



# 5

## COVID-19 effects on housing and homelessness: the story to mid-2021

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Directly and indirectly, the coronavirus 2019 (COVID-19) pandemic has had huge ramifications for global housing systems and for individuals' housing security. Despite the relatively moderate public health consequences in Australia, official awareness of heightened infection risk for vulnerable populations had major impacts for homelessness policy. More wide-scale effects on Australia's housing system arose from the sharp economic downturn that resulted from 2020 actions to control and suppress the pandemic, and from the policy measures enacted in response. The outcome has been a period of remarkable turbulence in the national housing market.

This chapter seeks to highlight and analyse a number of these phenomena. It does this in the 4 main sections that follow this brief introduction.

- The first of these sections, headed 'Initially anticipated housing system impacts of the COVID-19 pandemic', reviews some of the initial expectations and concerns about the possible consequences of the pandemic for the Australian housing system, as the global crisis exploded in the weeks following the first confirmed coronavirus case in Australia on 25 January 2020.
- In the next section, 'Official policy initiatives to protect the housing market and vulnerable people' the account focuses on the period of emergency policy making that accompanied the subsequent national lockdown. It summarises the key policy initiatives enacted by Australian governments, with particular relevance to stabilising the housing market and protecting individuals in relation to their shelter needs.
- The section headed 'Pandemic impacts on homelessness' examines 2020 crisis impacts both in relation to the emergency actions taken by state governments to protect existing street homeless populations, and also the generation of new homelessness (for example, due to economic dislocation).
- The last main section, 'Pandemic impacts on the private housing market', analyses housing market developments seen during 2020, with a focus on the specific drivers of the rental housing market.

This chapter refers to several statistical and other research sources. These include the AIHW's Specialist Homelessness Services Collection (SHSC) (AIHW 2021a) to which a new analytical framework is applied, as distinct from that of routinely published Specialist Homelessness Services (SHS) statistics. Statistics on a range of housing and economic indicators are drawn from various Australian Bureau of Statistics (ABS) collections. CoreLogic housing market analyses are also cited. Further information comes from the author's original research (Pawson et al. 2020a, 2021) – particularly as regards emergency accommodation (EA) placements of rough sleepers and other homeless people to reduce virus infection risks, and in relation to pandemic impacts on renter households.

For the most part, this chapter's focus is calendar years 2020 and early 2021. To benchmark statistics for this pandemic period in relation to pre-existing levels of activity and to (any) previously established trajectories of change, some analyses stretch back into the 2010s and earlier. Also, at the time of writing in mid-2021, outbreaks across the country were impacting economies, with lockdowns and restrictions in place across a number of states and territories, with uncertain impacts that may differ to the following analyses.

For further background information on housing and homelessness in Australia see the Australia's welfare housing snapshots at [www.aihw.gov.au/reports-data/australias-welfare/australias-welfare-snapshots](http://www.aihw.gov.au/reports-data/australias-welfare/australias-welfare-snapshots).

## Initially anticipated housing system impacts of the COVID-19 pandemic

The sudden designation of a national lockdown in March 2020 made it immediately clear that the national economic consequences of the crisis would be profound. In the event, enforced stay at home orders and business closures triggered a fall of 873,000 employed people between March and May 2020 – a reduction equating to 7% of all workers (ABS 2021a). Similarly, by the end of the second quarter (Q2), gross domestic product (GDP) had dropped by an extraordinary 7.2% since the start of the year (Department of the Treasury 2020). Far larger numbers of employees in companies forced to scale back or cease activity were protected from immediate unemployment by the Australian Government's JobKeeper program, as briefly outlined in the next section.

Contemporary expectations of the impending 2020 economic downturn appreciated that higher unemployment would bring with it elevated levels of housing insecurity. A hit to incomes would damage purchasing power in the market, dampening house prices, as well as rents. In the Australian recession of the early 1990s, for example, unemployment peaked at 11.5% and remained above 10% for 3 years (ABS 2021a). Alongside this peak, house prices – having risen rapidly in the late 1980s – remained virtually flat until the mid 1990s (ABS 2021b).

Importantly, in considering the housing system implications of the 2020 crisis, it must be recognised that this downturn occurred against a backdrop of gradually intensifying post-millennial housing affordability stress, affecting large parts of Australia. Nationally, and in many cities and regions, house prices and rents had continued to trend upwards through much of the 2000s and 2010s (ABS 2021b, 2021c) albeit that, at the national scale, rent rises dipped generally below Consumer Price Index (CPI) after 2016

(see Figure 5.6).

Meanwhile, the Australia-wide deficit in private rental housing affordable to lower income households continued to grow (Hulse et al. 2019). Moreover, rising homelessness has outpaced broader population growth (Pawson et al. 2018, 2020a; Yates 2016). Concurrently, mortgage debt ballooned and an increasing proportion of banks' lending books have been dedicated to real estate (Conley 2018; Jordà et al. 2016), with concerning implications for wider economic stability should the market falter (Pawson et al. 2020b).

Given this situation, most initial predictions for pandemic impacts on Australia's housing system envisaged substantial damage to property values and rents. Also predicted was a potential surge in homelessness resulting from the mass evictions likely to occur due to tenant income losses and hence inability to meet rental payments. These concerns reflected an appreciation of the interconnectedness of Australia's housing system – for example, the realisation that rapidly escalating rental income losses could prompt mass rental property sales, deflating real estate values.

Among many housing market projections prompted by the March 2020 national economic shutdown, one of the most widely cited was the Commonwealth Bank's 'worst case scenario' projection that envisaged a 32% fall in house prices over a 3-year time horizon (Janda 2020). At the same time – on the basis that unemployment could double from its early 2020 level of around 5% (as some mid-2020 projections envisaged) – one modelling estimate envisaged that homelessness in New South Wales could rise as a result by 21% (Equity Economics 2020).

## Official policy initiatives to protect the housing market and vulnerable people

As in many other countries, Australian governments reacted with remarkable speed in developing emergency measures to mitigate the pandemic's economic impacts. Table 5.1 sets out the most important of these measures, geared to insulating the housing market and protecting vulnerable individuals in relation to their shelter needs.

### JobKeeper and Coronavirus Supplement programs

Although broader in scope and intent, the most important of these measures for housing were undoubtedly the national income protections implemented through the Australian Government's JobKeeper and Coronavirus Supplement programs (for summary details see Pawson et al. 2021). For many owner occupiers and tenants,

the extra financial assistance received through these programs would have enabled them to avoid defaulting on rent or mortgage payments, as would otherwise have occurred. At the same time, the temporary facility for individuals to withdraw up to \$20,000 in superannuation savings, and the receptiveness of mortgage lenders to payment deferral requests, were key measures enacted or facilitated by the Australian Government and its agencies to insulate the housing system.

**Table 5.1: Key pandemic policy innovations relevant to minimising housing market disruption and homelessness**

Policy innovation	Australian government	State/territory governments
Income support – JobKeeper (wage subsidy paid via employers)	X	
Income support – Coronavirus Supplement (temporary boost to designated social security benefits)	X	
Access to superannuation savings allowed	X	
Facilitation of banks' mortgage payment deferral programs <sup>(a)</sup>	X	
Rental eviction restrictions ('moratoriums')		X
Rent increase restrictions		X
Rent relief		X
Homelessness emergency accommodation programs		X

(a) Bank mortgage deferrals were officially facilitated through the Reserve Bank of Australia's Term Funding Facility (allowing banks to borrow cheaply as their own loans came due) and through the Australian Prudential Regulatory Authority's relaxation of requirements regarding impaired loans.

## State government housing and homelessness initiatives

The last 4 innovations listed in Table 5.1 – measures enacted by state/territory governments – were more directly targeted at (potentially) vulnerable renters and homeless people. Although separately devised, rental eviction moratoriums were quickly implemented across all jurisdictions in the form of temporary rules restricting landlords' ability to end tenancies. They were designed to protect tenants incurring rent arrears due to income loss resulting from the pandemic-triggered economic downturn.

In most jurisdictions, landlords were also temporarily prevented from increasing rents. Concurrently, tenants facing difficulty in maintaining rent payments at pre-pandemic rates were officially recommended to negotiate directly with landlords in pursuit of reductions. Some state governments established formal frameworks to facilitate such discussions. Finally, regarding rental housing measures, some governments enacted rent relief, in the form of cash payments to landlords and/or land tax rebates where parties had made such a rent variation agreement.

Homelessness policy responses to the COVID-19 pandemic concentrated primarily on the March 2020 cohort of people already sleeping rough, or otherwise living in homelessness shelter (and similar) accommodation considered unsafe in pandemic conditions (for example, due to the inability to self-isolate). Focusing on these groups, 4 of Australia's 8 state/territory governments acted to rapidly move rough sleepers and others into safe temporary accommodation. For the most part, this involved large-scale hotel bookings. The governments concerned – New South Wales, Victoria, Queensland and South Australia – authorised substantial extraordinary funding to meet associated costs, including hotel charges, meals, and floating support for hotel-housed residents provided by contracted non-government organisations (NGOs). Notably, and in contrast with comparator countries, the governments directly concerned shouldered these costs without any specific assistance from the national level (Pawson et al. 2021).

Beyond providing temporary accommodation (for days, weeks or months), these state governments also initiated extraordinary homelessness policy action in efforts to enable former homeless people to transition out of hotels into more secure housing. For example, a package of measures announced by the Victorian Government in July 2020 was motivated by the aim that '2,000 [hotel-housed] Victorians are supported to access stable, long term housing' (Victorian Government 2020). Programs of this kind encompassed funding for:

- private rental subsidies enabling individuals to bridge the gap between rental charges and an affordable portion of social security (or other) income
- rent payments to private landlords willing to 'head lease' dwellings to not-for-profit housing providers to accommodate former homeless people
- staff costs incurred by contracted NGOs in providing floating support (that is, assistance provided to individuals on a flexible 'outreach' basis) for former homeless people placed in private rental or head-leased accommodation.

It is important to note that, although extraordinary in scale and roll-out speed, Australia's COVID-19 EA programs were not entirely novel. As detailed elsewhere, the late 2010s had already seen markedly heightened attention to street homelessness in several jurisdictions including through stepped-up 'assertive outreach' activity and temporary housing placements of former homeless people – in some cases leading to longer term tenancies (Pawson et al. 2020a). In 2017, for example, with respect to inner Sydney, the New South Wales Government had committed to reducing street homelessness by 25% within 3 years. Notable additional resources were pledged to support this, and consequential reductions in rough sleeping had been achieved by 2020 (as further detailed in the following section).

## Pandemic impacts on homelessness

The previous sections of this chapter outlined the policy measures adopted not only to protect homeless people at particular risk of contracting COVID-19 but also to minimise new homelessness caused by the pandemic. This section measures the effects of these actions.

- The first part of this section discusses findings on the existing homeless population. The scale of the EA programs implemented by the relevant state governments from March 2020 can be quantified. The data in this respect are derived from original research on rental housing and homelessness impacts of the pandemic – in particular, from unpublished statistical data collected from the governments concerned (Pawson et al. 2021).
- The second part uses new analysis of AIHW SHSC data to focus on the pandemic's impacts on newly arising homelessness.

### Existing homeless population

As revealed by research, pandemic EA programs saw over 40,000 people assisted by the 4 active states (New South Wales, Victoria, Queensland, South Australia) in the 6 months to September 2020 (Table 5.2). In the 3 jurisdictions for which a finer data breakdown is available, almost half of these people (48%) were identified as former rough sleepers. Note, though, these are 'gross' figures that make no allowance for EA (or 'temporary accommodation') placement activity in 'normal times'. At least in New South Wales, such numbers are considerable. For example, during 2018–19, there were 24,278 New South Wales Government temporary accommodation placements (NSW Government 2019).

Notably, the number of rough sleepers assisted in Victoria, Queensland and South Australia (7,718) was well over double the point-in-time number of rough sleepers in these entire states as recorded by the 2016 Census of Population and Housing (Census) (3,246). See 'State and territory of usual residence, all persons' tables in Census of Population and Housing: Estimating homelessness, 2016 for more information (ABS 2018).

This comparison highlights the reality that the cohort of Australians exposed to, or at high risk of, street homelessness over any time period (for example, a month) is far larger than the point-in-time number sleeping rough on any given night. For example, among the 290,000 users of SHS services in 2018–19, some 42,000 reported having slept rough during the month preceding their application for assistance (Pawson et al. 2020a).

**Table 5.2: Emergency accommodation placements – flow, 15 March to 30 September 2020 (persons)**

	Former rough sleepers	Other homeless	Total
NSW		24,000	24,000
Qld	3,276	1,648	4,924
SA	513	0	513
Vic	3,929	6,882	10,811
Total		40,248	40,248

*Notes:*

1. 'Other homeless' included (a) residents of homeless shelters where sharing of living space and/or facilities negated scope for self isolation and (b) other precariously housed people judged at high risk of rough sleeping.
2. Table relates to the four jurisdictions which mounted EA programs in response to the pandemic – no such actions were taken in the other state/territory jurisdictions.

*Source:* Pawson et al. 2021.

## Assistance for longer term tenancies

Having protected many vulnerable homeless people from COVID-19 community transmission when infection rates were high, all 4 states made substantial efforts and commitments to assist EA service users into longer term tenancies – whether in social or private rental housing. For example, as a way to temporarily expand the provision of social housing, New South Wales and Victoria funded community housing providers to head lease hundreds of private rental properties – in the former case involving acquisition for 2-year terms. Similarly, new funding was made available to private rental subsidy programs targeted at former EA residents to bridge the gap between the rents they could affordably pay and the actual cost of suitable private tenancies in their locality.



Nevertheless, only around one-fifth of those leaving hotels in Q2 and the third quarter (Q3) of 2020 were, in fact, assisted into longer term tenancies (Table 5.3). In Queensland, longer term placements were by far the most common outcome, though this was much less true in New South Wales and Victoria. Bear in mind, though, that these figures for New South Wales reflect activity only up until 14 June (see footnotes to Table 5.3).

**Table 5.3: Departures from EA – all homeless people, 15 March to 30 September 2020 (persons)**

Jurisdiction	Rehoused in social housing <sup>(a)</sup>	Assisted into private tenancy <sup>(b)</sup>	Other EA departees		Total departing EA in period
			Placed in congregate accom <sup>(c)</sup>	Self discharge/ other	
NSW		991		9,187	10,178
Qld	1,774	1,632	n.a.	404	3,810
SA	186	2	54	271	513
Vic	91	101		8,657 <sup>(e)</sup>	8,849 <sup>(d)</sup>
Total		4,777		18,573 <sup>(e)</sup>	23,350 <sup>(d)</sup>

n.a. not available

(a) Includes tenancies in head-leased properties.

(b) Involves those assisted by bond loans, rental subsidies etc.

(c) Involves people placed in homeless shelters, hostels or similar.

(d) Author's estimate, calculated by subtracting those remaining in EA on 30 September from those placed in EA during the period.

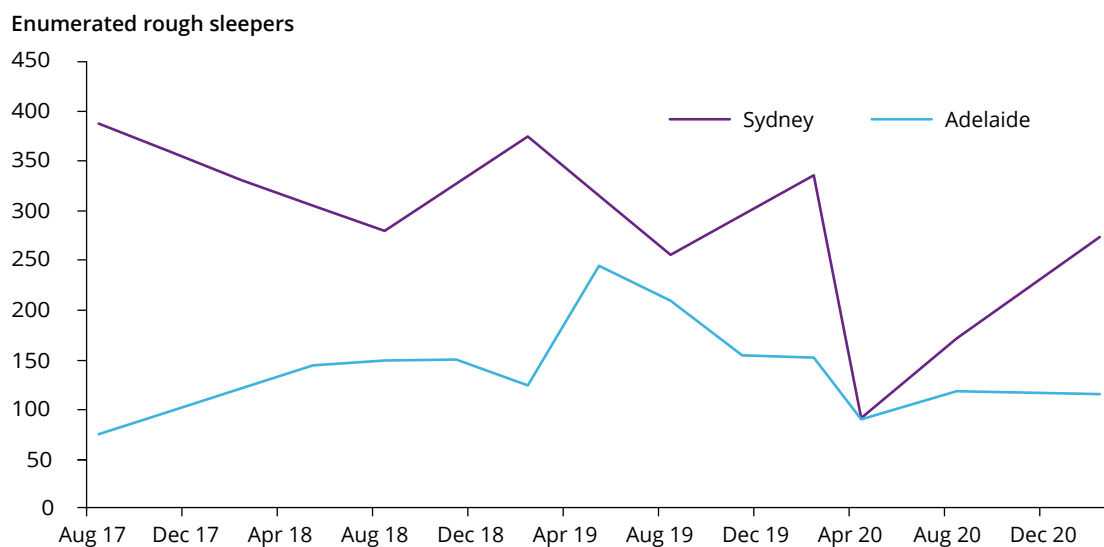
(e) A residual number calculated by subtracting 'rehoused in social housing' plus 'assisted into private tenancy' from total departing EA during the period.

Note: New South Wales departures from EA statistics relate to the period 1 April to 14 June 2020.

Source: Pawson et al. 2021.

A proportion of the estimated 18,573 individuals who departed EA without being assisted directly into longer term tenancies – 'other EA departees' (see Table 5.3) – are likely to have been people moving into (or back to) SHS accommodation or other transitional housing. At the same time, for a proportion of other EA departees, this will likely have involved a return to homelessness – in some instances a resumption of rough sleeping. Notably, by early 2021, rough sleeper numbers in Adelaide and (especially) Sydney had risen markedly from their mid-year lows which, at that time, reflected initial EA mass placement programs (Figure 5.1).

**Figure 5.1: Street homelessness in central Sydney and central Adelaide, 2017–2021**



*Notes*

1. Interpolations used for missing data entries.

2. Adelaide 'Apr 20' relates to June 2020 (the low point in the trend).

Sources: Homelessness NSW estimates (April and August 2020); Adelaide – Adelaide Zero Project dashboard <https://www.dunstan.org.au/adelaide-zero-project/dashboard/> ; Sydney – City of Sydney street counts <https://www.cityofsydney.nsw.gov.au/public-health-safety-programs/street-counts>.

Once it was decided to mandate extra spending for the purpose, the temporary glut of hotel and similar accommodation made mass EA placements relatively straightforward. Aspirations to assist such a large body of people into longer term housing posed a far stiffer test. State governments were caught between a sense of moral obligation to avoid discharging EA residents who lacked any move-on housing option (even if the public health risk had dissipated) and concern about the mounting cost of open-ended hotel stays.

Assisting high-need housing assistance applicants into suitable permanent accommodation in Australia's stressed property markets – poses a major challenge for state and territory governments even in 'normal times'. In the circumstances of the pandemic, however, this challenge was compounded by the urgency of the situation and the scale of EA placements involved. The fact that, across the states concerned, it proved possible to enable only a small proportion of hotel departees to transition into longer term housing (Table 5.3) substantially reflects the insufficient supply of social housing and the inadequacy of Rent Assistance in making private rental housing affordable – realities cast into sharp relief by the circumstances of the pandemic.

A third important limiting factor in this instance would have been the appreciable proportion of non-Australian citizens within the EA cohort – given this group’s ineligibility for both social housing and mainstream social security payments. The Queensland Government advises that it was, nevertheless, able to assist transition to longer term accommodation by brokering private housing outcomes for this cohort.

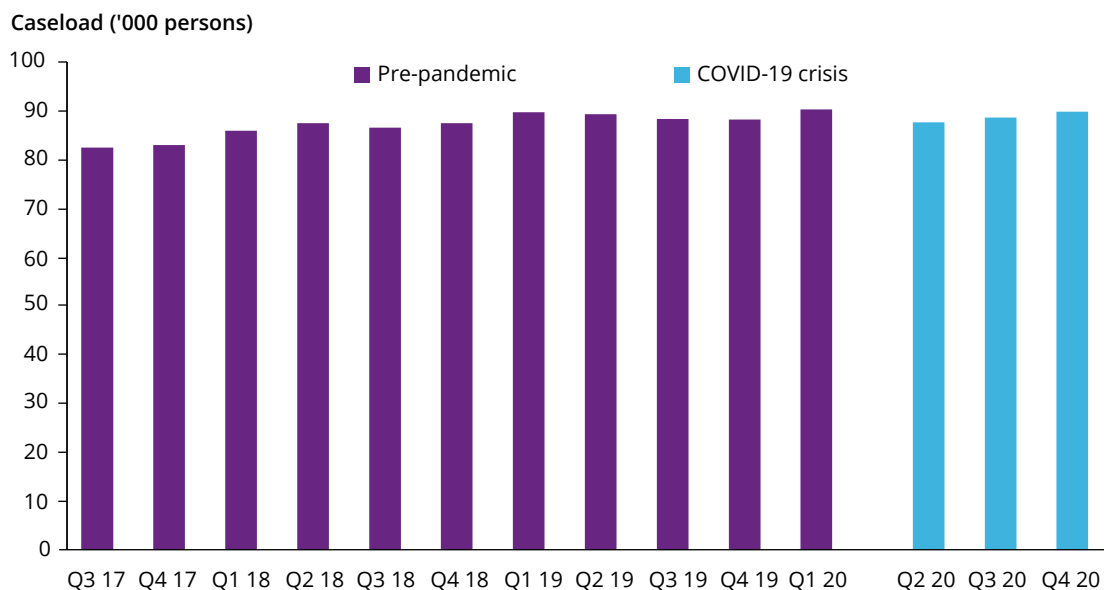
## Newly arising homelessness

The standard prime measure of homelessness in Australia are point-in-time statistics drawn from the 5-yearly ABS Census, and ‘caseload’ figures published in the AIHW SHS series. The latter relate to individuals assisted by SHS providers across Australia (for further information about the SHSC, see AIHW 2020). While these administratively generated figures have been routinely released annually by the AIHW, publication frequency was stepped up in 2020 by adding monthly statistics issued in quarterly batches.

In calibrating the changing incidence of homelessness during inter-Censal periods, most analysts focus on the cohort of SHS service users being assisted during the relevant month or year – on the cohort’s overall size, and on the circumstances and profile of those concerned. As shown in Figure 5.2, based on this measure, there was little sign of any notable COVID-19 pandemic impact on homelessness in 2020.

It should also be acknowledged that SHS service users include people designated as ‘at risk of homelessness’ as well as those actually homeless.

**Figure 5.2: Average monthly Specialist Homelessness Services assisted caseload, by quarter, 2017–2020**



Source: Unpublished AIHW SHSC – monthly collection.

The familiar ‘assisted users’ statistics tracked in Figure 5.2 are essentially ‘stock’ figures that include both ‘ongoing’ service users and people who sought SHS help during the period for the first time (or made a fresh claim for assistance, as former clients from a previous homelessness episode). In seeking to understand the homelessness impacts of changing housing market conditions (or policy initiatives), it would be more informative to focus on the flow of new claims for assistance, rather than on the stock of people receiving help. Since SHS records include the date that a current service user first sought assistance, it is possible to separately identify those *who made their initial claim* within the relevant period (for example, month or year) – that is, a measure of ‘newly arising homelessness’. This approach emulates the established analytical framework used for street homelessness statistics in London (Fitzpatrick et al. 2021; Greater London Authority 2021).

With these considerations in mind, a new analysis of SHS service user data is presented in Figure 5.3. This analysis differentiates service users in any given month on the following basis:

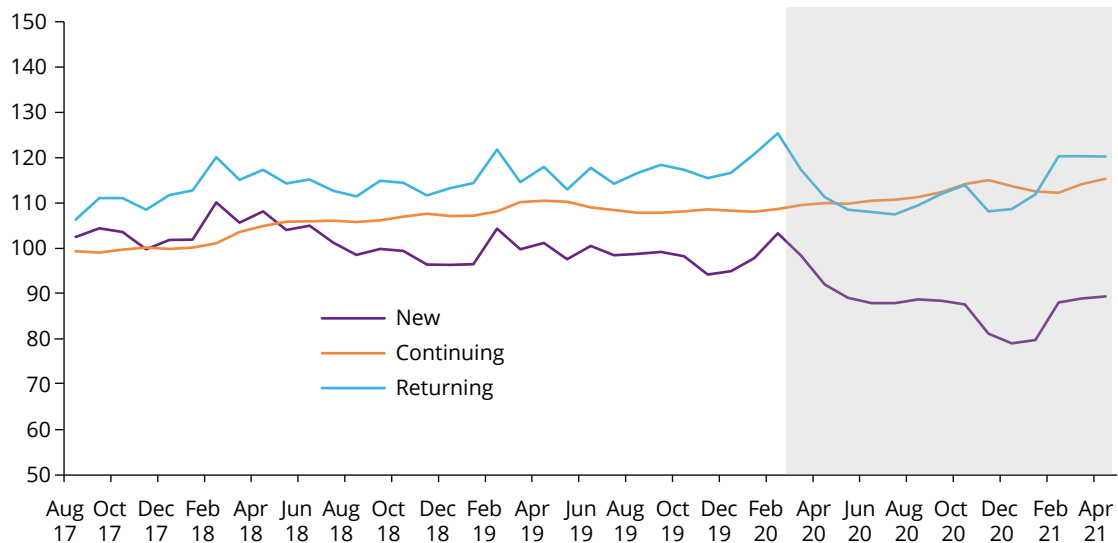
- new service user – person receiving services in a given month for the first time (since the current system was established in 2011)
- continuing service user – person receiving services in a given month and already receiving services in the previous month
- returning service user – person receiving services in the current month and in an earlier month (since 2011) but not in the previous month.

To indicate the relative size of these cohorts, in January 2021, around 87,600 people received SHS services, of whom 76% were continuing clients, 14% returning clients and 10% new service users. Classified as such, this new breakdown arguably provides a more meaningful insight into homelessness trends during the pandemic than the standard data presentation. Given the hugely differing size of the three cohorts trend over time analysis needs to be undertaken on an indexed basis, as in Figure 5.3.

As shown in this figure, the ‘continuing service user’ caseload saw an ongoing upward trend during 2020 and into 2021, consistent with the 2017–2019 pattern. New homelessness cases, meanwhile dropped sharply during 2020 – falling from 11,200 in February 2020 to 8,400 in January 2021, a drop of one-quarter. Particularly given the relative stability of the ‘new service user’ cohort from 2017 to 2019, this fall appears notable.

**Figure 5.3: Trend in SHS service user cohorts (per cent, each cohort indexed to July 2017), Aug 2017–Apr 2021**

Change over time from July 2017, indexed (July 2017 = 100)



Note: Data are indexed to July 2017. Data have been smoothed to dampen month-to-month volatility.

Source: Unpublished, AIHW SHSC – monthly collection.

Perhaps similarly of note, the trend of newly arising homelessness in 2020 (as shown in Figure 5.3) coincides closely with the sharp reduction in new homelessness apparent from the ‘flow based’ official homelessness statistics for England (Fitzpatrick et al. 2021). It would seem possible that, in both countries, these trends in part reflect the parallel eviction moratoriums imposed from March 2020 to protect vulnerable renters during the pandemic.

For most of the year to April 2021 the flow of SHS new service users was running at 10–20% below the norm of the previous 2 years. One way to quantify the overall impact of this downturn in new applications for assistance is to compare the recorded number of such cases with the number that would have eventuated from a continuation in the incidence of new SHS service users in the preceding year (that is, the 12 months to 31 March 2020). By April 2021, the difference between these 2 numbers – the number of people for whom homelessness was avoided – totalled some 15,000.

It is also important to consider that the counter-factual scenario for 2020 might have involved a sharp increase in renter evictions due to rising arrears caused by lockdown-induced loss of income. Even allowing for the fact that most tenants in this situation will have been protected by the Australian Government's income support measures shown in Table 5.1, many non-permanent residents (for example, international students and migrant workers) were excluded from such support (Pawson et al. 2021 p28). Viewed from this perspective, the quantum of homelessness prevented by eviction moratoria could have been substantially higher than 15,000.

## Pandemic impacts on the private housing market

### House sales: The national picture

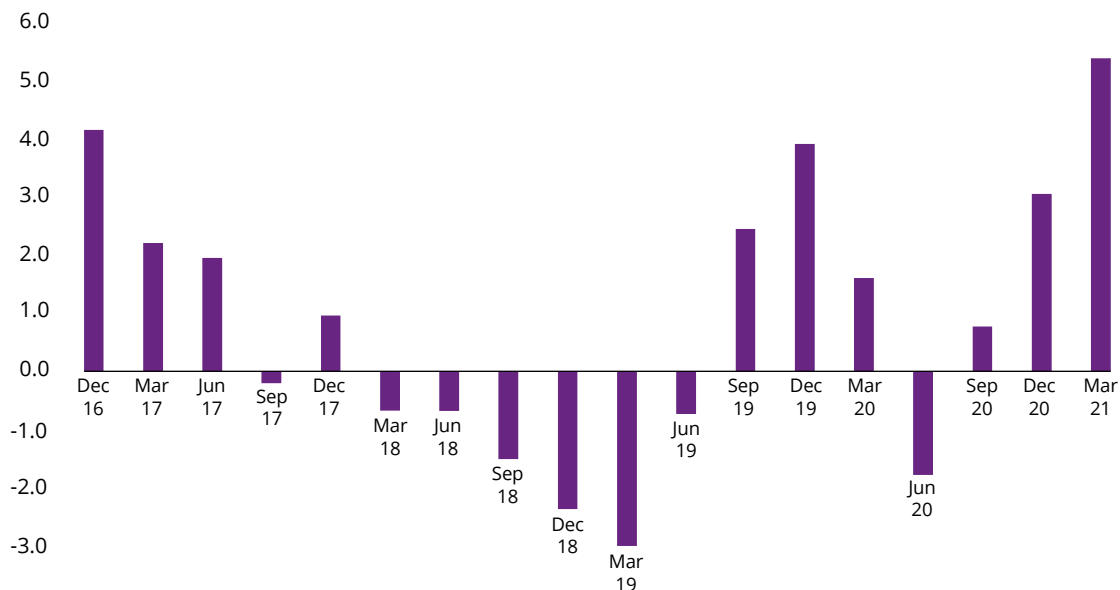
Confounding most analyst predictions, house prices were only briefly dampened by the 2020 recession. As shown in Figure 5.4, the national average price dipped only in 2020 Q2, before recovering strongly in the second half of the year. By Q1 2021, prices were rising at their fastest quarterly rate since 2009. Considering the substantial economic headwinds experienced during 2020, and even into 2021, this is a remarkable story. In particular, the rapid house price recovery occurred despite:

- unemployment persisting during 2020 at rates substantially higher than pre-pandemic rates
- wage growth continuing to run at historically low levels
- population growth more than halving – for at least 2 years – mainly due to eliminated international migration gain (see later in this section).

Most commentators have attributed house sales market 'resilience' mainly to the additional cuts in mortgage rates in 2020, as well as to the Reserve Bank of Australia's (RBA's) public assurance (October 2020) that base rates would remain at their record low levels until at least 2023. The RBA itself has acknowledged the strong causal relationship between interest rates and house prices (Saunders & Tulip 2019); it estimated that a 1 percentage point interest rate reduction is likely to generate a 30% real increase in house prices 3 years later. Indeed, it could be argued that sharply rising house prices from the second half of 2020 are an indirect effect of the COVID-19 recession. That is, these higher prices resulted from RBA base rate cuts – which were a monetary policy response to the economic downturn as part of wider official efforts to moderate the recession's business impact.

**Figure 5.4: House prices, Residential Property Price Index, 8 capital cities, 2016–2020**

Quarterly percentage change



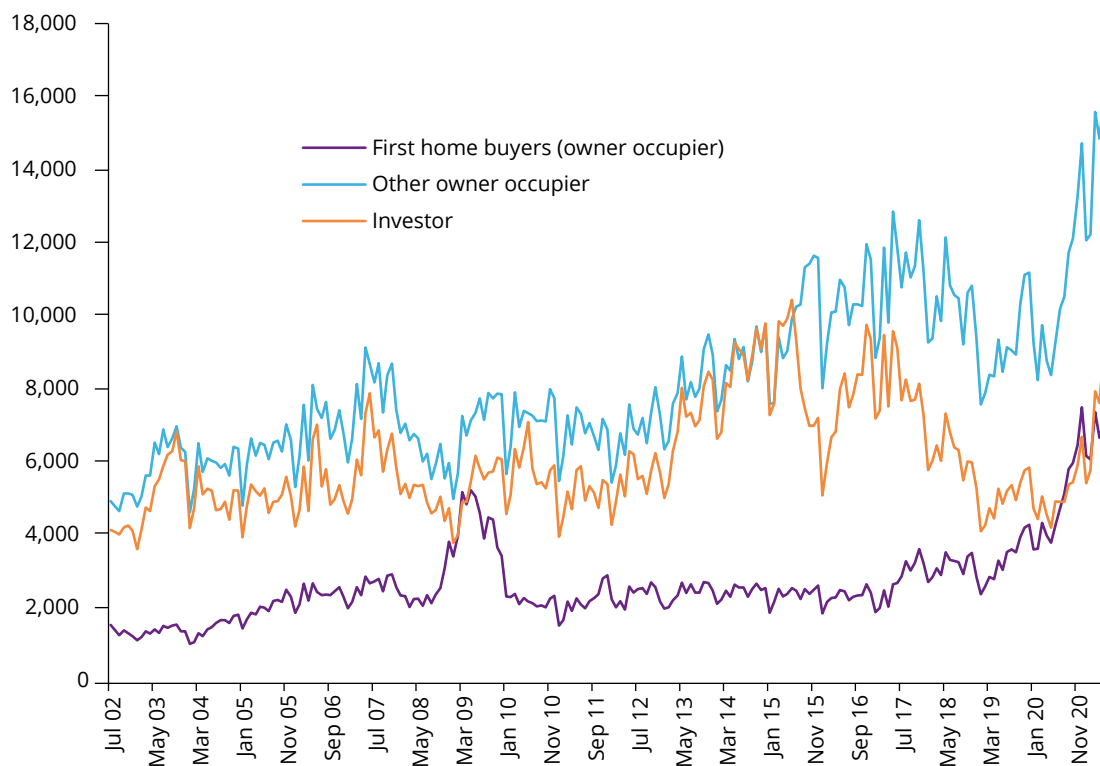
Source: ABS 2021b.

Compounding the housing market impact of record low interest rates in 2020 was official action to directly stimulate market activity through homebuyer grants and associated assistance. The single most notable program was the Australian Government's \$2.1 billion HomeBuilder initiative, launched in July 2020. This initially offered \$25,000 grants (later reduced to \$15,000) to build a new home or substantially renovate an existing home. In combination with grants and concessions offered by certain state/territory governments, some homebuyers were able to access financial help totalling \$80,000 in such official aid.

Probably at least in part reflecting these policy interventions, the housing market boom that followed the pandemic crisis has been substantially driven by a revival in first home buyer (FHB) activity (Figure 5.5). By December 2020, FHB mortgage approvals had risen by 66% on the figure 12 months earlier, whereas the comparable figures for other owner occupiers and rental investors were 35% and 14%, respectively. The surge in FHB demand is likely to have substantially reflected the policy stimulus of ramped-up financial assistance. However, especially because of the time-limited nature of these programs, many applicants will have been encouraged to bring forward existing house-buying plans to benefit accordingly. To this extent, a 'vacuum effect' could result when programs end. That is, a period of sharply depressed FHB activity – as seen in the aftermath of equivalent programs enacted to counter the Global Financial Crisis in 2008–09.

**Figure 5.5: New housing finance issued, July 2002 – May 2021**

Housing finance issued (\$millions)

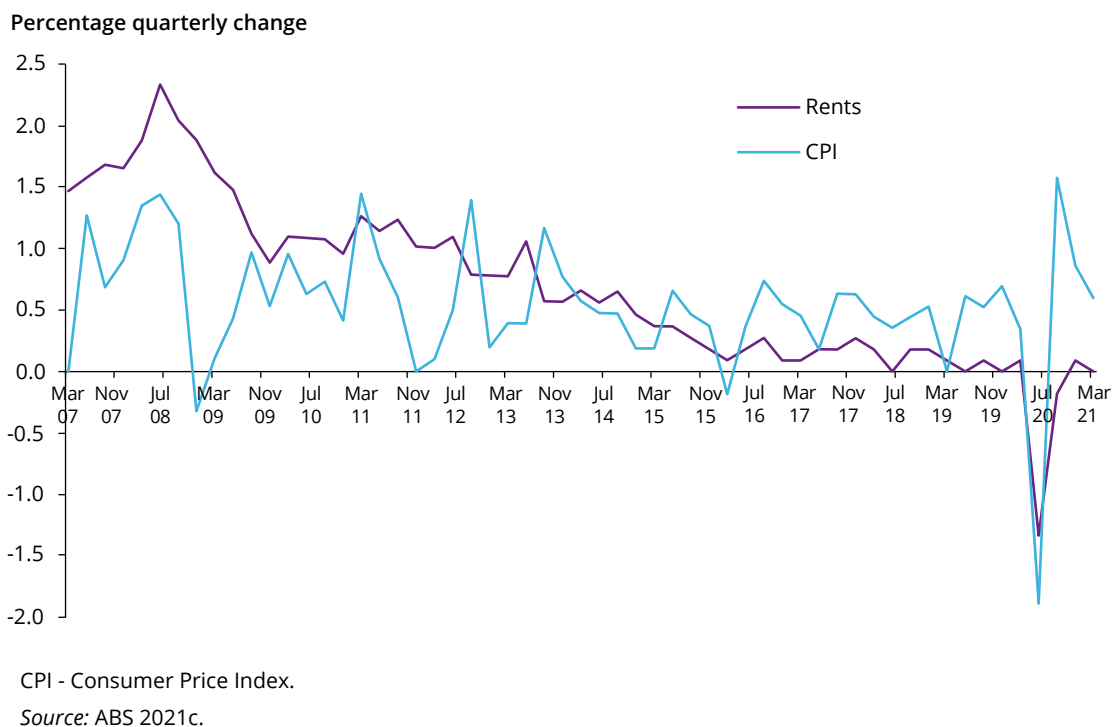
*Note:* Figures exclude re-financing.*Source:* ABS 2021d.

## Private rental market

The 2020 pandemic gave rise to unprecedented turbulence in Australia's rental housing market. Most strikingly, for the first time since records began (in 1972), the national average rent dropped quarter on quarter – not only in 2020 Q2, but also in 2020 Q3 (Figure 5.6). Even in 2021 Q1, the ABS National Rent Index remained well below its level 12 months earlier (ABS 2021c).



**Figure 5.6: Rents and Inflation, quarterly percentage change, Australia, 2007–2021**



The overall rental market downturn, as reflected in rent deflation, would have resulted mainly from reduced demand for rental property during the pandemic because of 3 main factors:

- diminished population growth attributable to migration
- cessation of international tourism and business travel
- diminished capacity of existing renters to sustain previous rental expenditure.

Each of these factors is briefly explained below.

The specific importance of migration (including permanent and temporary migration; for example, international students) is the understanding that most new migrants will at least initially reside in rental housing. Closure of Australia's international borders to incoming migrants from February/March 2020 was followed during the remainder of the year by a substantial outflow of foreign nationals. Extraordinarily, despite the managed return to this country by tens of thousands of Australian expatriates fleeing the pandemic in other countries, it was officially estimated that 2020–21 would see a Net Overseas Migration (NOM) outflow of 72,000 people (Department of the Treasury 2020). This is a dramatic contrast with the recent norm of NOM annual gains, which are typically in the range 200–250,000.

The cessation of international tourism and business travel during the pandemic would have had an impact on the rental market via the short-term letting sector – dwellings rented out through platforms such as AirBnB – which until then had been rapidly expanding. In early 2020, in Sydney and Melbourne alone, more than 42,000 entire dwellings were listed on Airbnb (Pawson et al. 2021). By October, the number had fallen by over 20% to fewer than 33,000. It is thought that a large proportion of this reduction would have resulted from properties being returned to the mainstream rental market, with a consequential dampening effect on rents.

As noted earlier, the COVID-19 economic downturn triggered large-scale job losses. Survey evidence suggests that at least one-quarter of renters would have lost income as a result (Pawson et al. 2021). Such evidence also indicates that somewhere between 8% and 16% of tenants negotiated a rent variation with their landlord – thus directly contributing to falling rents in aggregate. Beyond this, while it cannot be quantified, it seems probable that appreciable numbers of young adult tenants chose to cut their rental expenditure by vacating their property – either returning to the family home, or choosing to share with others.

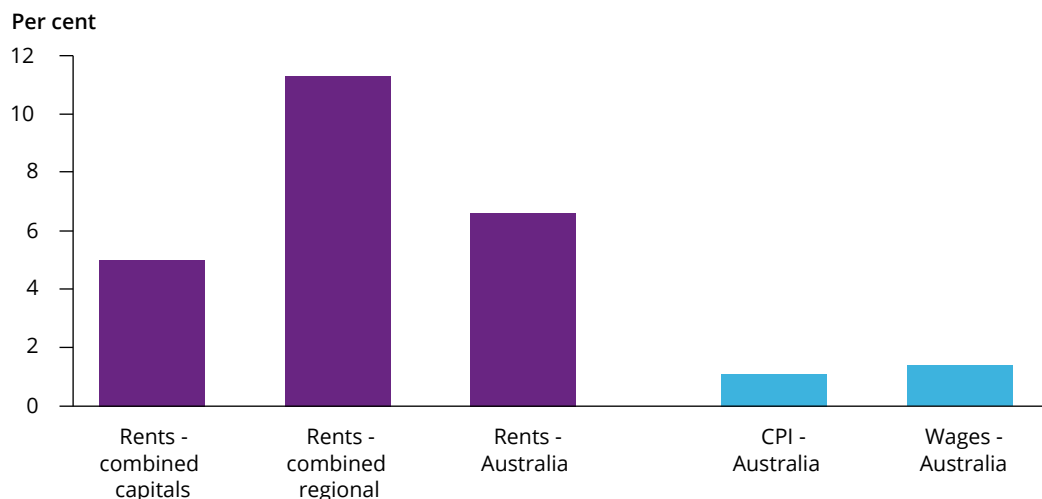
In rounding off this analysis it is important to note that, at the time of writing, the latest available statistics show rents recovering strongly in early 2021. Indeed, according to CoreLogic (2021) the national median rent rose 6.6% in the year to June 2021 – once again the fastest Australia-wide increase since 2009. Albeit from a pandemic nadir, this growth rate is also far in excess of general CPI, which rose by only 1.1% in the year to March 2021. Moreover, as further discussed below, recent rent increases have been yet more striking in certain markets.

## Housing market trends in 2020–21: spatial and property type variations

Before concluding this chapter, it is important to highlight notable 2020 housing market developments below the national level – or otherwise specific to different property types. Especially as far as the house sales market is concerned, the extent of regional versus metropolitan market divergence seen in 2020 has received much attention from residential property analysts. While house prices in Australia's capital cities have generally continued to exceed those in most regional areas, the metropolitan–regional price gap markedly narrowed during the pandemic. In CoreLogic's Home Value index, for example, the annual value increase in the year to March 2021 was 17.7% in regional Australia compared with 12.4% across the combined capitals (CoreLogic 2021a).

Rental markets have recently shown a remarkably similar spatial pattern to those for house sales. Rents have risen markedly more rapidly in regional settings than in capital cities (Figure 5.7). Regional renters reliant on state benefits such as JobSeeker and Rent Assistance will have seen their incomes rising by little more than 1% in 2021, while their next (market reflective) rent increase might be ten times this magnitude on an annualised basis.

**Figure 5.7: Median rent change (per cent), 12-months to June 2021**



CPI - Consumer Price Index.

Source: CoreLogic 2021a; ABS 2021c; ABS 2021e.

Spatial contrasts in housing market trends will partly reflect the geographical specificity of the housing demand changes outlined earlier – in particular, the spatially concentrated impacts of reduced international migration (especially that involving overseas students) and tourism as these have especially affected inner urban areas and certain resort locations.

At the same time, for both the rental and house sales markets, it has been hypothesised that increased housing demand outside capital cities could be a product of the rise in remote working that has resulted from the pandemic. For those employed in certain types of work, this at least temporarily weakened the link between residential and employer locations. Arguably, for many people, the feasibility of living further from an office or other workplace opened up the possibility of moving away from the capital cities where most companies and government offices are located.

Apparently consistent with this hypothesis, official inter regional migration statistics showed a spike in migrant population losses for capital cities in the first 3 quarters of 2020 (ABS 2021f). Nevertheless, the absolute scale of such inter-regional migration remains relatively modest. A different explanation for disproportionately increased housing demand in regional locations posits that this trend results from the housing preferences of the Australian expatriates who returned to the country in large numbers during 2020 and 2021.

Finally, on a similar theme, many have suggested that pandemic lockdowns and working from home have altered housing demand preferences in relation to dwelling type. This has been proposed as part of the explanation for the marked divergence in price (and rent) trends for houses and apartments seen in 2020-21. Nationally, in the year to March 2021, the national median price for houses rose by 7.4%, while the apartment increase was just 2.3% (CoreLogic 2021b). In the rental market, meanwhile, analysis for Sydney and Melbourne for the 12 months to March 2021 showed even more marked divergence – since apartment rents fell whereas house rents rose over this period (Ibid).

## Conclusion

While the public health consequences of COVID-19 have been much more moderate in Australia than in most other countries, the pandemic nevertheless had a substantial impact on housing policy, and on the housing system. Both levels of government quickly enacted largely effective emergency measures to protect both existing renters and homeless people from possible resulting risks. However, the limited success of state governments in arranging longer term housing solutions for homeless people caught up in the pandemic highlighted pre-existing housing system vulnerabilities – in particular, the limited capacity of social rental provision and the large and growing gap between Rent Assistance maxima (pegged to CPI) and actual rents (Productivity Commission 2019, Figure 14).

Among the existing private renter population, some would have benefited directly or indirectly from the rare situation of rental price deflation that affected many capital city locations during 2020. For some, this would have made it much easier to negotiate a reduced rent themselves – or to quit an overly-expensive home in preference for one offered at a lower price. In the aftermath of the 2020 crisis, however, rents – along with house prices – bounced back strongly in early 2021, especially in regional Australia.

In many non-metropolitan locations, aspiring local home buyers and renters alike will therefore have faced stiffer competition to secure suitable properties. Over the longer term these trends may stimulate expanded housebuilding in more pressured regional locations. At least in the short to medium term, though, longstanding low-income renters in these areas will likely face growing affordability stress as higher housing demand gradually filters through the market in the form of rising rents affecting existing, as well as new, tenants.

The remarkable house price boom that emerged from the pandemic is substantially a product of policy rather than purely the outcome of market forces (Maclennan et al. 2021) – in particular, monetary measures enacted as a direct response to the COVID-19 crisis itself. These appear to have placed Australia back on its pre-2020 housing market trajectory. This is a path that, through its effect in sharpening the wealth divide between property owners and renters (ABS 2019), is a major contributor to the growing wealth inequality that itself poses a substantial policy challenge to both levels of government. Further, the episodic nature of subsequent lockdowns as outbreaks occur means that the pandemic impacts and responses story for housing remains unfinished.

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