



Shelter NSW Brief 63

Poor quality housing and low income households research: more evidence of system-wide failures in housing

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Three years ago as residential development was in the throes of a record construction boom and high density housing construction surpassed detached housing for the first time, we commissioned the “Equitable Density” research project to look at the impacts of an increasingly compact city on low income households.

Three reports (Shelter Brief 61) were published by the Cities Futures Research Centre in 2017 identifying the challenges of high density¹ living for low income households at the building scale [Report 1](#), the neighbourhood scale [Report 2](#), and the metropolitan scale [Report 3](#).

We now wanted to look closer into the issue of poor quality housing and identify options for reform. In 2018 we commissioned City Futures to conduct further research to explore these concerns in more detail. A [report](#) from this new research was published, along with an [accompanying article in The Conversation](#).

The [Poor-quality housing and low-income households: review of evidence and options for reform](#) project is sobering reading and yet it's not all that surprising. The chronic lack of social housing and affordable housing is condemning low income households to poor quality housing that is cold in winter, hot in summer, mouldy and in need of repairs, overcrowded and sometimes dangerous. This brief summarises the findings of our latest research within a broader body of work pointing to system-wide failures in housing.

Key Findings

Housing quality matters.

Poor quality housing can have a significant impact on the health, wellbeing and comfort of occupants. It can negatively impact on household, building and neighbourhood cohesion. Management or remediation of poor

housing quality can add considerable expense and as incidences such as Opal and the more recent Mascot Towers show the impact on people's lives and the financial cost burden are significant.

Poor quality housing disproportionately affects low-income households.

The impacts of poor quality housing are felt by a significant proportion of low income householdsⁱⁱ. Problems are particularly acute for renters in private rental housing, public housing and Indigenous housing. There is also a sub-sector of low-income households with mortgages struggling with essential repair needs.

Low income households have little capacity to pay for rectification works and in a housing market that is unaffordable for them; they have little to no option to relocate. In addition to our work, recent research by Professor Nicole Gurrán et al released by the Sydney Policy Lab, [Informal accommodation and vulnerable households](#), has identified how the chronic lack of affordable rental housing leads many to informal and sometimes illegal housing arrangements which are often over-crowded, of poor quality and sometimes dangerous.

The failure of private housing development and the rental market to provide affordable homes for vulnerable households and the widening gap between the supply and demand of affordable rental housing has been filled by the construction of informal dwellings (subdivisions and secondary dwellings such as 'granny flats') and informal tenure arrangements (informal room sharing). Sometimes informal dwellings comply with building standards; many don't. When agreements are informal or even non-existent, opportunities for exploitative practices arise leaving people without legal protections.

Regulation is complicated and enforcement ad-hoc.

There is a complex array of policy and regulation in New South Wales that address aspects of housing quality. These affect the development, design and construction of new buildings, responses to building related hazards and public health concerns, and management of dwelling condition in discrete typologies or tenures such as strata schemes, tenancies and boarding houses. But there is no consensus on what 'good' quality housing is, and the absence of a single overarching regulatory regime, or a government body with oversight of the issues, means responses have been ad-hoc and reactive.

More broadly, there seems to be a prevailing view that presumes deregulation delivers efficiency, as Shelter NSW member and former architect Mark Singer reflected in his contribution to [The Fifth Estate, "Reflections of the Opal Tower crisis in Sydney"](#). Mark traces the genesis of this crisis back to the 80's when Governments "enthusiastically adopted" "free market competition, smaller government and reduced regulation" in the belief that it would "free up human endeavor to drive greater wealth". This adherence to de-regulation - sometimes referred to as cutting "red tape" - without proper consideration of the consequences, has continued unabated.

The greater wealth that has resulted has been overwhelmingly accrued to the very few and the side-effects have been decades in the making. Wages are stagnating, many western cities seem incapable or unwilling to tackle housing affordability and homelessness crises and we must now begin to grapple with a growing tide of poor quality high-rise buildings.

Ways to improve our responses to poor quality housing

Standards and enforcement of standards for new buildings have received recent attention after high-profile problems like cracking at the Opal building near Sydney Olympic Park in 2018, and earlier cases of fire at both the Euro Terrace building in Bankstown (2012) and the Lacrosse building in Melbourne (2014).

There have been reviews, inquiries, investigations on varying aspects of the building industry – too many to recount here. Some were narrowly focused on specific aspects such as combustible cladding and others including the [“Lambert” review](#) were more comprehensive (and there has been some concern and [commentary](#) that the majority of the Lambert recommendations haven’t been implemented). The recent [review in response to the Opal](#) problem has concentrated on improved professional standards and enhanced quality assurance.

The work done to date means we have a good starting point for reform. What is lacking is a comprehensive overview of the industry as a whole – we’re missing the overarching perspective that can bring all aspects of this complex picture together. With no comprehensive overview of the issues of dwelling quality and their interrelations some important issues may have escaped the attention of policymakers. An apparent preoccupation with issues in new buildings is an example of this, where other problems (such as the quality of existing dwellings) and more wide-reaching solutions (such as promoting the institutional supply and management of rental housing by governments and other not-for-profit providers) tend to be overlooked.

Standards for existing dwellings are not well monitored or regulated, other than through local government powers that are only used in extreme cases. Professor Gurran et al’s [research](#) noted that enforcement procedures can make investigating breaches of planning and building requirements and providing redress, a lengthy process. Local government officers also saw the scale of the problem as a challenge in their efforts to effectively enforce residential building regulations.

Minimum standards for rental properties have become a reform priority for some advocates and policymakers, however the lack of market power and/or legal security means enforcing minimum standards would remain difficult for renters until we improve security of tenure. The [Disrupted report](#) found over half of renters live in housing that needed repairs and 44% feared eviction if they asked for repairs.

While the NSW Government missed the opportunity to make one of the most meaningful changes to renting laws (by omitting to limit no-grounds evictions in the 2018 amendments to the Residential Tenancy Act), the current discussion on poor quality housing and building standards is an opportunity to revisit a reform that would make a significant difference to the quality of housing for a group of people who are the most vulnerable to poor quality housing – renters.

Climate change and energy poverty are issues that compound existing housing inequality and directly contribute to poor housing quality. Unless the “split incentives” issue is addressed renters will be condemned to homes with poor thermal comfort and poor energy efficiency.

This is not a fringe issue – almost 1 in 3 households in NSW rent, and more are renting long term as buying a home will continue to be out of reach for anyone except investors, people with access to a generous bank of

Mum and Dad or those earning very high incomes. This is a sizeable number of people who are currently being excluded from opportunities to reduce their electricity costs and improve the thermal comfort of their homes. Low income households and the vulnerable typically rent and they are more exposed to the health and financial impacts of climate change. Governments may need to mandate minimum standards for energy efficiency in rental properties.

Maintaining social housing portfolios presents difficulties due to ageing stock and government budget priorities. However there are some social housing landlords, particularly the larger community housing providers, who are obligated to regularly carry out quality and maintenance reviews and report their findings to funders and regulators. More transparent reporting requirements across all social housing providers, as well as continued and more transparent focus on tenant satisfaction, could help drive the sector towards further systemic improvements and higher levels of housing quality. Similar principles could be applied in the private rental market.

It might also be a good time to revisit the 2013 Audit Office report, [Making the best use of public housing](#). The findings of the performance audit into the management of public housing are as relevant today as it was 6 years ago. The report identified declining social housing stock in the face of rising need – social housing was only meeting 44% of need at that time. The Audit Office also found that reducing maintenance and selling properties as a strategy to meet the reported \$330 million shortfall in maintenance was not financially sustainable. The findings prompted parliamentary inquiries and there have been changes to how maintenance is managed. However we don't have a clear picture on what progress has been made in relation to the maintenance shortfall. Since the Audit Office performance audit the selling of public housing stock has continued (Millers Point and Sirius) and the demand for social housing continues to rise.

Conclusion

We know what needs to be done – we just need to do it.

Poor quality housing is another aspect of the failure of the larger housing system – a system that has focused on the numbers – record number of DAs, record construction, record price rises – without looking at the details of what those numbers are actually delivering, who benefits and who misses out.

Our reliance and complacency on private housing development to meet our growing needs, with little Government intervention, has failed to deliver affordable housing for low income households and it's clearly failing to deliver quality housing across the spectrum.

Like the rising problem of housing affordability and homelessness, concerns about building standards and regulation have been flagged for a number of years. Back in 2012 the City Futures Research Centre project, [Governing the Compact City: The Role and Effectiveness of Strata Management in Higher Density Residential Development](#) found that in a survey of owners, nearly three-quarters of all respondents indicated that one or more defect(s) had been present in their scheme. For building constructed from 2000, the figure was higher at

85%. City Futures is undertaking follow-up research [Cracks in the Compact City: defects in strata](#) looking at the growing problem of building defects in the trillion dollar multi-unit housing sector that now provides almost half of new Australian housing.

Our new research [Poor-quality housing and low-income households: review of evidence and options for reform](#) adds to the growing body of evidence of structural and systemic failure. It's a failure in how we build housing, who we build it for and why. While the problem permeates across all aspects of housing - home buyers, property investors and landlords, social housing and private market renters, current and future owners of new and older buildings – yet again it's the low income households and the vulnerable who will be impacted the most and have the least opportunity for redress.

We need a system that addresses building quality for new and existing housing with clear accountabilities across industry and regulators; that has a comprehensive system of independent oversight, auditing and inspections; regulators that are properly resourced; and an effective complaints and redress system that doesn't leave the consumer - owners and tenants - unfairly bearing all the costs and consequences.

And we need to build social and affordable housing. Our research and others have found that the chronic shortage of housing that is affordable for low income households leaves low income households no option except housing that is of poor quality, insecure, sometimes in informal dwellings and tenure arrangements which are overcrowded, sometimes dangerous and without legal protections.

We have put all of our economic eggs in the private housing boom basket and if we fail to make systemic responses, many have used the term "crisis of confidence" to describe the impending problem we face.

We have the evidence and the policy prescriptions to fix the problem, as identified in our research and the work of many others, some of which we have mentioned. It's time we get on with fixing the problems.

ⁱ Higher density building types include: high-rise apartment buildings of 10 or more storeys; mid-rise apartment buildings of 4-9 storeys; low-rise apartment buildings of 3 or fewer storeys; townhouses

ⁱⁱ Households whose reported incomes are in the bottom forty per cent of Australian households. This reflects a gross household income of less than \$52,000 p.a. according to 2016 Census data