

# Submission to the inquiry into the rental and housing affordability crisis in Victoria

July 2023



# Contents

- Recommendations .....2
- Introduction .....3
  - About RACV.....3
  - Terms of Reference .....3
- Renting and housing affordability in Victoria .....4
- Supporting renters to live in safe and more secure homes .....5
- Supporting renters to live in more energy efficient homes .....7
- Promoting Jobs Growth .....8
- Planning for the 2026 Commonwealth Games .....11

# Recommendations

RACV recommendations to improve rental standards and housing affordability in Victoria.

<b>Supporting renters to live in safe and more secure homes</b>	<ol style="list-style-type: none"> <li>1. Greater support for renters and rental providers to understand and navigate the Victorian Residential Tenancy laws. This should include providing clear definitions and guidance about legal entitlements or obligations, and the steps that need to be taken to maintain properties and to minimise the occurrence of emergency repairs.</li> <li>2. Improve the effectiveness of the Residential Tenancies Regulations by updating the regulations to require rental providers to make a signed declaration at every change of tenant that acknowledges that the property meets the minimum standards, including such standards as ventilation, structural soundness and electrical safety. To help rental providers comply with their obligations, the standard format Condition Report should also be updated to include the 14 minimum standards.</li> </ol>
<b>Supporting renters to live in more energy efficient homes</b>	<ol style="list-style-type: none"> <li>3. Build on Federal and Victorian Government programs and incentives to help landlords install energy efficiency measures like energy-efficient appliances and solar panels including funding for better education and awareness campaigns for rental providers and consumers.</li> </ol>
<b>Promoting Jobs Growth</b>	<ol style="list-style-type: none"> <li>4. Introduce a range of measures to boost rental housing supply in regional areas to accommodate regional workers. Consider introducing (time bound) concessions for investors willing to add to the supply of long stay accommodation inventory in regional areas.</li> <li>5. Regulate short-term rentals to guarantee a healthier long-term rental market across Victoria and introduce a range of measures including:               <ol style="list-style-type: none"> <li>(i) establish a register of short-term accommodation providers;</li> <li>(ii) require all short-term accommodation providers to comply with minimum safety standards to increase safety for short-term accommodation guests;</li> <li>(iii) introduce a limit on the number of days residential accommodation can be used as un-hosted short-stay accommodation taking into consideration existing rental housing supply and location; and</li> <li>(iv) fast-track approvals for providers who are building rental accommodation specifically aimed at increasing affordable long-term rental supply.</li> </ol> </li> </ol>
<b>Planning for the Commonwealth Games 2026</b>	<ol style="list-style-type: none"> <li>6. Work with industry to guarantee local regional businesses can sustain its workforce requirements in the lead up to and during the Commonwealth Games including access to affordable housing.</li> <li>7. Provide incentives for short-term accommodation providers to make accommodation available to workers required to support the delivery of the Commonwealth Games, as well as workers required to support visitor accommodation requirements in the four key centres.</li> </ol>

# Introduction

## About RACV

RACV welcomes the opportunity to respond to the Victorian Legislative Council Legal and Social Issues Committee's inquiry into the rental and housing affordability crisis in Victoria.

Representing over 2.2 million members, RACV exists to improve lives in the areas of home, cleaner energy, motoring, mobility and leisure.

RACV is committed to helping members at key stages in life's journey in the home. These include moving, renting, buying and selling a home, keeping the home safe, renovations and energy efficiency.

In the home, RACV delivers exceptional services to members and customers through a range of products and services these include property and rental inspection reports, home and contents insurance, trades (for both emergencies and renovations), retail energy, solar and EV charger installations.

Helping Victorians is at the heart of RACV. In 2021-22, RACV:

- provided 825,000 members with home insurance policies;
- assisted with 50,842 home emergencies through Emergency Home Assist; and
- installed 60,309 solar panels.

RACV's workforce and extensive partner network ensure that we can reliably meet the needs of both metropolitan and regional members and customers.

Home Trades Hub Australia (HTHA) is RACV's 100%-owned subsidiary and Home Service Delivery business which delivers a comprehensive range of repairs, maintenance, inspections and security services around the home through a national network of qualified tradespeople and professionals.

In addition, RACV has ten Club and Resort properties across Australia and is a significant driver of economic activity and employment in regional areas. RACV also operates a travel business that delivers a range of domestic and international holiday packages, tours and cruises through a network of trusted travel partners.

To deliver these experiences, RACV is a significant regional employer in Victoria supporting over 1000 staff across a diverse range of locations and industries including accommodation and food services, automotive repair and maintenance, driving instruction, trades, solar installation, residential building repair, sports and recreation activities, beauty services, store-based retailing, and contact centre operations.

## Terms of Reference

The inquiry will investigate the challenges facing Victorian renters and factors causing the rental and housing affordability crisis in Victoria including:

- low availability and high costs of rental properties;
- insecurity, availability and affordability issues facing Victorian renters;
- the adequacy of regulation with regards to standards and conditions of rental housing;
- the adequacy of the rental system and its enforcement;
- the impact of short stay accommodation;
- barriers to first home ownership and the impact this has on rental stock; and
- the experience and impacts all of this has on renters and property owners.

# Renting and housing affordability in Victoria

## Home ownership is in decline and there are now more renters

Home ownership rates are in decline across Australia, and in younger age groups this decline is even more significant. For Australians aged between 25 and 34, home ownership rates have decreased around 14 per cent since the 1970's<sup>1</sup>.

Research commissioned by RACV in mid-2022 indicates that the top issues facing Victorians are cost of living, housing affordability, the economy and housing availability.

In Victoria in the mid-1990s around 22 per cent<sup>2</sup> 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.

Rental property has also increasingly become an important investment for many people and a significant part of their plan for retirement. Private rental providers make up approximately 90 per cent of the rental market, with the remaining 10 per cent made up of public housing.

An estimated 70 per cent of households who move each year are renters. This adds considerable financial and time costs associated with paying removalists and cleaners, organising reconnections and updating insurance cover.

<sup>1</sup> See: <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

<sup>2</sup> See: Housing Occupancy and Costs, Australia, 2019-20, Table 12.6 Household estimates, Victoria 1994-95 to 2019-20. Australian Bureau of Statistics.

# Supporting renters to live in safe and more secure homes

## Rental property safety was a key driver of the new rental laws

Injuries are more likely to occur in a home, than any other setting. In 2020-21, 41 per cent<sup>3</sup> of unintentional injuries that resulted in a hospital admission or emergency department presentation occurred in the home.

While this data is not unique to renters, research commissioned by Consumer Affairs Victoria in 2016 indicates that 11 per cent of tenants would describe their property condition as poor or very poor, with low-income tenants more likely to report their property was in a poor condition<sup>4</sup>. The most common issues experienced by tenants are plumbing, electrical or lighting-related.

The research indicates that three per cent of renters reported that their water and electricity was not in good working condition, or not connected at all. Plumbing and electrical or lighting issues are the most reported issues by renters with 24 per cent and 13 per cent of renters requesting these repairs.

This research also indicated that rental providers were, at times, unclear on their responsibility for safety-related maintenance.

## Minimum standards were introduced to ensure rental properties are safe and secure

The new rental laws introduced minimum standards covering 14 aspects of a property including door locks, ventilation, vermin proof bins, toilets and bathroom facilities, kitchen and laundry facilities, structural soundness, mould and dampness, electrical safety, windows and window coverings, lighting, and heating. These standards describe basic, yet critical requirements of a rental property to ensure a basic level of housing consistent with societal expectations.

The responsibility for meeting the minimum standards resides with rental providers, and according to information provided by Consumer Affairs, they must disclose that the property meets minimum standards.

## Not enough is done to ensure rental properties comply with minimum standards

Consumer Affairs guidance does not stipulate how information about minimum standards should be disclosed to potential renters. Guidance states that renters should inspect a property to make sure it meets minimum standards before they sign a rental agreement. However, based on RACV's assessment of the standards, six of the minimum standards reflect technical requirements that would be difficult for an average person to assess and recognise if the standard was met. Particularly in a short property inspection window.

Research conducted by RACV in 2022 indicates that there is a low level of awareness of the current rental laws amongst rental providers and renters. Around 35 per cent of renters were not aware of new rental laws regarding minimum standards, gas and electrical safety checks and requirements to advertise with a fixed price. Similarly, 28 per cent of rental providers were not aware of these requirements – more than a year after they had been in effect.

<sup>3</sup> See: Unintentional Hospital Treated Injury Victoria 2020/21, The Victorian Injury Surveillance Unit, Monash University, E-bulletin Edition 25, July. [https://www.monash.edu/\\_data/assets/pdf\\_file/0008/2973752/e-bulletin-edition-25.pdf](https://www.monash.edu/_data/assets/pdf_file/0008/2973752/e-bulletin-edition-25.pdf)

<sup>4</sup> See: Rental experiences of tenants, landlords, property managers and parks residents in Victoria. EY Sweeney, commissioned by Consumer Affairs 2016. <https://engage.vic.gov.au/fairersaferhousing>

## Renters have limited options if a property doesn't meet minimum standards

Renters have limited options for raising concerns about minimum standards at the start of a rental agreement. If a renter has not yet signed a rental agreement, they can request that the rental provider make the repairs. If a rental agreement has been signed, but the renter has not moved in, the renter can:

- terminate the rental agreement immediately, or
- move in anyway, then make a request for urgent repairs.

Where a property fails to meet the minimum standards (either at the commencement, or at any time during a rental agreement) a renter may request urgent repairs.

Urgent repairs, by definition, are anything that makes the property unsafe or difficult to live in and include the minimum standards. Rental providers are required to make urgent repairs immediately. If a renter has difficulty getting a rental provider to make an urgent repair, the following options are available:

- organise and pay themselves; up to \$2,500 if there has not been a prompt response, or
- if they are unable to pay \$2,500 or the repairs cost more than this amount, the renter can apply to VCAT for a repair order. VCAT will review the request within two business days and can order the rental provider to arrange and pay for the repairs.

While most jurisdictions have, or are introducing, minimum standards NSW is currently the only jurisdiction in Australia to include the minimum standards in a condition report. No jurisdiction includes a declaration that the property meets minimum standards.

The Residential Rental Agreement could be strengthened in how it references the minimum standards, and RACV notes that the standard condition report is silent on the minimum standards. Strengthening the Residential Rental Agreement and the standard condition report to reflect the minimum standards will encourage greater dialogue between providers and renters at the start of a rental agreement with the aim to improve the quality of housing and minimise the need for urgent repairs. This benefits both renters providers and renters.

### Recommendations

1. Greater support for renters and rental providers to understand and navigate the Victorian Residential Tenancy laws. This should include providing clear definitions and guidance about legal entitlements or obligations, and the steps that need to be taken to maintain properties and to minimise the occurrence of emergency repairs.

### Recommendations

2. Improve the effectiveness of the Residential Tenancies Regulations by updating the regulations to require rental providers to make a signed declaration at every change of tenant that acknowledges that the property meets the minimum standards, including such standards as ventilation, structural soundness and electrical safety. To help rental providers comply with their obligations, the standard format Condition Report should also be updated to include the 14 minimum standards.

# Supporting renters to live in more energy efficient homes

Residential buildings are responsible for around 24 per cent of overall electricity use in Australia<sup>5</sup>. According to analysis in the *Victorian Gas Substitution Roadmap* improving energy efficiency is critical to save on energy bills<sup>6</sup>.

Renters spend approximately eight per cent more on electricity than otherwise similar households.<sup>7</sup>

Infrastructure Victoria states Victoria's rental homes are typically less energy efficient than owner-occupied properties. In its *Victoria's Infrastructure Strategy 2021-2051*, it recommended the Victorian Government strengthen minimum energy efficiency standards for rented homes. While current rental laws specify that if an appliance, fitting or fixture that is provided by the rental provider and uses water, electricity or gas reaches its end of life, the replacement appliance must meet minimum efficiency ratings. This requires rental providers need only install a 2-star rated heater.

The Victorian Government's Solar Homes program is currently offering a \$1400 rebate and equivalent interest-free loan on solar photovoltaic (PV) systems to eligible landlords. Eligible landlords can also claim up to \$1000 on the cost of installing an energy-efficient reverse cycle air conditioner, plus recoup additional costs towards replacing old gas or electric heating systems.

For homes to be able to meet minimum energy efficiency standards consideration should also be given to securing an appropriate skilled workforce to undertake necessary upgrades and build to new requirements. The *Victorian Skills Plan* for the construction industry reports that many occupations in the sector face chronic shortages, particularly in regional Victoria, and identifies a lack of reskilling opportunities that respond to new regulatory requirements and shifts to skills demand such as:

- skills to retrofit existing buildings,
- knowledge of new building requirements, including changes to airtightness standards, and
- experience in embedded energy and building for energy efficiency.<sup>8</sup>

## Recommendations

3. Build on Federal and Victorian Government programs and incentives to help landlords install energy efficiency measures like energy-efficient appliances and solar panels including funding for better education and awareness campaigns for rental providers and consumers.

<sup>5</sup> See: [Department of Climate Change, Energy, the Environment and Water](#)

<sup>6</sup> See: [Victoria's Gas Substitution Roadmap](#)

<sup>7</sup> See: [Effects of renting on household energy expenditure: Evidence from Australia](#)

<sup>8</sup> See: [Victorian Skills Plan, Construction Industry Insight, October 2022](#)



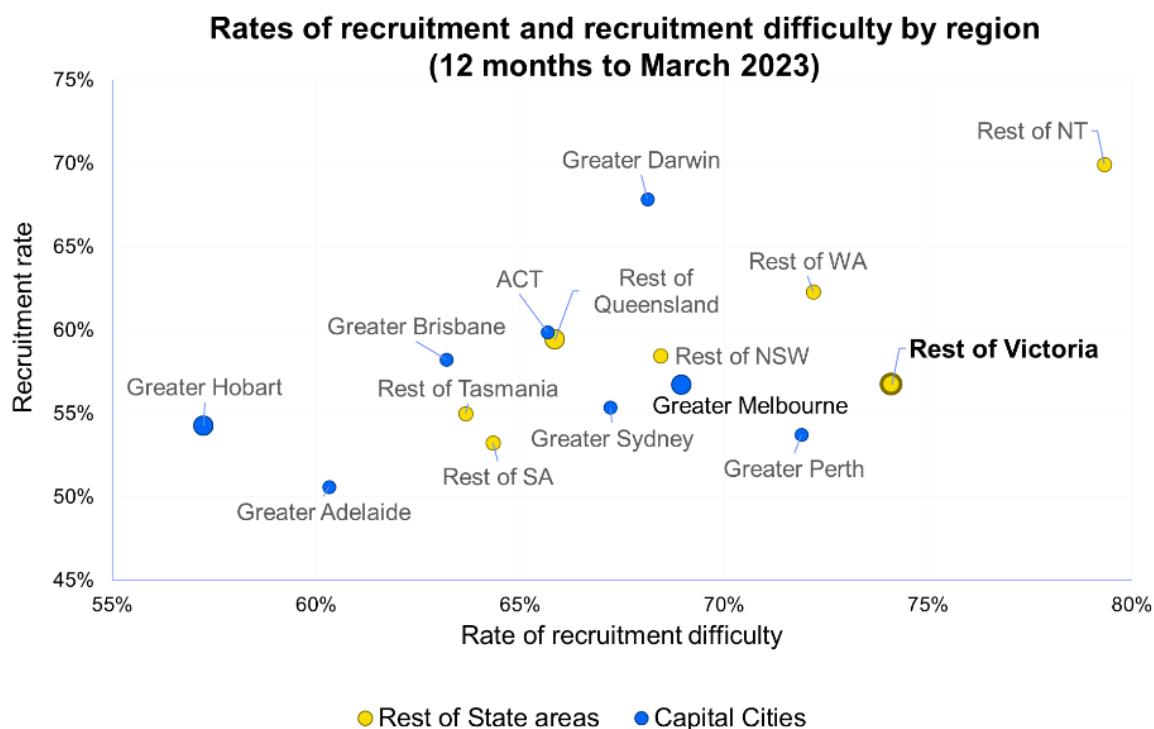
# Promoting Jobs Growth

## Safeguard local jobs

Strong labour markets and affordability of housing in regional markets, when compared with capital cities, are key drivers of movement to regional areas.<sup>9</sup> While there is presently a plentiful supply of jobs in regional Australia, and people willing to move, a significant challenge is the availability of housing in many of the regional areas where the jobs are available.<sup>10</sup>

The COVID-19 pandemic amplified population shifts to regional centres and placed additional pressure on regional and rural housing infrastructure, and the rate of population growth in regions continues to grow. In the 12 months to March 2023 regional Victoria attracted 43 per cent share of national flows from urban centres, the largest share of internal migrants in Australia and more than double its 18 per cent share in March 2022.<sup>11</sup>

Despite regional population growth, analysis undertaken by Jobs and Skills Australia indicates that regional Victorian employers are reporting very high rates of recruitment difficulty and location is cited as a key factor for unfilled vacancies including for hospitality workers;<sup>12</sup> this is consistent with RACV's experience.



Source: Jobs and Skills Australia, Labour Market Update, March 2023

Infrastructure Australia also recognises the availability, diversity and affordability of housing in regional communities as a major constraint in attracting and retaining skilled workers.<sup>13</sup> Housing affordability was identified as an infrastructure gap in Barwon South West particularly affecting workers in the Corangamite, Surf Coast, Colac Otway

<sup>9</sup> See: [Regional Australia Institute, Discussion Paper: Meeting the Demand for Regional Housing, December 2021](#)

<sup>10</sup> See: [Regional Australia Institute Regional Jobs 2022 Report, May 2023](#)

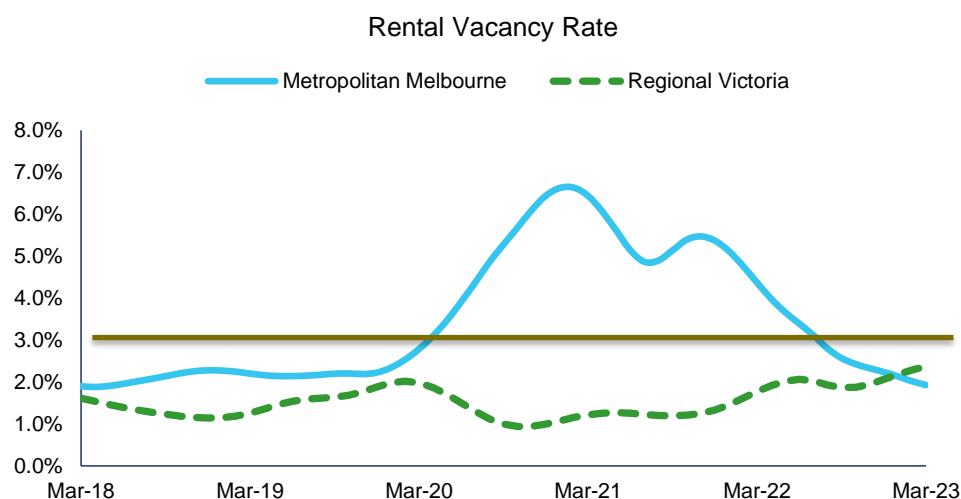
<sup>11</sup> See: [Regional Movers Index, March 2023 Quarter Report](#)

<sup>12</sup> See: [Jobs and Skills Australia, Labour Market Update, May 2023](#)

<sup>13</sup> See: [Infrastructure Australia Regional Strengths and Infrastructure Gaps Report, March 2022](#)

and Moyne Local Government Areas. Similarly, limited options for affordable housing in the Grampians was found to impede the region's ability to attract and retain a workforce to support the local economy and improve regional liveability.<sup>14</sup>

The analysis on infrastructure gaps is further supported by Homes Victoria rental data which shows that regional rental vacancy rates have been persistently low for a number of years and remain below the balanced market threshold of three per cent. Furthermore, the proportion of affordable new lettings in regional Victoria decreased to 24.1 per cent in the March quarter 2023, the lowest rate since reporting began in March 2000.<sup>15</sup>



Source: Homes Victoria Rental Report, March 2023

The increasing cost of rental accommodation is becoming a significant financial burden on key workers who have difficulty finding accommodation, particularly in coastal and tourism areas. RACV analysis indicates that accommodation and food services industry workers, earning an average full-time wage, have few affordable housing options. Mornington Peninsula and Yarra Ranges provided as two illustrative examples. This analysis identifies that for workers in the accommodation and food services industry on an average wage the only affordable options are one-bedroom flats. Homes Victoria data indicates that only 13 and 17 one-bedroom flats are available on the Mornington Peninsula and Yarra Ranges respectively.<sup>16</sup>

<b>Accommodation &amp; food services industry</b>	Average weekly adult wage, full-time <sup>17</sup>	Affordable weekly rent <sup>18</sup>	Median rent 1-bedroom flat	Median rent 2-bedroom flat	Median rent 2-bedroom house	Median rent 3-bedroom house
Mornington Peninsula	\$1,293.80	\$388.14	\$310.00	\$450.00	\$456.00	\$550.00
Yarra Ranges	\$1,293.80	\$388.14	\$310.00	\$420.00	\$430.00	\$500.00

<sup>14</sup> See: [Infrastructure Australia, Regional Strengths and Infrastructure Gaps Report, Regional Analysis: Victoria, December 2022](#)

<sup>15</sup> See: [Homes Victoria Rental Report, March 2023](#)

<sup>16</sup> See: *ibid*

<sup>17</sup> See: [Average Weekly Earnings, Australia; ABS](#)

<sup>18</sup> Note: The assessment of affordable weekly rent is based on 30 per cent of gross income, consistent with the Homes Victoria methodology for low-income households.

## Unlocking rental housing supply

Policy and planning decisions must consider the impact of short-term rentals on the long-term availability of workforce accommodation in regional areas. RACV welcomes reports of the creation of the State Government *Growth and Housing Taskforce* which will consider housing supply, housing affordability and renters' rights.<sup>19</sup>

Tight housing and rental markets are impeding economic growth and impacting regional employers' ability to fill roles and attract workers from outside their local area.

The reduced number of houses available to long-term tenants limits economic activity and growth of regional businesses, some of which have been forced to limit operating hours because of staff shortages or use own room inventory to accommodate staff. This directly impacts Victoria's visitor economy and offerings.

The safety of staff, members and customers is a priority for RACV. A lack of local, affordable housing supply, particularly in the Mornington Peninsula, presents a safety risk if staff must travel long distances to and from work noting the operating hours in leisure and hospitality.

The Mornington Peninsula and the Yarra Ranges have the highest concentration of short-term rentals. For example, for every available rental on the Mornington Peninsula there are 1.5 short term rentals that could potentially be converted to long term rentals.<sup>20</sup>

A State-wide framework and detailed analysis are needed to understand the impact the short-term rental market has on housing affordability and availability, the visitor economy, property owners and Victoria's regional communities. Unlocking housing supply will mean employers can successfully recruit key workers to regional areas.

The NSW Government implemented a State-wide regulatory framework for short-term rental accommodation (STRA)<sup>21</sup> which includes a planning framework, fire safety standards for STRA dwellings and a government-run STRA Register.

In some NSW council areas, there are limits on the number of days that a property can be used for non-hosted STRA. Non-hosted STRA is restricted to a maximum of 180 days a year in areas like Byron and Greater Sydney. Only hosts, property owners and management agents that plan to comply with the framework are allowed to participate in the short-term rental industry.

### Recommendations

4. Introduce a range of measures to boost rental housing supply in regional areas to accommodate regional workers. Consider introducing (time bound) concessions for investors willing to add to the supply of long stay accommodation inventory in regional areas.

### Recommendations

5. Regulate short-term rentals to guarantee a healthier long-term rental market across Victoria and introduce a range of measures including:

- (i) establish a register of short-term accommodation providers;
- (ii) require all short-term accommodation providers to comply with minimum safety standards to increase safety for short-term accommodation guests;
- (iii) introduce a limit on the number of days residential accommodation can be used as un-hosted short-stay accommodation taking into consideration existing rental housing supply and location; and
- (iv) fast-track approvals for providers who are building rental accommodation specifically aimed at increasing affordable long-term rental supply.

<sup>19</sup> See: [Victoria considers rent caps and taxes on Airbnb owners to ease rental crisis](#)

<sup>20</sup> See: [Inside Airbnb: Mornington Peninsula and Homes Victoria Rental Report, March quarter 2023](#)

<sup>21</sup> See: [NSW Short-term Rental Accommodation Policy Rules](#)

# Planning for the 2026 Commonwealth Games

The 2026 Commonwealth Games will be an exciting event and a unique opportunity to showcase regional Victoria. This major event also presents a significant opportunity to create a lasting legacy that will benefit regional communities once the Games have concluded. RACV welcomes the Victorian Government commitment that the four Commonwealth Games Villages will be repurposed to boost regional affordable housing supply long term. However, affordable rental housing supply is required before and during the Commonwealth Games to accommodate the existing and future workforce.

Quality visitor servicing will be one of the most significant challenges in managing and meeting the expectations of visitors who will converge on Victoria in March 2026. The complexities of this issue will be magnified given the regional delivery strategy for the Victorian Games event and the spread across four key geographic centres. Driving demand is important for the visitor economy only if there is a workforce to support it.

In addition to both the paid and volunteer workforce required directly by the Commonwealth Games, there is a critical need to support regional businesses to attract key skills and retain its workforce to support the Games and provide exceptional experiences to participants and visitors.

A clear and focussed plan for the Commonwealth Games in 2026 needs to address two critical issues confronting regional businesses - the ability to attract key workers and regional housing affordability. Addressing workforce challenges and key infrastructure gaps in regional Victoria will assist local communities to be well positioned to service the demands and expectations of local, national and global visitors to this major event.

## Recommendations

6. Work with industry to guarantee local regional businesses can sustain its workforce requirements in the lead up to and during the Commonwealth Games including access to affordable housing.
7. Provide incentives for short-term accommodation providers to make accommodation available to workers required to support the delivery of the Commonwealth Games, as well as workers required to support visitor accommodation requirements in the four key centres.