

1 August 2024
The Committee Secretary
Legislative Council Environment and Planning Committee
Parliament of Victoria



By email: climateresilience@parliament.vic.gov.au

Dear Committee Secretary and members,

Re: Climate Resilience Inquiry - The impact of climate change on renters and rental properties

Thank you for the opportunity to respond to the Legislative Council Environment and Planning Committee's Inquiry into Climate Resilience.

Tenants Victoria is the peak body for the state's renters, who number almost 2 million people. Our vision is for a safe, secure and affordable home for Victorian renters in a fair housing system. We are pleased to provide input to the Committee on behalf of renters.

Climate change is an existential threat with enormous implications for the future prosperity of all Victorians. We refer the Committee to the latest science-based findings on the cascading and compounding risks of climate change set out in the Intergovernmental Panel on Climate Change's [Summary for Policymakers](#). We strongly support the Victorian government taking urgent and ambitious action to mitigate these risks, most importantly stopping emissions of greenhouse gases. The less global warming we have, the less harm and the easier it will be to adapt.

Renters and renting today

For context, close to 30 per cent of Victorian households rent their home today. In Victoria alone, some 681,419 households rented in 2021, up from 607,354 households in 2016, according to the latest Census. Close to 90 per cent of all tenants rent their homes in the private rental market. A significant proportion of renters work in lower-paying jobs that are crucial to the functioning of our economy, including as key workers in healthcare, aged care, childcare, disability services, education, law enforcement and emergency services. The growing wealth disparity between homeowners and renters puts renters at a disadvantage when choosing where to live and restricts their options on the type and quality of accommodation they can afford.

Traditionally viewed as a transition step for Australians from the family home to home ownership, renting is now the fastest growing housing tenure. As purchasing a home in Australia becomes increasingly unaffordable, renters are already renting for longer, and a growing proportion of Victorians will rent for life. The combination of historically high house prices, stagnant wages, and housing supply failing to keep up with population growth has seen renters who would have previously moved on to home ownership stay in the private rental market.

A striking feature of our times is that pressure to obtain or retain a safe, secure, and affordable rental home has spread from lower income groups and tenants facing precarity linked to multiple



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Safe, secure and affordable homes

disadvantages to people in the 'middle', holding jobs and with long histories as private renters. The tightening of the private rental market in Victoria, which has seen vacancies hovering at record lows of 1 per cent in Melbourne and regional rental markets becoming intensely competitive, is proving deeply challenging for lower-income renters as they try to secure an affordable home. Victoria's affordable housing crisis sees a large and growing proportion of Victorians living in 'rental stress' (traditionally recognised as when renters pay more than one-third of gross household income on rent). Unfortunately, a large and growing number of Victorians are now paying over half their income on rent. The scarcity of affordable accommodation options means renters are more reluctant to exercise their rights for fear of retaliation.

Finally, renting is closely linked to indigence, with Australians who rent their homes vastly overrepresented among those living below the poverty line, as evidenced in ACOSS's 2020 report: [Poverty in Australia 2020: Part 2 – Who is affected?](#) This study found that the majority (56 per cent) of people below the poverty line are renting, while only 17 per cent of people in poverty are homeowners who don't have a mortgage.

How climate change affects renters and rental accommodation

The three key impacts of climate change are as follows:

1. *Reduced habitability of rental housing* – Poor quality private and public rental housing becomes thermally unsafe in extreme weather. Climate change is now making hot days hotter, and heatwaves longer and more frequent. Living in excessive heat can elevate risk of cardiovascular diseases and heat stroke, and extreme heat results in more deaths than other disaster events. Other flow-on effects from living in housing with poor thermal comfort include increased mental health episodes and family violence call outs. With more energy in the system, climate change can also result in more severe cold snaps. Living in cold homes is linked to a range of health impacts, such as increased blood pressure, asthma, and poor mental health. Low temperatures in homes also contributes to the growth of mould. Living in a mouldy home can cause a variety of serious health problems, such as asthma, respiratory infection, allergic response, and mental illness such as depression.
2. *Reduced affordability of rental accommodation* – Poor quality housing is more expensive to run. As average temperatures rise and heat waves become longer, living in rental housing without adequate insulation, draughtproofing and energy efficient appliances means renters must use more energy and pay more to cool their homes to a safe and comfortable temperature.

Climate change is also increasing the cost of home insurance. As temperatures continue to rise, the cost of climate impacts on residential housing can be expected to continue to increase and some properties are expected to become uninsurable. Rental providers often pass along increasing premium expenses as rent increases. If renters' capacity to absorb these passed-along costs reduces, renting profits will drop and residential property will become less attractive as an investment class, resulting in lower rates of private capital flowing to residential property development at a time when more affordable rental housing is urgently needed.

3. *Disaster-related impacts* – Disasters affect renters by damaging or destroying their homes and belongings, often resulting in immediate termination of their tenancies if their property is uninhabitable, or loss of enjoyment of their homes as they wait for repairs. More intense and frequent extreme weather events, floods and bushfires remove properties from the state's rental housing stock or leave them uninhabitable for long periods. This creates hyper-local renting crises

that flow on to nearby communities and further tighten the broader rental market. Former owner-occupiers who lose their homes may find themselves temporary or permanent renters, adding to the fierce competition to find an affordable home. After floods, dampness contributes to mould growth, increasing the need for repairs and putting at risk the health and safety of renters and the continuing habitability of their homes.

How climate change disproportionately impacts low-income and vulnerable renters

Financially disadvantaged or otherwise vulnerable renters experience the adverse impacts of climate change disproportionately. The rental homes with the most affordable rent are often the oldest and draughtiest rentals, built before the introduction of National Home Energy Ratings Standards, with little or no insulation, and fitted with old inefficient appliances. Exposure to energy hardship is more likely when vulnerable people live in older poor-quality dwellings. As temperatures rise and hot spells become longer, disadvantaged renters must pay a disproportionate amount of their already limited incomes on higher-than-necessary utility bills to maintain their homes at a comfortable temperature. They then have less money to meet rent increases and other cost-of-living increases, which puts their already marginal tenancies further at risk. Renters who choose not to cool their homes to save money put their health and well-being at risk. The [VCOSS's Report on the Energy/Health Hardship Nexus](#) illustrates how as the climate warms and energy costs increase, renters can become locked in a vicious circle of energy hardship and poor health that compounds existing disadvantage.

Social equity issues also arise for low-income renters from the limited nature of renting as a housing tenure and the split incentive problem. As renters do not own the property they live in, they have less agency to alter it. Under section 64(1)(g) of the *Residential Tenancies Act 1997 (Vic)*, before renters can carry out modifications to improve thermal comfort or energy efficiency of their rental homes, they must first obtain the consent of the rental provider (which cannot be unreasonably withheld). The reality however is that low-income renters will generally not have the individual means to invest in lower cost energy efficiency improvements such as insulation or draughtproofing (and energy efficient appliances and solar panels are well beyond their budgets). Instead, they must rely on the rental provider to make these improvements, despite a lack of incentive for the rental provider to do so because they do not share in the benefits.

Tenants Victoria is pleased to note the government's intentions to introduce energy efficiency minimum standards for rental properties and rooming houses, a significant reform that will reduce carbon emissions, lower the cost of living for renters, and improve their health. It will also help to reduce financial hardship and social inequity resulting from the current rental crisis, where so many low-income renters have few options but to remain living in a poor-quality inefficient rental home. We consider the proposed standards to be an important first step, noting there are strong reasons to raise them now, and to continue to strengthen them as rapidly as possible to further assist renters and speed Victoria's transition to net zero. For further information, please see [our submission in response to the draft Residential Tenancies and Residential Tenancies \(Rooming House Standards\) Amendment \(Minimum Energy Efficiency and Safety Standards\) Regulations](#).

Finally, climate-driven disasters increase risks for vulnerable renter groups, including financial loss from moving costs and damaged belongings, personal injury and evacuation risks for older and disabled renters, increased risk of domestic violence for women and gender-diverse renters, and increased mental health risks for otherwise disadvantaged renters from stress. Multicultural renters with low English

language skills including newly arrived migrants, refugees and overseas workers hired for seasonal agricultural work may also have difficulty understanding evacuation instructions and accessing support services during recovery. First Nations persons are more likely to be renters (53% of Indigenous persons are renters compared to 27% of the general population) and are also more likely to experience rental discrimination and homelessness, making them more vulnerable to climate risks. Housing in remote communities is often poor quality with unsafe thermal comfort.

Supporting renters strengthens regional rural and remote community resilience

A major risk to the sustainability and resilience of Victorian regional, rural and remote (RRR) communities in times of more frequent and intense droughts and disasters is population decline. When residents move away it's bad for the local economy, businesses, jobs, services and schools. Rental providers and estate agents also have a stake, as fewer people eventually means lower rents and dropping property prices. If population decline reaches a tipping point, smaller communities risk entering a death spiral.

Each disaster is another 'danger moment' for RRR communities involving a heightened risk that residents who must leave temporarily eventually choose not to return. Whether renters can quickly return and remain connected to their communities depends on whether they have a habitable home to return to, or access to a safe and affordable alternative place to live while their rental premises is repaired. Vacancy rates in many RRR communities are already low and if a disaster leaves numerous properties uninhabitable, the few remaining rental vacancies are quickly exhausted.

At a time when renters should be supported to remain connected to their communities, current rental laws drive a rush to terminate, severing renters' connections to their homes and communities. Renters who wish to preserve their chance of returning to their homes must continue to pay rent, despite often not being able to live at the property (and often being required to pay for accommodation elsewhere). Although it is the rental provider's responsibility to return the premises to a habitable state (urgent repairs are required to be completed immediately and non-urgent repairs within 14 days), repairs often take months to be completed because of high local demand for tradespersons, a scarcity of building supplies, and rental providers delaying repairs pending the outcome of insurance claims. Although renters have a right to claim compensation for repair delays, this requires quantifying their losses and obtaining a compensation order at VCAT. Even when renters are awarded an order, they are unlikely to recover all the rent they pay.

Establishing or strengthening existing support programs to assist renters solve disputes early, return to their rental homes sooner, or otherwise remain living in their communities not only helps renters but also rental providers and strengthens the climate resilience of RRR communities. Ideas for consideration include:

- Develop systems and processes to rapidly identify and assess rental properties impacted by disasters to determine their habitability and the extent of repairs required, as well as capture the names and contact details of impacted renters to better target communications and support services (if they choose to opt in)
- Increase the stock of transportable housing (e.g. fleets of caravans or movable backyard studios) that can be quickly deployed to disaster areas to house renters so that they can remain living in their communities
- Amend planning schemes to enable temporary accommodation to be easily set up in public spaces and in the yards of disaster affected rental properties

- Explore ways to allow renters to remain living in safe areas of their homes while quarantining and prohibiting access to unsafe areas
- Develop central support systems and processes to speed and reduce the cost of repairs (for example, by coordinating building supply stockpiles in regional centres, establishing panels of tradespersons willing to travel or relocate to assist with disasters, and reserving transportable housing to house them)
- Implement public information campaigns targeting RRR rental providers and estate agents that emphasise the mutual benefits of carrying out repairs and resolving disputes as soon as possible
- Design grant programs or no-interest loan schemes to incentivise rental providers to carry out repairs more quickly after a disaster, working co-operatively with the insurance industry
- Establish favourable tax incentives for rental providers who complete repairs within prescribed times and rebuild to a higher thermal comfort and energy efficiency standard (i.e. beyond minimum standards)
- Establish priority mediation processes within Renting Dispute Resolution Victoria and train disaster dispute resolution specialists to assist disaster affected renters and rental providers negotiate disputes in a supported environment
- Boost funding for community legal centres and the broader renter-support sector (including housing and welfare organisations running the Tenancy Advocacy and Assistance Program, the Private Renting Assistance Program, and Tenancy Plus) to help renters assert their rights and resolve disputes quickly, as well as strengthen the capacity of specialist and place-based community legal centres to support renters resolve a range of legal issues that arise after disasters.

Another important opportunity is for government to encourage well-located and well-designed higher density affordable housing development (e.g. build-to-rent apartments) in Victorian regional centres. Thriving activity centres attract people and investment as well as improve road congestion, reduce travel times and transport emissions, and improve the economic productivity of an area.

Establishing fit-for-purpose disaster renting laws

Another important opportunity for government is to create a more nuanced and fit-for-purpose disaster rental law framework that supports renters but also facilitates better long-term outcomes for rental providers and RRR communities. Such a framework could be designed to apply only to properties identified and assessed as significantly damaged or destroyed by disasters. Ideas for such a framework include:

- Suspending the obligation to pay rent while a property remains uninhabitable, or reducing rent on a pro-rata basis (depending on the proportion of the property that remains habitable)
- Amending section 77 of the Residential Tenancy Act 1997 to allow renters to pay rent to the Rent Special Account as of right (unless the rental provider obtains an order otherwise)
- Providing renters who last occupied a property prior to the disaster with a right of first refusal to re-let the premises once repaired (if the lease was terminated by the rental provider)
- Compelling rental providers to disclose a rental property's disaster history and whether it is situated in a high-risk area at the time of advertising or before letting to allow renters to make informed decisions about disaster risks.

Tenants Victoria would be pleased to work with government to design such a framework.

Increasing social housing strengthens climate resilience

The traditional housing safety net for vulnerable and financially disadvantaged renters is social housing. Victoria is already experiencing an affordable housing crisis and high levels of homelessness, and as climate change advances, the need to strengthen this safety net will become even more urgent.

As of 2023, 3 per cent of all dwellings in Victoria were social housing. The [2024 VAGO Report on Planning Social Housing](#) indicates that Victoria's social housing supply has remained largely stagnant (86,418 in June 2017 to 88,189 in June 2023). There are currently approximately 50,800 applications from people seeking a home on the Victorian Housing Register. Homes Victoria estimates that to maintain the current percentage, replace ageing homes and keep pace with population growth, the state needs to build an additional 22,000 social housing homes by 2036.

Victoria's [Housing Statement](#) outlines the government's intentions to build more than 12,000 new social housing units as part of the *Big Housing Build* program, plus a further 4,000 new, energy efficient social housing homes, through programs like the *Public Housing Renewal Program*. There will also be an additional 769 homes built through the Commonwealth's *Social Housing Accelerator* program. Although this increase to social housing stock is welcome, we note that the Housing Statement does not indicate whether this level of investment is sufficient to address challenges arising from climate change. The government's main housing policy statement for the crucial decade ahead does not mention climate change once. The best time for climate adaptation– including building the additional social housing needed to reduce existing vulnerabilities – is today.

Making Housing a Human Right

The Victorian Charter of Human Rights and Responsibilities protects 20 key rights, but housing is not included at present. The right to adequate housing has long been part of the international human rights regime, with the United Nations recognising that the right to adequate housing is integrally linked to the enjoyment of other key human rights, including the rights to work, health, social security, vote, privacy or education.

Australia is a signatory to a number of international treaties which enshrine the right to adequate housing. With climate change adding significant complexity to Victoria's already overstressed housing system, it is more than timely to recognise housing as a human right in our domestic law, including by amending Victoria's Charter of Human Rights to recognise housing as a right integral to living a dignified life.

Yours sincerely



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