Economic Reform Roundtable: Housing System Reform for Productivity and Resilience

TENANTS' UNION OF NEW SOUTH WALES

The Tenants' Union of NSW welcomes the opportunity to contribute to the Economic Reform Roundtable and strongly encourages the government to consider housing system reform, particularly in relation to the rental sector, as essential to improving productivity and building long-term economic resilience.

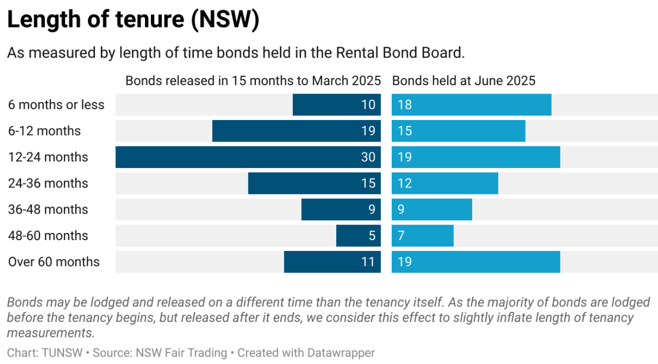
We are the peak body representing the interests of renters in New South Wales. We have long-standing expertise in renting law, policy and practice. The Tenants' Union NSW is a member of the National Association of Renters' Organisations (NARO), a national federation of State and Territory-based Tenants' Unions and Tenant Advice Services across Australia.

Recommendations

- Recognise stable, secure housing as economic infrastructure essential to productivity
- Reform tenancy law to improve security without constraining mobility
- Adjust tax and finance settings that inflate housing costs
- Monitor and manage rent levels in relation to wages and inflation to support local economic resilience
- Ensure an improved *Better Deal for Renters* is implemented as part of a national housing strategy that aligns planning, affordability, and economic goals

1. Stable Housing as Economic Infrastructure

Housing stability is foundational to economic and social participation. Without it, people's capacity to engage fully in the workforce, in education, and in community life is undermined. Research has shown that private renters need to remain stably housed for five to six years for their mental health outcomes to reach equivalence with those of owner-occupiers. This is an achievable target, but in contrast, tenure duration in New South Wales and Australia generally is currently less than two years. Less than 1 in 5 reach the 5 year mark.



These short tenures are driven in large part by a preference in most states to allow investor dealings in property without recognition of the subsequent productivity costs on individual renters and systems including by increased mental health burden and reduced employment stability.

While security of tenure is vital, reforms must also preserve mobility and opportunity. This means designing tenancy systems that enable people to access longer leases and greater housing security, while retaining the freedom to relocate — for work, safety, or life circumstances — without being locked into unsuitable or poorly maintained housing.

A more flexible, stable renting system supports both workforce mobility and more efficient labour markets.

2. Housing Policy as a Tool for Anti-Inflationary Resilience

In moments of economic crisis, our housing system should act as a buffer, not an accelerant, to inflation. However, the current settings around tax concessions, investor finance, and housing subsidies are structured in ways that inflate house prices and erode affordability.

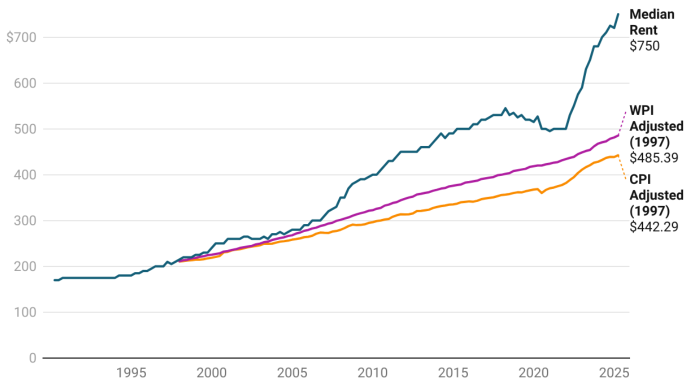
Reforms to taxation and prudential lending rules should be examined for their inflationary impacts, particularly where they intersect with public subsidy and constrain supply of genuinely affordable rentals. Operational costs of providing housing, including maintenance, quality standards and taxes are easily covered. What is not covered is the cost of finance which should primarily be understood as unlocking access to the capital growth, and the mechanism which inflates capital growth, not as a necessary feature of delivering the housing itself.

4. Rent as a Drag on Local Economic Activity

The Productivity Commission should consider how high and rising rents, far outpacing inflation and wage growth, are siphoning billions from productive local economies. In Greater Sydney, the median rental spend now significantly exceeds what would be expected if rents tracked with wages or inflation, potentially as high as $10bn per annum. Much of this excess is absorbed primarily into wealth accumulation or mortgage repayments which are unproductive compared to funds circulating through local economies, services, and communities.

Sydney rents to wages and CPI

Median Greater Sydney new rents (bonds) adjusted by wages or inflation



Rents as measured by the NSW Rent and Sales Report to December 2024 CPI refers to quarterly index of all groups, Sydney to December 2024 WPI refers to total hourly rates of pay excluding bonuses in New South Wales to December 2024

Chart: Leo @ TUNSW • Created with Datawrapper

Reducing rental pressure would strengthen household consumption, stimulate local economies, and build resilience against downturns. It appears that market dynamics alone would require an unrealistic unsustainable long term over-supply of housing to reduce and avoid this gap. Additional measures to limit the acceleration of rent are needed.

5. Aligning Housing Reform with Economic Strategy

The government's *Better Deal for Renters* makes important progress toward improving rental conditions, including minimum standards and fairer tenancy rules. However, it does not address rent setting or affordability, and it is not yet embedded within a broader national housing strategy.

To fully unlock the productivity and resilience benefits of housing reform, we need a comprehensive national strategy that aligns housing, planning, and economic objectives. This strategy must centre the needs of low-income households and renters, who face the greatest economic constraints and the fewest market protections.