

**NEW RECOMMENDATION:** That the Victorian Government immediately stop the wholesale demolition and privatisation of the 44 remaining public housing towers in Victoria, and instead commit to repairing and maintaining existing public housing.

**NEW RECOMMENDATION:** That the Victorian Government build at least 100,000 new, additional public homes over the next 10 years.

## 9. SHORT STAYS

In 2020 an estimated **4% of Australia's housing stock** had been listed on the short stays market.<sup>59</sup> While the exact number is unknown due to lack of regulation, there are an estimated **60,000 short stays properties** in Victoria.<sup>60</sup>

Residential vacancy rates hit an all time low in April 2023 of **0.8%**. Meanwhile, **75 per cent** of short stays in Greater Melbourne comprise **entire properties** and up to **97 per cent** of short stays in **regional Victoria are entire properties**. The short stay industry is certainly not entirely responsible for the housing crisis. However, the rise of the short stay industry has contributed to the decline of affordable rental properties in Victoria, and is particularly felt in regional centres and tourist destinations.

Regulating the short stays industry will be effective if it incentivises property owners to take their property off the short stays market and make it available for a long-term renter or owner-occupier. During the process of this Inquiry, the State Government proposed a 7.5% fee to be imposed on each booking. The authors of this report believe that this proposal will have no impact on the availability of rental properties.

In its submission, Victoria Tourism Industry recommended compulsory registration, increase in land tax, code of conduct and fire safety rules for short stay properties.<sup>61</sup> Any taxes introduced by the State Government on short stays should be reinvested in the local government area to support councils to enforce regulations and to service the increased number of tourists.

### SHORT STAY REGULATION

It is surprising given the clear problems associated with STRA growth that Victoria has had a hands-off policy for so long... Particularly in inner urban areas it is clear that the stock being used comes from what would have been long term rental.

- Terry Burke, submission #519, page 5

Recommendation 2: Consider implementation of a registration system and cap on nights for secondary residences currently used for unhosted short-term letting.

- Accommodation Australia, submission #548, page 2

There are indications that the prevalence of short-term rental (STR) accommodation like AirBnB, particularly in tourist areas, are also having an impact on the availability, and subsequently the affordability of private rental housing, in those locations. This is impacting the ability for locals and workers of key industries to gain affordable housing. A recent snapshot of STR accommodation in Yarra Ranges indicated that there were 961 active listings, with a clear concentration in Warburton and Healesville, of which 93.8% were for entire dwellings.

- Yarra Ranges Shire, submission #628, page 5

<sup>59</sup>

<https://theconversation.com/ever-wondered-how-many-airbnbs-australia-has-and-where-they-all-are-we-have-the-answers-129003>

<sup>60</sup>

<https://www.theage.com.au/national/victoria/tourism-groups-urge-action-on-short-stay-properties-20220801-p5b65e.html>

<sup>61</sup> Victoria Tourism Industry, submission #559, page 4

With an increase in domestic tourism since COVID, holiday homes or Airbnb properties have been taken off the private rental market moving into the high profit category of holiday rentals, resulting in less supply.

- Haven Home Safe, submission #617 page 1

While people might laugh at a sense of neighbourhood and community in an apartment complex, we had some semblance of one, but the Airbnb brings in a new set of strangers each and every night. It is essentially functioning as a commercial motel... While I understand that legislation has a hard time keeping up with technology, and that 10 years ago, no one could imagine someone being able to run motel accommodation out of a 1 bedroom apartment in footscray, it is time to start regulating this sector.

- Name withheld, submission 432, page 1

AirBNBs are not taxed and regulated enough, removing many properties from the rental market and with low interest rates, making it cheap for the well to do to buy up.

- Maarten Mulder, submission 385, page 1

### Short stay regulation in other jurisdictions

- In 2021, **New South Wales** introduced a yearly limit on the number of days a property could be on the market to 180 days of the year and no more than three consecutive months.
- In Victoria, **Warrnambool, Mornington Peninsula Shire, Bass Coast** and **Yarra Ranges** Councils have introduced fees for short-stay accommodation providers.
- **Amsterdam** has a **30-day cap**, a tourist tax, mandatory reporting and a limit of 4 people per booking.<sup>62</sup>
- **New York** has **banned entire-home** short stays.<sup>63</sup>
- **London** has a **90-day cap**.<sup>64</sup>
- In **Philadelphia**, owners can't rent out their homes without a **hotel licence**<sup>65</sup>
- In **Paris**, short stays are limited to a person's primary residence, and subject to a 120 day cap.<sup>66</sup>
- In **Berlin** there are no limitations on a primary residence, but a 90-day limit for second residence. This was implemented after a city-wide ban in 2016.<sup>67</sup>
- In **Ireland** there are no limitations on a primary residence, with a 90-day limit for a second residence.
- Cities around the world have also imposed other regulations, as well as a limit on days, such as council permits and fees, tourist taxes, compliance with safety standards, 'untenanted' taxes and mandatory registration.

**NEW RECOMMENDATION:** That the State Government introduce a cap of a maximum of 90 days per year that a property can be listed as short stay accommodation.

**NEW RECOMMENDATION:** That the State Government empower owners corporations to regulate and ban short-stays in their building.

<sup>62</sup> [Understanding Short-Term Rental Regulations in Amsterdam - Keycafe Blog](#)

<sup>63</sup> [New York City could lose 10,000 Airbnb listings in short-term rental crackdown | New York | The Guardian](#)

<sup>64</sup> [The 90-Day Airbnb Rule in London: A Guide for Homeowners \(houst.com\)](#)

<sup>65</sup> [Airbnb licensing and safety code regulations go into effect across Philadelphia in 2023 | PhillyVoice](#)

<sup>66</sup> [The Rules and The Regulations of Short Term Rentals Paris | UpperKey \(theupperkey.com\)](#)

<sup>67</sup> [Berlin's Airbnb Ban Is Over. But the New Rules Are Serious - Bloomberg](#)

## 10. TAX REFORMS

Organisations that supported tax reforms to remove investor incentives include ACOSS, YIMBY Melbourne, Municipal Association of Victoria, Centre for Urban Research, RMIT, Community Housing Industry Association Victoria, Anika Legal and the Australian Institute of Architects.

The economic policy of negative gearing is arguably one of the largest contributors in incentivising housing insecurity. This policy has continued to come at a great cost to taxpayers, and a consequential loss of public housing development towards housing stability.

While only providing windfall gains to the highest earners, negative gearing contributes to the exacerbation of wealth inequality nationwide.

- An estimated \$4.5B cost in lost tax revenue in 2018-19
- 50% of negative gearing tax benefits go to the top 10% of earners
- Costs the taxpayer \$11bn annually when coupled with Capital Gains Tax
- Provides no requirements nor incentives for landlords to meet minimum standard of leases, longer term leases or stabilised rents.
- Renters and Housing Union, submission #25 page 16

Government should minimise incentives for investors to buy up housing stock without consideration of the renters who will occupy the property. For instance, negative gearing could be reduced, removed, or made contingent on rental providers' history of compliance with their obligations under the Victorian Residential Tenancies Act.

- Anika Legal, submission #585, page 5

Negative gearing also needs to be scrapped, as this is absurd and unregulated.

- Vanessa LaManna, submission #458, page 1

The preferential tax treatment of property, particularly the taxation of capital, provides a distorted investment market favouring investing in property and capital assets. This is another demand factor skewing the supply and demand dynamic in favour of ever-higher prices, requiring higher rents to satisfy.

- Australian Institute of Architects, submission #931, page 5

**NEW RECOMMENDATION:** That the Victorian Government replace stamp duty with a broad-based land tax and advocate to the Federal Government to abolish negative gearing and capital gains tax discounts.

### Vacancy tax

Victoria's Vacant Residential Land Tax (VRLT) is currently ineffective because:

- it requires a property owner to self-declare vacancy,
- does not cover sufficient areas, being in effect in only 16 LGAs, and
- is too low, at only 1% of a property's capital improved value.

During the course of the Inquiry, the State Government announced a proposal to expand the vacancy tax to cover all of Victoria. However, the rate and method of enforcement under the Government's proposal would remain the same. By the State Government's calculations, this proposal would expand the number of eligible properties from about 600 to 1,100 properties, despite there being 300,000 vacant properties recorded in Victoria on the last census night.

### VACANCY TAX

Victoria is one of the two jurisdictions in Australia to tax empty homes, and in being reliant on self-reporting, significantly reduces accountability and accuracy.

- RAHU submission#25, page 19

Water usage data reported in the Pandemic rental dynamics report<sup>68</sup> referred to above showed that over 100,000 homes in metropolitan Melbourne were left empty or under-used over the 2022 calendar year.

- Prosper Australia, submission #362, page 2

Increase and expand the application of vacant residential land tax, including but not limited to the following actions:

- Changing the classification of a vacant residential property to one that has not been lived in for more than three months in the preceding calendar year.
- Implementing a 5% yearly increase to the tax, applied from the second consecutive year that the property is classified vacant.
- Imposing a maximum limit for a property to be owned and kept vacant under the definition outlined above, after which the property should become eligible for compulsory acquisition by the Minister or the responsible authority under section 172 of the Planning and Environment Act 1987. At least 90% of appropriated properties should be incorporated into the state's public housing stock and made available for lease as soon as practicable, pending any repairs or maintenance issues.
- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923

**NEW RECOMMENDATION:** That the Victorian Government increase the vacancy tax rate to at least 3% and increase compliance with all property owners liable, unless they declare occupancy or lease of the property and provide evidence, with strong penalties for false declarations.

## 11. DISPUTE RESOLUTION

The Committee heard horrific stories from renters of disputes dragging out unresolved for years, resulting in health impacts in some cases not only due to poor living conditions, but additionally due to stress. Many renters reported being too scared of retaliation to raise issues and others were unable to afford the time or money to take their landlord to court.

### POWER IMBALANCE AND RETALIATORY ACTIONS

Whilst we encourage renters to exercise their right to challenge rent increases they regard as unfair, many of the renters we speak to are demoralised after finding out about the process and discouraged from challenging rent increases – sometimes due to a genuine fear of retaliation from the landlord or real estate agent, which may or may not be unfounded.

- Tenants Victoria, submission #827, page 6

<sup>68</sup> Tim Helm, Melbourne's Pandemic Rental Dynamics: an (un)natural experiment in excess supply, Prosper Australia, May 2023

Renters want to remain in their homes, and so because tenants are willing to pay a premium just to avoid moving landlords have a monopoly power that can allow them to put through rent increases that wouldn't be justified on any other basis, so I think there is really an argument for trying to limit not just the frequency but the amount of those increases.

- Joel Dignam, Executive Director, Better Renting, public hearings, August 23 2023

Renters experience a significant power imbalance in every aspect of their rental journey. They are unable to properly raise genuine concerns without fear of retaliation whether from the landlord or agent.

This retaliation may come in many forms. In my experience, it can be in the form of "unofficial blacklisting" – where an agent refuses to reply to messages or refuses to provide an appropriate reference when the renter moves on to their next rental, or in my case, explicitly states in online forums that they would never rent to me because of the work I do advocating for renters. Retaliation may come in the form of rent increases in response to a maintenance request, an eviction notice in response to a similar request, or even unfair bond claims.

- Jordan van den Berg submission #282 page 3

The power imbalance still very much benefits the landlord and continually places people on low incomes at disadvantage.

- Wellways, submission #516 page 5

Tenants are too frightened to complain because they fear they will lose their tenancy, or face rent increases from landlords forced to make improvements. Legislation and enforcement is needed to protect tenants.

- Fair Go For Pensioners submission 366 page 7

My rental in \*redacted\* has a badly sealed shower that grows black mould, due to the crisis we are too afraid to report it for fear of backlash

- Mark Hall submission #347 page 1

Renters are routinely reluctant to enter into conflict where they will be exposed to increasing instability of their housing situation. This reluctance increases when the justification for a huge rent increase is 'the market'. The alternative for renters is to attempt to find a cheaper property elsewhere. This 'cheaper property' no longer exists. Rent increases are issued while repairs and other property issues go unaddressed. Renters are expected to fight for their rights in their spare time.

- Renters and Housing Union, submission #449 page 6

In particular, we want to highlight the existing power imbalances between renters on the one hand, and the other, landlords and real estate agents—and how such imbalances are being exacerbated by digital technology.

- Digital Rights Watch, submission # 560, page 5

Jia and her housemates received a notice to increase the rent in their share house by over 50%. While the notice cited market rents in the area, it placed the property at the very top of this range, and failed to consider the age and condition of the property.

Throughout their lease, Jia and her housemates had experienced numerous urgent repair and cleaning issues which the rental provider had failed to address, many of which were pre-existing. These included mouse and wasp infestations; broken locks, windows and doors; rubbish and refuse left on the premises; extremely poor plumbing; broken essential appliances; and a gas leak. No renovation or general maintenance was done on the property in the 2 years since the beginning of the lease, and the rental provider had also failed to provide a condition report or comply with rental minimum standards, in breach of the law.

Despite this, Jia and her housemates received an indication from Consumer Affairs Victoria that the proposed rent increase was reasonable, and therefore felt they had no choice but to move out of the property.

- UMSU submission #271 page 4

The structure of our rental market ownership is skewed against renters.

- McKell Institute, submission #937, page 5

Many submissions called on a better dispute resolution system, including increased capacity and enforcement by Consumer Affairs Victoria, increased funding and mandatory timeframes for tenancy matters at the Victorian Civil and Administrative Tribunal, and more ongoing funding for community services and legal organisations to support renters. Others called on a reversal of the onus in relation to disputes onto landlords, to relieve renters of the burden of proof required to dispute rent increases, bond matters or to have basic repairs and standards met. This would require a new regulatory and compliance framework to be established.

### **REVERSE ONUS**

Laws are needed to prevent rental providers from continuing to make bond claims with no proper basis, which delays the return of renters' bonds and burdens the Victorian Civil and Administrative Tribunal Residential Tenancies Division ("the VCAT RT Division") which must resolve these disputes

We propose further documentary requirements be introduced for rental providers to substantiate their bond claims, similar to the documentary requirements which have been introduced in Victoria regarding most notices to vacate

- University of Melbourne Student Union Legal Service Submission 271 page 2

One alternative which should be explored by the Committee and Victorian Government is reversing the onus of appeal from the renter to the rental provider, as occurs in the ACT. Under the model operating in the ACT, rents may be raised to a certain threshold (tied in the ACT, and ideally in Victoria, to movements in the market) by a rental provider. Should a rental provider desire an increase beyond such a threshold, it is their responsibility, rather than that of the tenant, to appeal to the tribunal.

Such a reform would retain the principles of Victoria's existing rental system, maintaining that rent increases should be in-line with market movements and not excessive, while seeking to overcome the issues that currently exist around renters' hesitancy to exercise their powers for review.

- Council to Homeless Persons, submission #934, page 16

One alternative which should be explored is reversing the onus of appeal from the renter to the landlord, as occurs in the ACT. Under the model operating in the ACT, rents may be raised to a certain threshold (ideally, based on a formula as in the ACT, described below) by a landlord. Should the landlord wish to increase the rent beyond such a threshold, it is their responsibility, rather than that of the tenant, to appeal to the tribunal.

- Victorian Council of Social Service (VCOSS), submission #936, page 15

## SUPPORT FOR RENTERS

Prioritise enforcement of rental laws by Consumer Affairs Victoria

- The current focus on education rather than enforcement is insufficient, and means many rental providers continue to breach the law without fear of any consequences
- We propose enforcement of existing civil penalty provisions in the RTA by Consumer Affairs Victoria must be prioritised as a deterrent to this behaviour

- UMSU Submission #271 page 3

Community sector organisations and community legal centres provide valuable supports that assist people to maintain tenancies in a variety of tenure types... Victoria's community sector has been subject to low levels of funding indexation for several years, which directly impacts service delivery and makes it harder for community members to access urgent assistance.

- Victorian Public Tenants Association, submission #499, page 10

Our entry point agencies are struggling to keep up with the demand for homelessness assistance with funding for emergency accommodation reverting back to pre-COVID levels. Some agencies can't assist single adults and can only support a small number of families with children. Other agencies can't even assist families with children as there is so much demand for assistance and we are hearing of families with very young children sleeping in cars. All of the private housing options that were previously accessible to our client group are drying up – subsidised private rental, private emergency accommodation such as hotels, motels and caravan parks and rooming houses.

- Southern Homelessness Services Network, submission #426 page 15

The lack of appropriate rental housing stock has been a perennial problem for people using Neami's services, however our homelessness staff report that supporting our consumers into rental properties has grown more challenging in the past few years leading to consumers spending longer time in unsafe and untenable accommodation including motels, boarding houses and crowded dwellings.

- Neami National, submission #513 page 6

**NEW RECOMMENDATION:** That the Victorian Government provide targeted funding to clear the backlog of cases at the Victorian Civil and Administrative Tribunal and voluntary dispute resolution at Consumer Affairs Victoria.

**NEW RECOMMENDATION:** That the Victorian Government develop mandatory hearing times for all rental dispute cases and provide ongoing funding to ensure the timely hearing of rental disputes.

**NEW RECOMMENDATION:** That the Victorian Government ensure that community service organisations and community legal centres are adequately resourced to deliver services that protect renters and advocate for their rights.

**NEW RECOMMENDATION:** That the Victorian Government waive application and hearing fees for tenancy dispute cases brought to the relevant tribunal body by renters.

**NEW RECOMMENDATION:** That the Victorian Government amend the Residential Tenancies Act to place the burden of proof onto landlords to justify withholding any part of a bond, increasing rent, refusing basic repairs or meeting minimum standards.

## 12. INCLUSIONARY ZONING

We note the below contributions which relate to mandatory inclusionary zoning:

Introduce mandatory inclusionary zoning for all new housing projects, where 35% of all dwellings must fall under the category of 'affordable housing' specified in the Planning and Environment Act 1987.

- Joint submission, Dr Priya Kunjan, Professor Libby Porter and Dr David Kelly, Centre for Urban Research, RMIT submission # 923

Labor for Housing believes [mandatory inclusionary zoning] is a major missing piece when it comes to addressing the systemic lack of affordable housing. By ensuring a guaranteed minimum of social housing in all new private developments over a certain size, the Victorian Government can ensure long term, sustainable growth of social housing where there is the most market demand.

- Labor for Housing, submission 565, page 5

There is also a critical opportunity to use upcoming reforms to planning and development processes to deliver a pipeline of social and affordable housing. This would be achieved by introducing a mandatory inclusionary zoning scheme that will allow the growth of private market housing to contribute to the growth of social and affordable housing.

- Community Housing Industry Association Victoria, submission #922, page 2

I feel very insecure about what my future living arrangements are going to be. I really wish that the companies who build new housing estates were required to include a percentage of social / affordable housing in their plan.

- Geraldine Chapman

**NEW RECOMMENDATION:** That the Victorian Government introduce mandatory inclusionary zoning which ensures that developers dedicate at least 30% of new private developments of 15 dwellings or more to public and affordable housing.

### 13. SUMMARY OF ALTERNATIVE AND ADDITIONAL RECOMMENDATIONS

#### HOUSING AS A HUMAN RIGHT

**AMENDED RECOMMENDATION 2:** That the Victorian Government protect Victorians' right to housing under the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

#### RENT AFFORDABILITY

**NEW RECOMMENDATION:** That the Victorian Government introduce an immediate, temporary 2-year rent freeze, followed by a permanent cap on rent increases.

#### RENTAL CONDITIONS AND STANDARDS

**NEW RECOMMENDATION:** That the Victorian Government require and support Consumer Affairs Victoria to enforce current and additional minimum standards under the Residential Tenancies Act.

**NEW RECOMMENDATION:** That the Victorian Government legislate to include energy efficiency, as well as electric heating and cooling to be enforced under the Residential Tenancies Act.

**NEW RECOMMENDATION:** That the Victorian Government further investigate safe liveable temperature guidelines for housing in Victoria, particularly with regard to the worsening effects of the climate crisis.

**NEW RECOMMENDATION:** That the Victorian Government update regulations to ensure any cooling-related maintenance requests (including air conditioners, windows, blinds and other repairs) on Victorian properties are considered urgent and actioned within 24 hours.

**NEW RECOMMENDATION:** That the State Government legislate to introduce adequate insulation standards for rental homes in Victoria, including measures to retrofit existing homes to be liveable in a worsening climate crisis.

#### RENTERS' RIGHTS

**NEW RECOMMENDATION:** That the Victorian Government amend the Residential Tenancies Act to end no-grounds evictions, even at the end of a lease, regardless of how much notice is given.

**NEW RECOMMENDATION:** That the Victorian Government amend the Residential Tenancies Act to ensure that rented properties are sold tenanted, to mitigate the impact on the tenant of a landlord selling their property.

**NEW RECOMMENDATION:** That the Victorian Government repeal Section 21 of the Residential Tenancies Act to ensure that tenants in student accommodation have the same rights as all other renters in Victoria.

#### LONGER LEASES

**NEW RECOMMENDATION:** That the Victorian Government legislate to ensure all renters are given the option of a secure, long-term five-year lease, providing a mandatory framework to landlords to ensure rental properties offer stable, secure housing to Victorians who rent.

#### PRIVACY & DATA MANAGEMENT

**NEW RECOMMENDATION:** That the Victorian Government mandate the minimisation of data collection by landlords and real estate agents.

**NEW RECOMMENDATION:** That the Victorian Government ensures that renter use of third party property management or rent payment apps are strictly opt-in.

#### HOUSING DEFINITIONS

**NEW RECOMMENDATION:** That the Victorian Government discontinue the use of the term “social housing” and instead refer to “public” and “community” housing, with clear definitions on the rate and rights each one confers on tenants.

**NEW RECOMMENDATION:** That the Victorian Government amend the Planning and Environment Act 1987 to define affordable rental housing as being strictly less than 30 percent of a tenant’s income.

#### PUBLIC HOUSING

**NEW RECOMMENDATION:** That the Victorian Government immediately stop the wholesale demolition and privatisation of the 44 remaining public housing towers in Victoria, and instead commit to repairing and maintaining existing public housing.

**NEW RECOMMENDATION:** That the Victorian Government build at least 100,000 new, additional public homes over the next 10 years.

#### SHORT STAYS

**NEW RECOMMENDATION:** That the State Government introduce a cap of a maximum of 90 days per year that a property can be listed as short stay accommodation.

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## TAX REFORMS

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## INCLUSIONARY ZONING

**NEW RECOMMENDATION:** That the Victorian Government introduce mandatory inclusionary zoning which ensures that developers dedicate at least 30% of new private developments of 15 dwellings or more to public and affordable housing.

Signed:

Handwritten signature of Aiv Puglielli in black ink.

Mr Aiv Puglielli MLC

Handwritten signature of Sarah Mansfield in black ink.

Dr Sarah Mansfield MLC

Date: 22 November 2023

