

Older People Need a Special Housing Plan

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It has been heartening to see the active leadership of the Commonwealth Government in housing policy for the first time in more than a decade. Significant government action is needed at this time where conditions for renters in the private market are continuing to worsen. With housing markets failing to deliver affordable housing after being offered generous tax incentives for years, older people are the least able to cope due to their age, fixed incomes and increasing frailty and health problems. So what is the situation for older private renters in 2009, and are the new government programs that have been announced addressing their urgent need for stable and affordable housing?

Wave after Wave of the Housing Crisis

It has been well documented that the shortage of available accommodation in the private rental market over the past few years has created a difficult environment for people on low incomes. With vacancy rates at record low levels around 1% of housing stock, the housing shortage has created a cut-throat competitive environment where tenants are bidding against each other for available properties.

Recent trends in the private rental market have impacted on older people in three main ways. Firstly, older people seeking accommodation are finding it difficult to compete with younger people on working incomes as agents are choosing applicants with a greater capacity to pay high rents. Available vacancies for people on aged pensions are often substandard without basic facilities such as heating.

Secondly, current tenants have received higher than usual rent increase notices from their landlords as the housing shortage has escalated rents significantly. The December 2008 Rental Report showed that rents have increased by 10.9% across Metropolitan Melbourne for the year. This is expected to continue as the vacancy rate has hovered around an historical low of 1.1% for about two years (a 3% vacancy rate is recognised as the level where there is an equilibrium in the market). The median rent for a one bedroom flat in Melbourne metropolitan is now \$260 a week, a rise of 12.2% over 2008.¹ At current Centrelink rates, this leaves a single aged pensioner with \$24.90 per week to cover all other living expenses. Clearly, the private rental market is no longer a viable option for the 40,000 aged pensioners who currently live in this form of accommodation in Victoria. While AHURI research from 1999 showed that older private renters were paying on average 49% of their

income rent, the current housing climate suggests they are now paying a much higher proportion of their income in 2009.

Third, on top of the recent worsening trend in the market, HAAG's services have noticed another disturbing factor emerging: unprecedented and massive one-off rent increases. Our Housing Options Information Service has recently received calls from clients who have been ordered by their landlords to pay increases of between \$300–380 per month. The 'record' so far is an 89-year-old man whose landlord is demanding he pay an extra \$600 a month, raising his rent from \$250 to \$400 a week! While it is possible to challenge these increases by requesting a Consumer Affairs Victoria inspection to determine if their new rent would be excessive compared to the local housing market, we are finding that these assessments are often unsuccessful because there is a general trend of significantly higher rents.

Our assumption about this spike in rent increases is that tenants are paying a hefty price for the global economic crisis that has hit investors on the stock-market. Landlords are trying to cover their losses by raising additional finances from tenants, sending some rents to levels that are unsustainable for people on low incomes.

New Commonwealth Government Initiatives

The Rudd Government has made a series of housing announcements since its election barely 18 months ago. We have a Federal Housing Minister for the first time in more than a decade (Tanya Plibersek) who has a genuine commitment to tackling homelessness in Australia.

A series of initiatives have been announced so far including The White Paper on homelessness called *The Road Home: A National Approach to Reducing Homelessness* that was launched on 21 December 2008 with the aim to halve overall homelessness and to provide accommodation to all rough sleepers who seek it by 2020. This includes \$150 million for the construction of 600 homes for people experiencing homelessness; \$115 million for A Place to Call Home that will build \$512 million towards a Housing Affordability Fund to lower the cost of building new homes; \$812 million towards First Home Saver Accounts that offer a way of saving for a first home through a combination of government contributions and concessional tax rates; \$622 million for the National Rental Affordability Scheme that aims to build more than 50,000 new homes; and the most recent announcement of \$6.4 billion for the Social Housing initiative as part of the Nation Building and Jobs Plan.

These programs are attempting to tackle some of the fundamental problems our nation is facing, such as a lack of overall housing

supply. Another Federal Government initiative, the National Housing Supply Council, that is analysing trends, has produced a report that shows from 1996–2008 affordable housing stock has declined from 400,000 to 390,000. Overall, there is a shortfall of 250,000 affordable housing dwellings in Australia. They also state that more than 400,000 private renters are in housing stress with 156,000 paying more than 50% of their income in rent.² A significant number of those are aged pensioners.

Are These Programs Addressing the Needs of Older Renters?

The programs being developed by the Federal Government are targeted at a range of demographic groups such as homeowners, low wage earners, first home owners and the homeless. While it is arguable that an overall increase in housing stock will take some pressure off all areas of accommodation and potentially improve affordability, few of the initiatives announced so far will directly assist people on aged pensions.

For example, the National Rental Affordability Scheme (NRAS), that aims to add 50,000 new rental dwellings, will mainly benefit low to middle wage earners. This scheme provides tax incentives for investors if they construct new housing and offer it as rental accommodation at 20% below the market rate. As described earlier, rent rises are increasing at more than 10% a year at present and are already unaffordable for pensioners, so the rent discount would need to be closer to 50% of the market rate to be suitable for people on pensions. It is unclear at this stage whether any housing providers will be willing to offer such discounted rates.

Secondly, as it is a new housing program, most of the construction will occur on the outer fringe suburbs of major cities where the lack of services and infrastructure would make it an impractical location for older people who need access to services.

Thirdly, the tax concessions are only available for ten years. What happens to the tenant and/or the rent when that time comes? Older people need long term housing options and could be at a vulnerable age if required to vacate after ten years of tenancy because the landlord wants to sell their house or significantly increase the rent.

The Nation Building Plan Must Target Older Private Renters

It is the Nation Building-Social Housing plan that has the potential to address the needs of low income older people. \$6.4 billion is to be invested in this scheme that aims to build 20,000 public housing dwellings across



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Australia. Ironically, this ambitious building program puts into perspective the scale of need in Australia as funding equivalent to another ten economic stimulus packages are required to meet the needs of the 220,000 people on public housing waiting lists nationally. Therefore, the most effective use of these funds will require targeting those most in need.

Older private renters are one of the most vulnerable groups in Australian society and therefore should receive priority assistance under this plan. Anna Howe has described "the great divide between the circumstances of older owners and private renters in our society" and that "the main message for (govt.) policy is that the highest priority should be given to obtaining housing for those who don't have secure tenure when they reach retirement age".³ The private rental market fails to offer older people their four most fundamental housing needs: security of tenure, affordability, decent housing standards and appropriate design and adaptability. Action must be taken urgently on this issue because the number of people aged 65 and over living in low-income rental households is projected to increase significantly in less than 20 years. AHURI research has shown

that people aged 65 and over in low-income rental households will increase by 115 per cent, from 195,000 in 2001 to 419,000 in 2026. The greatest projected change is in the 85 and over age range where the number of low-income renters is estimated by AHURI to increase from 17,000 to about 50,000 in that time.⁴

To add further alarm and the need for action, a critical warning has been sounded with the recent release of suicide rate figures in Australia. While overall suicide rates have dropped by 40% between 1997 and 2006, men 85 years of age and over are "significantly more likely than any other demographic group to commit suicide".⁵ While a number of reasons can lead to the sense of despair that causes suicide, housing stress on the elderly must certainly be a contributing factor.

A plan for older private renters would target the development of two forms of housing supply: New public housing developments in areas where there are good links to services and other infrastructure, including redevelopment of older estates; and, negotiations should be held with the non-profit Independent Living Unit sector to seek partnerships for

the redevelopment and expansion of their 50 year old housing stock that is well located in inner ring suburbs of most capital cities. Any new housing schemes should also seek to assist older people with asset levels that place them marginally above current public housing limits (i.e. \$30,000 in Victoria) as that group often misses out on any available options.

The National Building plan has been primarily developed as an economic stimulus measure to support the building industry during a recession and therefore may be a once-in-a-generation opportunity to have an impact on the housing crisis. It is imperative that those most in need, such as older private renters, are first in line when the new housing becomes available. ■

Footnotes

1. Department of Human Services *Rental Report December Quarter 2008*
2. National Housing Supply Council *State of Supply Report 2008*
3. A.Howe, Consultant Gerontologist *Housing an Older Australia*, AHURI/Myer Foundation 2003
4. Jones, Bell, Tilse, Earle: AHURI, 2007
5. Australian Bureau of Statistics 2008