

Increase the maximum rate of Commonwealth Rent Assistance (CRA) and tie indexation to changes in rental prices rather than overall CPI.

Overview

- The rental crisis in Australia is worsening as rental prices and competition for housing increase.
- National weekly rents for all houses have increased by 52% (14.8% per year) since May 2020 far higher than in the previous 20 years - from \$440 in May 2020 to \$672 December 2023.⁴⁰
- National residential vacancy rates have fallen rapidly over the same period to only 1.1% in December 2023 and are at their lowest level since 2006.⁴¹
- The number of social housing dwellings (public, community and indigenous housing) for the most vulnerable, has increased since 2006. However, only approximately 16,000 additional dwellings were added to the social housing total in the past 10 years.⁴²
- The proportion of the population who are renters is increasing steadily over time (rising from 27% in 1999 to 31% in 2019⁴³) with a rising proportion of older people now reliant on the rental market for housing.
- Government provided a one-off 15% increase in Commonwealth Rent Assistance (CRA) in the 2023 Budget, which has helped in a small way to meet rising costs. However, this one-off increase is not enough and will disappear if indexation continues to be attached to general CPI and not to the rent component of CPI specifically.
- Increasing CRA and indexing to the rent component of CPI are simple and effective ways to address the housing problem facing older renters into the future.

WHAT ARE WE CALLING FOR?

- The federal government should increase the maximum CRA payment and index regular increases to the rent component of CPI (not overall CPI) in recognition that recent increases in housing costs have been far in advance of average inflation.
- To be more accurate, indexation of CRA should account for geographical inconsistencies by providing a differentiated maximum rate for different rental markets – this would be subject to more detailed data collection and reporting of rental CPI from the Australian Bureau of Statistics.

Why is the policy needed?

- Housing security is critical to wellbeing; however, an increasing number of older people cannot afford to own their own home and must rely on the rental market.
- More than 325,000 people aged 65 and older are renters, two-thirds of whom rely on the private market.⁴⁴ Around 310,000 CRA recipients are Age Pension recipients.⁴⁵

- Older people who cannot afford to own their own home find themselves in precarious financial circumstance. According to NSA surveys, home ownership is an important determinant of financial wellbeing, especially for people on the Age Pension, which helps to mediate cost-of-living concerns.⁴⁶ This is supported by evidence presented in the recent Retirement Income Review, which found that older renters are most likely to experience poverty.⁴⁷
- A lack of social housing means that older renters must meet their housing needs through less stable private housing, where price increases are making it difficult to afford suitable housing.

Budget Impact

- The cost of providing a further one-off 15% increase in CRA would be similar in scope to the increase in 2023 – approx. \$2.7b over forward estimates.
- Tying indexation to the rent component of CPI would be more modest and would vary depending on the trajectory of rental costs.
 - As an example, applying indexation using CPI rents in September would have resulted in an increase in the maximum rate of CRA to approx. \$188.10 as opposed to the increase of \$184.80 using overall CPI. An increase of about \$3.30 per fortnight.
 - If this methodology was applied to specific cities, the increase in the maximum rate of CRA in September would be approx. \$188.75 (Sydney), 186.40 (Melbourne) and \$190.30 (Brisbane) due to price differences between these locations.
- Note: applying indexation to rent provides an incentive for government to address rent pricing because it creates more direct budget implications. If rental costs were to fall relative to CPI, this would reduce the increase and budget outlay for CRA.

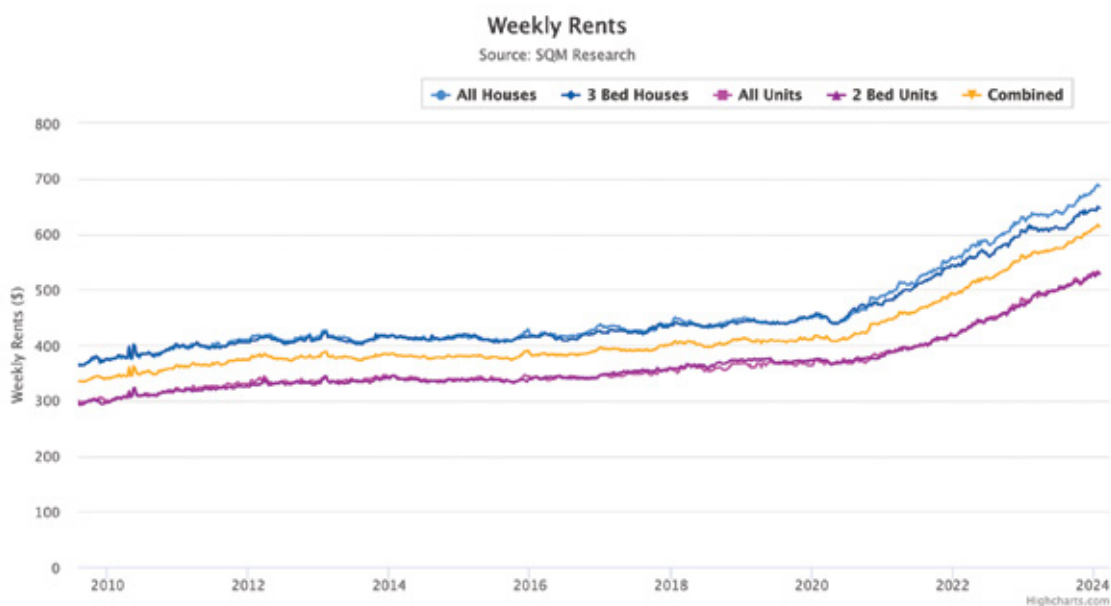


Figure 5: National weekly rents 2009 – 2024⁴⁸