

# Rental Housing in WA

Ten ideas to address the rental crisis

May 2023



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# About Shelter WA

Shelter WA is the independent peak body that advocates for social and affordable housing and ending homelessness in Western Australia.

## **Our Vision**

All people living in Western Australia have housing that enables them to thrive.

## **Our Purpose**

We work with our members and others where appropriate, to provide a strong voice and lead the development of an effective housing system.

## **Our Values**

Courage

Innovation

Collaboration

Leadership

## **National Networks**

Shelter WA is part of a network of state and territory-based housing bodies working in partnership with National Shelter and the Community Housing Industry Association (CHIA). Through this network advocacy occurs at a national level. Shelter WA has a seat on the National Shelter board providing input from a WA perspective into national issues. This representation strengthens Shelter WA's capacity to represent the interests of Western Australia at a national level, through participation in research, policy, advocacy and engagement.

# Introduction

Western Australia is experiencing a critical shortage of rental homes, with renters facing rising rents and a highly competitive market.

This report and the ideas presented outlines ten “shovel-ready” short- and medium-term solutions to address the rental crisis identified through Shelter WA’s “Rental Roundtable”, held on Tuesday, 3 May 2022, and subsequent stakeholder engagement across the community sector, private industry and academia.

The purpose of the Roundtable was to identify solutions among the wide range of stakeholders with strong consensus and traction for rapid implementation (within twelve months), including consideration of where current initiatives or investment could be expanded, to ease the rental crisis and increase the supply of affordable rental housing to put forward to the WA Government.

Roundtable participants included representatives from WA Government departments, industry bodies, developers and community housing organisations (CHOs).

Following the Roundtable, Shelter WA conducted one-on-one interviews with key stakeholders to gain a deeper understanding of their ideas, while also unpacking potential barriers and determining which ideas were not feasible or supported. This report combines the findings of this consultation with the latest research and evidence base to present ten ideas with potential for further consideration and which could be progressed rapidly.

Whilst we believe that there is a critical role and responsibility for the Commonwealth Government in addressing the current rental housing shortage, this report is focused on WA Government solutions.

There is strong appetite and capacity amongst community housing and industry stakeholders to work in partnership with the WA Government to progress the ideas presented.

# Context

## Rental housing shortage

Western Australia is experiencing a critical shortage of affordable rental supply, and persistent low vacancy rates have been contributing to inflated rents over the last three years – creating a highly competitive and unaffordable market, especially for households on low incomes.

For example, according to the Real Estate Institute of Western Australia (REIWA), a balanced rental market would be reflected in vacancy rates of between 2.5 and 3.5 per cent, however in Perth and many of WA's regional centres (including Albany and Busselton), the vacancy rate has been sitting well below one per cent for three years.<sup>1</sup> At the same time, rents have been steadily rising, with a 45 per cent increase in Perth between February 2020 and February 2023 – and regional asking rents rising by 56 per cent (Bunbury), 33 per cent (Geraldton) and 59 per cent (Kalgoorlie) over the same period.<sup>2</sup>

The chronic affordable rental shortage is exasperating housing stress and insecurity across the state, and 2021 Census data has revealed a doubling in the number of rough sleepers in WA since 2016, with one in three rough sleepers in Australia in WA.<sup>3</sup>

Successive Anglicare Affordability Snapshots have demonstrated that there are limited or no rental housing options available across the state for people on minimum wage or who rely on government payments such as Jobseeker or the Disability Pension.<sup>4</sup> The Anglicare Australia *Rental Affordability Snapshot* counts the number of advertised properties available on one day every March. It doesn't account for the potential impact of discrimination in the private rental market on renters. Therefore, even if this small number of properties are available, those on low incomes or who are already vulnerable, may be even further disadvantaged in the current competitive market, or may be outbid by other applicants.

A lack of affordable and diverse rental supply is constraining economic development, especially in regional areas, where local employers are having difficulty attracting and retaining key workers due to an inability to find suitable housing options. A recent report by Infrastructure Australia found that housing was a high priority issue for the majority of the state's regions and that housing shortages are detracting from investment and economic growth in these areas.<sup>5</sup>

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<sup>1</sup> SQM Research (2023). Vacancy rates. [https://sqmresearch.com.au/graph\\_vacancy.php?region=wa%3A%3APerth&type=c&t=1](https://sqmresearch.com.au/graph_vacancy.php?region=wa%3A%3APerth&type=c&t=1)

<sup>2</sup> SQM Research (2023) Asking rent prices. Combined house and unit figures. Comparison of asking rents from February 2020, 2021, 2022, 2023. <https://sqmresearch.com.au/weekly-rents.php?region=wa-Perth&type=c&t=1>

<sup>3</sup> Australian Bureau of Statistics (2023), Estimating homelessness.

<https://www.abs.gov.au/statistics/people/housing/estimating-homelessness-census/latest-release>

<sup>4</sup> Anglicare Australia (2022) 2022 Rental Affordability Snapshot. <https://www.anglicare.asn.au/publications/rental-affordability-snapshot-2022/>

<sup>5</sup> Infrastructure Australia (2022) Regional strengths and infrastructure gaps. Regional analysis: Western Australia. [https://www.infrastructureaustralia.gov.au/sites/default/files/2022-03/9\\_RSIG\\_Regional%20Analysis\\_WA.pdf](https://www.infrastructureaustralia.gov.au/sites/default/files/2022-03/9_RSIG_Regional%20Analysis_WA.pdf)

## Current challenges inhibiting new supply

Global and domestic factors are causing significant and ongoing challenges in the construction market, which is constraining the completion of new housing supply. WA is experiencing labour and materials shortages, inflated material costs, and lengthy delays in the construction of new homes.<sup>6</sup> These shortages are increasing time and cost pressure for delivery of new homes, including new social dwellings and in the private market.

## A lack of levers to increase affordable rental supply

Projections to 2041 estimate that Western Australia will need 85,700 social and affordable housing properties to fulfill need.<sup>7</sup> In order to meet this need, an average annual sector growth of 6.9 per cent to 8.7 per cent would be required – 3,700 to 4,700 new homes each year.<sup>8</sup> Whilst the WA Government is to be commended on achieving a milestone 1,000 new social homes, delivered through a 2021 Budget package,<sup>9</sup> this falls well short of the required growth.

Recent research calculated that the provision of social and affordable housing results in a 2:1 return on investment for governments. The research found that over 30 years, there was a \$6.6 billion net saving available to taxpayers in Western Australia if this shortage was addressed.<sup>10</sup>

The *WA Housing Strategy 2020-2030* acknowledges this critical shortage of affordable rental housing and concedes it is a weak point in the housing continuum. The Strategy, however, fails to outline specific mechanisms for increasing supply and the current target of 500 new affordable rental homes by 2030 is an inadequate response given the scale of the issue. Compounding matters, a total of 4,656 existing affordable dwellings will have their subsidies expire between 2022 and 2026 as the National Rental Affordability Scheme (NRAS) comes to an end.<sup>11</sup> There are currently no specific state or federal initiatives to address or replace this loss and no transition plan for tenants currently living in affordable NRAS properties.

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<sup>6</sup> Housing Industry Forecasting Group (HIFG) (2022) Forecasting dwelling commencements in WA, August 2022. <https://www.wa.gov.au/system/files/2022-09/Housing-Industry-Forecasting-Group-August-2022-Update.pdf>

<sup>7</sup> UNSW City Futures Research Centre (2022). Quantifying Australia's unmet housing need. <https://cityfutures.adfa.unsw.edu.au/documents/702/CHIA-housing-need-regional-snapshots-v1.3.pdf>

<sup>8</sup> Ibid.

<sup>9</sup> WA Government – Media Statements (2023), McGowan Government housing reforms deliver 1,000 social homes, <https://www.mediastatements.wa.gov.au/Pages/McGowan/2023/02/McGowan-Government-housing-reforms-deliver-1,000-social-homes.aspx>, Accessed 17 February 2023

<sup>10</sup> SGS Economics (2022) Give me Shelter: the long-term costs of underproviding public, social and affordable housing. Housing All Australians. <https://housingallaustralians.org.au/wp-content/uploads/2022/06/Give-Me-Shelter.pdf>

<sup>11</sup> Australian Government (2021), National Rental Affordability Scheme quarterly performance report as of 30 June 2022. [https://www.dss.gov.au/sites/default/files/documents/08\\_2022/june-2022-nras-quarterly-performance-report.pdf](https://www.dss.gov.au/sites/default/files/documents/08_2022/june-2022-nras-quarterly-performance-report.pdf)

Whilst we acknowledge and welcome the WA Government's new investment in social housing, a shortage of affordable rental properties places additional demand on social housing and homelessness services. This is visible, with the social housing waitlist increasing by 27 per cent between 2020 and 2022, including a more than doubling of priority applicants.<sup>12</sup> Over the same period, the average rental asking price also increased by 27 per cent.<sup>13</sup>

Service providers have also reported growing and unprecedented demand for emergency relief including rental support and food packages due to cost-of-living pressures. According to the most recent Report on Government Services, Western Australia recorded the country's highest turn-away rates for housing assistance, and second-to-lowest housing support funding per capita – with only Queensland investing less.<sup>14</sup>

Increasing the supply of affordable rental housing is essential for providing homes for thousands of Western Australians and preventing renters who are evicted from their rental properties from becoming homeless.

## Priority areas to address

The Roundtable and subsequent consultation identified four key themes that must be addressed to solve the rental crisis:

### **Programs and investment are required across the housing continuum.**

One of the key messages from the Roundtable is that policy mechanisms and investment are required across the housing continuum, from social housing and affordable rental housing through to home ownership. This includes an urgent need for programs to increase affordable rental supply, including homes managed by CHOs and in the private rental market.

As low vacancy rates have persisted and rents have continued to rise, community services have noted the increased demand for support from people who have never been in contact with support services before and who have been forced to accept rent increases beyond their means to maintain a roof over their head. Therefore, mechanisms are urgently required that will increase affordable rental stock and support people to remain in their rental homes.

There is an opportunity for the growth of affordable rental homes to be managed by the community housing sector, which will provide greater protection against external shocks, greater security of tenure for tenants and ensure that affordable rental supply remains in the market to meet need.

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<sup>12</sup> 31 August 2020 figures from: Question on Notice No.3156, 8 September 2020 by Hon Alison Xamon - Extract from Hansard, 21 September 2022.

<sup>13</sup> SQM Research (2023) Asking rent prices. Combined house and unit figures. Comparison of asking rents from February 2020 and 2022. <https://sqmresearch.com.au/weekly-rents.php?region=wa-Perth&type=c&t=1>

<sup>14</sup> Australian Government (2023), Report on Government Services 2023, Part G, Section 19, <https://www.pc.gov.au/ongoing/report-on-government-services/2023/housing-and-homelessness/homelessness-services>

## **Value-for-money solutions are available through effective partnerships with community housing and private industry.**

Both the community housing sector and private industry have considerable appetite and capacity to assist government to deliver below affordable rental supply. Further, recent research commissioned by Shelter WA demonstrated that partnering with CHOs to deliver new supply is a good value-for-money proposition for government and can save approximately 35 per cent on the full cost of social housing delivery.<sup>15</sup>

## **Interim solutions are required while new housing is being constructed.**

The Roundtable acknowledged the challenges in the current construction market, impacting the completion of both private development and the delivery of social housing. The construction of new social and affordable rental stock will take some time and therefore urgent interim measures are required. These include 'unlocking' existing land and dwellings and providing greater immediate assistance for households in the private rental market who are at risk of homelessness due to the current lack of affordable and available rental properties.

## **Permanent, adequate, and rolling funding and finance mechanisms are needed.**

The shortage of affordable and available rental homes across WA points to the need for longer term investment and programs that can facilitate a consistent pipeline of new affordable rental supply, to meet future projected demand.<sup>16</sup> Our consultation concluded permanent funding and financing instruments are required to provide certainty to both not-for-profit and private sectors, and to advance the capacity the community housing sector as an effective delivery partner in increasing supply of affordable rental stock in WA. Such instruments could also increase the social and affordable housing yield potential in significant (re)development sites, including on WA Government land offered through the Housing Diversity Pipeline (HDP) initiative.

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<sup>15</sup> Paxon Group (2022), Community housing sector growth opportunities: collaboration between government and industry to drive supply, Shelter WA, <https://www.shelterwa.org.au/wp-content/uploads/2022/08/220728-Shelter-WA-Sector-Growth-Opportunities.pdf>

<sup>16</sup> UNSW City Futures Research Centre (2022). Quantifying Australia's unmet housing need. <https://cityfutures.adg.unsw.edu.au/documents/702/CHIA-housing-need-regional-snapshots-v1.3.pdf>



# 10 ideas to address the rental crisis

The ten top ideas generated through the Rental Roundtable have been grouped into three themes:

<b>Unlock new supply</b>	<ol style="list-style-type: none"><li>1. Establish a WA Housing Future Fund</li><li>2. Spot purchase homes for community housing</li><li>3. Spot purchase pre-sale apartments for community housing</li><li>4. Improve collaboration with community housing</li><li>5. Streamline procurement for social and affordable housing</li><li>6. Establish a housing program for regional key workers</li></ol>
<b>Unlock existing supply</b>	<ol style="list-style-type: none"><li>7. Introduce an affordable rental incentive scheme</li><li>8. Monitor short-stay accommodation; enable local responses</li><li>9. Audit an ancillary program initiative</li></ol>
<b>Support Private Tenants</b>	<ol style="list-style-type: none"><li>10. Introduce a private rental assistance program</li></ol>

## Theme 1: Unlock new supply

**IDEA 1:** Establish A WA Housing Future Fund

**Timeframe:** Short-term

**Impact:** Medium

Housing Future Funds have been established in other jurisdictions, including Victoria and Queensland, to enable an ongoing pipeline of new social and affordable housing. Given WA has a current net operating surplus of \$6 billion,<sup>17</sup> participants have suggested that now is the time for the WA Government to implement such a model.

Setting up a WA Housing Future Fund would involve investing seed funds and allocating the annual returns to address the funding gap for private developers and CHOs to build new affordable rental stock.

The WA Housing Future Fund model is not new to Western Australia – current funds in operation include the Future Health Research and Innovation Fund, and Collie Futures Fund; a similar investment returns model is also used for the Mining Rehabilitation Fund, which also collects levies from industry to bolster the invested capital and maintain clear industry responsibility.

The Fund should be designed to position WA to leverage the Federal Government’s \$10 billion Housing Australia Future Fund. It could also take advantage of a growing appetite for Environmental, Social, and Governance (ESG) in business, as housing is an appealing site for philanthropic contributions, especially in bricks and mortar.

Groups such as Housing All Australians and My Home have demonstrated the potential of unlocking private investment with the right brokerage and settings – however, action is needed to scale up to address the significant shortfall. Providing opportunities to crowd-in private investment is a key role the WA Government could play without fully outlaying the costs of housing.

The long-term and consistent nature of this type of fund would be a useful instrument for smoothing out the volatility of the construction market and would provide increased transparency of industry costs.

Finally, setting up such a fund would be a legacy project for this WA Government of which the benefits would be tangible and long-term.

To ensure that such a fund is sustainable and operates in the public interests, it is recommended the WA Government lead the development of a business case, using its existing expertise within the Department of Treasury and Western Australian Treasury Corporation.

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<sup>17</sup> WA Government – Media Statements (2022), 2021-22 Annual Report on State Finances released, <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/09/2021-22-Annual-Report-on-State-Finances-released.aspx>, Accessed 22 February 2023

## **IDEA 2:** Spot purchase homes for community housing

**Timeframe:** Short-term

**Impact:** High

Given the current barriers in the construction market, spot purchasing by the WA Government of established homes is considered by many to be the quickest and simplest mechanism for rapidly increasing affordable rental supply.

We acknowledge the WA Government has been making considerable investment for spot purchasing of social housing dwellings, however, participants indicated additional investment is required, especially to increase the supply of affordable rentals.

WA Government successes to date include \$20.7 million as part of the landmark partnership to spot purchase 100 social dwellings to be managed by community housing provider Housing Choices and the \$5.15 million purchase of the Murray Street hotel which will be leased to provide supported accommodation services as well as several planning and tax initiatives to support build to rent projects, social housing and the construction of new apartments.

Participants have suggested a direct allocation of money could be made available to registered CHOs who are well positioned to efficiently purchase stock on the open market, and who have the ability to leverage additional private and Federal Government funding sources to increase the value for money from WA Government investment.

The new rental supply could be managed by CHOs and be offered as affordable housing ('Band B')<sup>18</sup> for people on low (not very low) incomes. The ownership of the dwellings (WA Government or CHO) could be negotiated depending on the priorities and preferences of the WA Government, provided the management contracts are long enough to be viable for CHOs (i.e., 20 years).

To ensure the success of this program, the procurement process must be as streamlined as possible. CHOs have the ability to react quickly to market opportunities, if the investment allocation is made available promptly upon application. An acquittal process could be suitable to ensure appropriate WA Government oversight and accountability, while also enabling the money to be spent flexibly as market opportunities arise. Registered CHOs have passed probity standards, thereby ensuring they are reliable and accountable partners in the delivery of a spot purchasing program.

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<sup>18</sup> Band B housing refers to affordable housing that is provided to households in WA with income exceeding the eligibility criteria for Public Housing and not exceeding the eligibility criteria for entry to the National Rental Affordability Scheme.

<b>IDEA 3:</b>	Spot purchase pre-sale apartments for community housing	
<b>Timeframe:</b>	Medium-term	<b>Impact:</b> Medium

Participants also suggested a pipeline of new affordable rental supply could be purchased via apartment pre-sales. While infill apartment development is currently constrained and limited new projects commencing in the next 12-18 months, a pre-sale purchase program could be established now for when the challenges start to subside, and the construction market picks up again in 2023-24.

This would have multiple advantages. For example, apartment developers could gain greater certainty and feasibility for projects that increase overall housing supply and there is an opportunity for the WA Government to secure a discount on market value if purchasing at scale. The current volatility of material and labour costs is creating a significant challenge for developers to overcome the pre-sale hurdle. This hurdle may be minimised if the WA Government were able to guarantee the pre-sale of a portion of these dwellings.

We note that the WA Government has announced a \$80 million headworks fund for apartment developments, as well as tax and transfer duty reforms intended to promote apartment purchases, as mechanisms to provide increased sale confidence for industry. However, this misses several opportunities which would be realised through WA Government direct purchasing. Most importantly, of course, is increasing social and affordable housing supply, however this approach could also enable greater visibility of the impacts of rebates and tax reforms on property prices – to ensure benefits are genuinely passed through to buyers.

The resultant properties could be managed by the community housing sector as affordable housing. These affordable dwellings would produce rent yields for CHOs that could unlock further opportunities to reinvest and facilitate the delivery of additional stock. The benefit of this approach is that new dwellings are set aside as affordable rental supply in perpetuity without inflating the market or competing with existing rental supply.

#### **IDEA 4:** Improve collaboration with Community Housing

**Timeframe:** Short-term

**Impact:** Medium

One recurring theme emerging from recent research and stakeholder engagement is the need for more clarity and leadership from the WA Government around opportunities for partnership and co-investment to increase supply of social and affordable housing.

We commend the WA Government on the HDP program, which is an excellent opportunity to employ a more proactive and collaborative relationship with the community housing and private sector. Participants noted the success of the HDP could be enhanced by working more directly with CHOs in the early stages, to identify potential approaches, rather than calling for proposals through competitive processes.

Recent research commissioned by Shelter WA also recommended the reinstatement of the Housing Advisory Roundtable that ceased in 2017 or the development of a similar committee or roundtable that would provide a formal and regular opportunity for WA Government and community housing collaboration and information sharing. We are pleased to note that, in March 2023, the WA Government established the *Community Housing Partnerships Steering Group (Steering Group)* to address this need.

Participants suggested it would be useful for the WA Government to develop a five-year housing plan they could then seek the community and private sector to help deliver. In the short-term, there is an opportunity for the WA Government to initiate sector briefings and provide further insight into current preferences, priorities and funding/incentives available for those interested in delivering new social and affordable stock, for example through the HDP. We expect this can now be addressed by the new Steering Group.

The NSW Community Housing Innovation Fund (CHIF) is a good example of a program developed collaboratively with the community housing sector to increase supply. The CHIF is a grants program specifically tailored to addressing the funding gap for Community Housing developments. The introduction of a similar program here could enhance the HDP by providing certainty around state-based funding opportunities available to CHOs.

## **IDEA 5:** Streamline procurement for social and affordable housing

**Timeframe:** Short-term

**Impact:** High

A recurrent issue raised by participants was competitive procurement processes for delivering social and affordable housing developments were onerous and expensive and a significant barrier to increasing supply.

One idea put forward to facilitate an increase in supply was streamlining the Expressions of Interest (EOI) and partnership processes for good proposals, especially on WA Government land. Participants commented on the drawn out, multi-staged competitive proposal process which can cost hundreds of thousands of dollars in detailed design and costings, which may ultimately be unsuccessful. It was suggested that the competitive process be limited to stage One, with successful proponents working with the WA Government from that point to refine the concept and ensure requirements and desired outcomes are achieved. This would save the community housing and private sector significant time and cost resources on unsuccessful proposals. Improving collaboration between the private/not-for-profit sectors and the WA Government (IDEA #4) would also assist in streamlining these processes.

Participants also suggested that a preferred supplier list could be a useful approach for streamlining projects on WA Government land.

We are pleased to note that, in December 2022, the WA Government established the State-wide Housing Construction and Refurbishment Builders Panel, who will have pre-approval to construct and refurbish social and affordable housing. This is a great start, and the high level of private sector interest further underlines the market potential of such an approach.<sup>19</sup>

The other option, as outlined in a recent report commissioned by Shelter WA, is to employ a grants program rather than a competitive tendering process in the open market.<sup>20</sup> Participants emphasised that these processes facilitating new supply could be improved while the construction market cools.

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<sup>19</sup> WA Government – Media Statements (2022), State-wide builders panel established to deliver more social housing, <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/12/State-wide-builders-panel-established-to-deliver-more-social-housing.aspx>, Accessed 22 February 2023

<sup>20</sup> Paxon Group (2022) Community housing sector growth opportunities: collaboration between government and industry to drive supply. Shelter WA. <https://www.shelterwa.org.au/wp-content/uploads/2022/08/220728-Shelter-WA-Sector-Growth-Opportunities.pdf>

**IDEA 6:** Establish a housing program for regional key workers

**Timeframe:** Short-term (purchasing)

**Impact:** High

Long term (construction)

The shortage of affordable and available rental accommodation has been particularly pronounced across regional WA and has implications for local employers attracting and retaining staff. Participants have emphasised the urgent need for rental accommodation for key workers - including those working in non-government organisations (NGOs). This is particularly relevant where the resources sector dominates, which can inflate house prices for households not employed in the sector.

One option would be to expand on the Government Regional Officers' Housing (GROH) program to provide access to housing for employees of not-for-profit organisations carrying out critical community services.

The expansion of GROH housing to include the NGOs sector could replicate a previous program funded by the Royalties for Regions fund, announced in 2015.<sup>21</sup> This program constructed new supply in the regions over a three-year period. Eligible NGOs were asked to submit a Register of Interest outlining their organisational requirements and providing evidence of their need for accommodation. This housing would then be leased to the NGO at a subsidised rate, similar to the current GROH program. The resultant properties could be managed by registered CHOs.

This expansion could be conducted through a combination of spot purchasing homes and construction of new supply including expanding the successful modular program introduced in the 2021 budget. Where suitable, vacant GROH properties may be reallocated to NGOs, however it is acknowledged that reallocation to social housing is already being progressed as a priority.

This program could be established immediately by spot purchasing dwellings, where suitable properties are available. The current volatility in the rental market demonstrates the critical need for a pool of affordable rental accommodation to protect regional communities and industries in the long-term. This program could also be expanded to seasonal agricultural workers or for employees of essential services run by private businesses, such as childcare centres or supermarkets, as determined by local circumstances.

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<sup>21</sup> WA Government – Department of Communities, Non-Government Organisation Housing, <https://www.housing.wa.gov.au/investorsandpartners/ngos/Pages/default.aspx>, Accessed 22 February 2023

## Theme 2: Unlock existing supply

**IDEA 7:** Introduce an affordable rental incentive scheme

**Timeframe:** Short-term

**Impact:** High

Given the current constraints in the construction market, participants told us that the focus should be on unlocking existing supply. This could support the WA Government to deliver on its target of supporting 130,000 households to access a private rental home as set out in the *WA Housing Strategy 2020-2030*.

There are four proposed market segments that an incentive scheme could be targeted:

- Vacant investment and holiday homes
- Ancillary dwellings
- Newly constructed apartments
- NRAS properties with subsidy allocations ceasing

To unlock existing dwellings, the WA Government could offer a tax incentive (such as a land tax discount) or a subsidy to homeowners who agree to lease their property or ancillary dwelling at an agreed below market affordable rate for at least two years. These dwellings could be managed by CHOs to provide a guarantee of tenancy support/management for landlords. The Tasmanian Government's Private Rental Incentives Program is a good example of what is possible at a state-level and is specifically targeted towards unlocking existing supply, including vacant homes, holiday homes and ceasing NRAS properties.<sup>22</sup>

To unlock newly constructed supply, the WA Government could offer stamp duty discounts for investors on the condition of providing an affordable rental property for an agreed timeframe. If this were a rolling annual program, there would be a steady supply of affordable rentals coming in and out of the market, and this could go some way to replacing the properties losing their NRAS subsidy allocation. It may also provide a useful transition program through which current NRAS tenants could be provided alternative affordable accommodation when the subsidy on their existing dwelling ceases.

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<sup>22</sup> For more information see: <https://www.communities.tas.gov.au/housing/housing-policy-and-programs2/housing-and-homelessness-system/housing-and-homelessness-programs/private-rental-incentive/private-rental-incentives-program-information-for-owners-and-agent>.



## **IDEA 8:** Monitor short-stay accommodation; enable local responses

**Timeframe:** Medium-term

**Impact:** Medium

It is recommended that an incentive scheme (discussed above) be paired with greater oversight over the short-stay rental accommodation (STRA) market in WA.

In some regions, the growth of holiday STRA is having a major impact on the availability and affordability of long-term rental accommodation.

In January 2023, there were 10,485 Airbnb listings across Western Australia – an increase of 8 per cent from 9,697 in January 2022.<sup>23</sup>

In addition, a greater proportion of listings are for entire properties, with a 13 per cent increase for this type of listing across the same period.<sup>24</sup>

This has occurred while vacancy rates in Perth and regional tourist centres have remained below one per cent, with listings vastly outnumbering the number of available long-term rentals in many regions. For example, data from Inside Airbnb from August showed that while 1,295 properties were available for holiday makers in the City of Busselton, there were only 31 listed for long-term rental.<sup>25,26</sup>

Meanwhile average rents have skyrocketed – by 47 per cent in Perth and 56 per cent in Bunbury since the COVID-19 pandemic started.<sup>27</sup>

An essential first step is to better understand the impact on regional housing supply and demand. Therefore, the WA Government should accelerate implementation of the proposed state-wide STRA registration scheme. It has now been three years since it was recommended in the 2019 Parliamentary Inquiry *Levelling the Playing Field – managing the impact of the rapid increase of Short-Term Rentals in Western Australia*.

It is essential a STRA registration scheme is designed in a manner that provides data around localised rental housing supply and demand this data is effectively shared across WA Government departments. The data provided by the scheme would be highly valuable and should feed into the development of Regional Housing Plans, as recommended in Infrastructure WA's *Foundations for a Stronger Tomorrow: State Infrastructure Strategy*. The data could also be valuable for understanding gaps and opportunities in the STRA market for accommodating seasonal workers, such as those in the agricultural industry.

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<sup>23</sup> Source: Inside Airbnb. <http://insideairbnb.com/western-australia>

<sup>24</sup> Ibid

<sup>25</sup> Source: Inside Airbnb from: <https://thewest.com.au/business/property/housing-crisis-airbnb-listings-outnumber-vacant-rentals-by-more-than-40-to-one-in-many-regional-wa-towns--c-7973592>

<sup>26</sup> SQM Research. Vacancy rates. [https://sqmresearch.com.au/graph\\_vacancy.php?region=wa%3A%3APerth&type=c&t=1](https://sqmresearch.com.au/graph_vacancy.php?region=wa%3A%3APerth&type=c&t=1)

<sup>27</sup> <sup>27</sup> SQM Research (2023) Asking rent prices. Combined house and unit figures. Comparison of asking rents from February 2020, 2021, 2022, 2023. <https://sqmresearch.com.au/weekly-rents.php?region=wa-Perth&type=c&t=1>

It is also important that mechanisms are available to retain some localised control over the location, design and quantity of STRA dwellings in order to manage the affordability and accessibility of rental housing in a particular region. It may be easier to limit the amount of new STRA to maintain housing supply, than it is to reduce supply once STRA has already changed the market and is earning significant profits for second homeowners.

Now is the time to ensure that WA's regional communities can continue to attract and retain workers and that local communities can sustain themselves. Therefore, accelerating the introduction of a state-based registration scheme and ensuring mechanisms exist for regions to manage the impact of STRA where necessary, must be a priority when considering whole of WA Government solutions to the current rental shortage.

#### **IDEA 9:**            Audit and Ancillary Program Initiative

**Timeframe:** Medium - long-term

**Impact:** Medium

Participants highlighted the potential of increasing the housing yield on existing, detached social housing properties through an innovative audit and ancillary program initiative. It was recommended the WA Government perform an immediate audit of detached social housing lots/dwellings in metropolitan and regional areas where an ancillary or additional dwelling might be able to be constructed. Many existing public housing assets are on larger suburban or regional lots that could accommodate a small backyard studio to provide a high-quality, safe and stable home for someone within the family network who may otherwise be at risk of homelessness.

The dwelling could remain in place for as long as it's required – but are designed so they can be relocated later if no longer required – thereby creating a flexible housing asset for the government in the long-term. This innovative program would also unlock the potential of the WA-made prefabrication and flat-pack construction industry. Priority would be given to eligible households living in social housing living in overcrowded homes or with vulnerable seniors or teenagers needing their own space.

This audit could also include proactive identification of temporary, vacant WA Government sites ('lazy land') which could be leased at a peppercorn rate to accommodate rapid build prefabricated social or affordable housing units. This could replicate the My Home project in North Fremantle which is leasing WA Government land reserved for future road development.

This idea overcomes the construction challenges in the current market, as this type of prefabricated or small-scale construction provides an opportunity to engage smaller builders who are more flexible in their procurement and processes and can respond quicker to market pressures, and do not face supply and production constraints.

## Theme 3: Support private tenants

**IDEA 10:** Introduce a private rental assistance program

**Timeframe:** Short-term

**Impact:** Medium

Rental relief was the most supported short-term suggestion put forward by the Roundtable.

Participants urged for a private rental assistance program to be introduced to prevent homelessness and help to hold people in their homes. Existing Commonwealth Rent Assistance is inadequate, with 44.5 per cent of WA recipients remaining in housing stress – defined as spending more than 30 per cent of their income on housing costs.<sup>28</sup>

Research by the Australian Housing and Urban Research Institute (AHURI) has found that private rental assistance and brokerage programs are most effective when they are targeted at ‘low-income, low need’ households who have the capacity to sustain a tenancy in the private market, but who have fallen on hard times or who have been priced out of the market.<sup>29</sup> When highly targeted, such programs can prevent households from reaching crisis point and can play a critical role in ensuring support is available across the housing continuum.

The WA Government could expand and improve on the Assisted Rental Pathways Pilot (ARPP) which ended in 2021. This program targeted social housing tenants and those on the social housing wait list and placed them into private rental accommodation with a diminishing subsidy and tenancy support over four years. A 2019 evaluation of the pilot found that the majority (91 per cent) of clients saw an improvement in their housing situation from the program. Feedback from service providers indicated where programs exist, there are landlords and real estate agents who are willing to participate in such programs, even if it means forgoing higher rental yields.

If a brokerage program such as ARPP is not feasible in the current competitive housing market, it is recommended the WA Government urgently establish rent relief funding services could use to assist households at risk of, or experiencing, homelessness.

Participants also suggested the Bond Assistance Loan Scheme income limits need urgent revision given the current inflated market. Therefore, it is recommended the WA Government review all existing rental assistance measures and ensure they reflect current market conditions.

Implementing the above could provide both a transitional pathway for households to exit social housing and could divert households away from the social housing waitlist into the private rental market, with appropriate support, thus reducing demand for social housing and homelessness services.

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<sup>28</sup> Productivity Commission (2022), Report on Government Services. Housing And Homelessness Sector Overview Data Table GA.13. <https://www.pc.gov.au/research/ongoing/report-on-government-services/2022/housing-and-homelessness>

<sup>29</sup> Tually, S. Slatter, M. Faulkner, D. & Oakley, S (2016) The role of private rental brokerage in housing outcomes for vulnerable Australians. AHURI. <https://www.ahuri.edu.au/research/final-reports/263>

# Conclusion

This report outlines ten key ideas that the WA Government could implement in the next twelve months that would ease the rental crisis now and create a more sustainable housing system in WA in the longer term.

These ideas have consensus support amongst Roundtable participants and there is a strong appetite for progressing these initiatives in partnership with the WA Government.

We acknowledge the WA Government has been making considerable investment in social housing and policy reform to drive supply and investment including several substantial projects.

An effective housing system requires investment and initiatives across the housing continuum, and levers are urgently needed to address the lack of available and affordable rental accommodation across WA.

Shelter WA is committed to working with WA government to further develop and refine these ideas in partnership with the Roundtable participants.