

**Submission
No 138**

INQUIRY INTO DEVELOPMENT OF THE TRANSPORT ORIENTED DEVELOPMENT PROGRAM

Organisation: Rental Commissioner, NSW Fair Trading

Date Received: 27 March 2024

NSW Fair Trading Submission: Inquiry into the development of the Transport Oriented Development Program

March 2024

Acknowledgement of Country

The NSW Department of Customer Service acknowledges the Traditional Custodians of the lands where we work and live. We celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW.

We pay our respects to Elders past, present and emerging and acknowledge the Aboriginal and Torres Strait Islander people that contributed to the development of this Policy.

We advise this resource may contain images, or names of deceased persons in photographs or historical content.

NSW Fair Trading Submission: Inquiry into the development of the Transport Oriented Development Program

NSW Fair Trading, Office of the Rental Commissioner

Department of Customer Service

4 Parramatta Square

12 Darcy Street

Parramatta NSW 2150

www.customerservice.nsw.gov.au

First published: March 2024

Copyright and disclaimer

© State of New South Wales through the NSW Department of Customer Service 2023. Information contained in this publication is based on knowledge and understanding at the time of writing, August 2023, and is subject to change. For more information, please visit [Copyright | NSW Government](#).

Contents

About the NSW Rental Commissioner	1
1. Introduction	2
2. Renting in NSW.....	3
1.1 Renting supply and affordability	3
1.2 Community Consultation	4
3. Benefits of Transport Orientated Development Program	6

About the NSW Rental Commissioner

The NSW Government is embarking on significant rental reforms to modernise and improve renting in NSW. On 11 July 2023, the NSW Government announced the appointment of Trina Jones as the first NSW Rental Commissioner. Ms Jones commenced in the role on Monday 7 August 2023. The Rental Commissioner works within NSW Fair Trading in the Department of Customer Service.

The Rental Commissioner is an advocate and voice for the rental market working with renters, property providers, industry and across government to deliver a Fair, Quality, and Affordable rental experience in NSW. The Commissioner's key functions include:

- lead consultation and drafting of legislation to fairer rental laws,
- implement a portable bond scheme,
- identify barriers to increasing housing supply for renting,
- identify practices and gaps that erode the rights of renters,
- lead initiatives including educational resources for renters and owners to increase knowledge of their rights',
- gather data on renting, monitor impact of reforms and survey renters to help inform future policy making; and,
- identify ways to improve energy efficiency of rental homes.

This submission has been prepared by the NSW Rental Commissioner working within NSW Fair Trading to improve renting in NSW. The submission is informed by engagement with renters, owners, agents and industry representatives, available data, and evidence from across Australia and internationally to improve renting.

1. Introduction

NSW Fair Trading welcomes the opportunity to contribute to the *Inquiry into the development of the Transport Oriented Development Program* as called for by the Legislative Council Portfolio Committee No. 7 – Planning and Environment.

Home ownership is falling in Australia, more people are renting and renting for longer – many of whom will rent for their entire lives. In NSW over one third of residents are renters.¹ The typical renter is no longer young, carefree, and mobile. More than half of all renter households are families with children. There is also a growing number of older renters, with over a quarter of a million people aged 60 and above². This group saw a 19 per cent increase between 2016 and 2021 and is growing.³ Renters increasingly want to live near schools, hospitals, parks, and amenities with transport links nearby.

The NSW rental market is facing significant pressure exacerbated by a lack of diverse supply and growing unaffordability of rental homes. Increasing supply is critical to ensuring the viability of the rental market. NSW is experiencing record low vacancy rates with demand for rental housing outstripping supply. Providing greater density near transport hubs enables aggregated benefits for current and future renters and landlords. Quality homes, well located to community amenities, close to jobs and local services is where most people want to live.

A viable and sustainable rental sector is a key building block for a modern economy and stronger communities. Renting is no longer the steppingstone to owning a home and many people will rent for their entire lives.¹ This requires a different approach to renting in NSW. The Government is focused on maturing the rental market, so that tenants see it as one that offers security, quality, and a genuine choice of tenure in the right locations, and providers see it as one they can invest in with certainty and viability. This can only be possible by delivering an increase in the supply and diversity of rental homes.

The Transport Orientated Development Program (TOD) prioritises increasing diverse housing supply including affordable rental housing in areas close to jobs, transport, and essential services. This can offer viable investment opportunities for landlords, and long-term affordable homes for renters in places where they want to live. International examples demonstrate that TOD programs increase popularity and demand of a local area which can have an impact on rental affordability and availability. There is an opportunity to increase the allocation of affordable and social rental housing in the TOD precincts to provide options for low-income renters and reduce pressure in the private rental market.

¹ Australian Government (2023) *Intergenerational Report 2023*.

2. Renting in NSW

Renting has become the fastest growing tenure type in Australia climbing from 25 per cent of households in 1981 to 31 per cent today, with most renters residing in the private rental market.² NSW has the largest rental market in Australia. Over 32.6 per cent of households in NSW are occupied private rental dwellings,³ and over 4.6 per cent of NSW households are living in social housing (including public, community and Aboriginal Housing).⁴ This represents over two million people in rental homes across the state.⁵ It is an industry of over 944,585 residential tenancies, 620,000 landlords⁶, 61,000 agents, 89,000 strata and community schemes of which an estimated 50 per cent of dwellings are rental homes.⁷

Most renters are between 18-34 years old (approx. 53 per cent), with over 11 per cent of renters over the age of 60. More than half of renters are families with children (56 per cent). In NSW 6.1 per cent of people renting are Aboriginal and Torres Strait Islander (up 0.6% from 2016), with 35.6 per cent of renters speaking a language other than English at home (up 0.8 per cent from 2016). Renters who are in need of assistance with core activities represent 5.6 per cent (up 0.7 per cent from 2016).⁸

The private rental market is dynamic with a high frequency of turnover evidenced by an average of 300,000 bonds processed every year. Despite people renting for longer the average tenancy per property is 1.6 years.⁵ Over 90 per cent of rental properties are owned by individual investors (landlords) who own between 1 and 3 properties, 71.5 per cent own one, 18.8 per cent own two or more and 9.7 per cent own 3 or more.⁶ A longitudinal study by the Australian Housing and Urban Research Institute shows most properties on the private rental market in Sydney (where a bond is held) are available for less than 5 years.⁷

1.1 Renting supply and affordability

Due to constrained housing supply and rising rent costs a substantial portion of the population faces difficulty in finding rental properties that are within their budget. Rental costs in many areas of NSW have escalated beyond the means of low and middle-income households, contributing to financial stress and an increase in homelessness.

NSW is currently facing a significant rental affordability crisis. More than 35 per cent of renters are experiencing rental stress, defined as paying more than 30 per cent of household income on rent. In areas like Western Sydney this number increases to 50 per cent. As of February 2024, the Greater Sydney Region's median rent is \$744 per week (annual increase of 11 per cent), whilst the rest of regional NSW's median rent is \$408 per week (annual increase of 3 per cent)⁹.

² Mowbray, J. (2022) *Census 2021: Renters are the fastest growing tenure in Australia.*, Tenants' Union of NSW.

³ Australian Bureau of Statistics (2021) *Census All person Quickstats*, ABS Website.

⁴ Roth, L. and Gilyana, D. (2023) *Social and affordable housing shortages.*, Parliament of New South Wales.

⁵ Mowbray, J. *Census 2021: Renters fastest growing tenure in Australia.*, Tenants' Union of NSW.

⁶ Based on assumption of 2 million landlords in Australia and NSW population being 31% of national population; Hughes, D. (2022) *Landlords losing \$12,000 a year on rentals despite soaring demand*, *Australian Financial Review*; Australian Bureau of Statistics (2021) *New South Wales.*, ABS Website

⁷ Figures provided by the Office of the Registrar General, a business unit of Better Regulation Division, Department of Customer Service, October 2023

⁸ Australian Bureau of Statistics (2021) *Census*, ABS TableBuilder

⁹ Core Logic Median Rental Data – February 2024.

The unaffordability of the NSW rental market is linked to the lack of supply – both general supply (i.e., the number of rental properties available) and the type of supply (i.e., social, and affordable housing). A lack of social housing places upward pressure on the private rental market. This results in thousands of low-income renters seeking affordable private rental homes competing with moderate- and high-income earners. The level of available supply can be measured by the vacancy rates. A healthy balance in the rental market is generally defined by a three per cent vacancy rate, but currently, Sydney's vacancy rate is at 1.1 per cent, while regional NSW's is slightly higher at 1.22 per cent.¹⁰ This is consistent with challenges across Australia with the national vacancy rate of 1 per cent.¹¹

For those on low incomes or with accessibility requirements, the situation is even more difficult, with a recent report by Anglicare finding less than 1 per cent of rental properties available for those on low income and less than 0.01 per cent of rental properties for those with accessibility requirements. The rental crisis in NSW has implications affecting a wide range of individuals and families. It has become an economic and social challenge, making finding stable and affordable housing a difficult task, particularly for vulnerable populations.

	Greater Sydney Houses	Regional NSW Houses	Greater Sydney Units	Regional NSW Units
July 2019	\$525.00	\$400.00	\$510.00	\$350.00
July 2020	\$550.00	\$410.00	\$500.00	\$360.00
July 2021	\$560.00	\$460.00	\$480.00	\$400.00
July 2022	\$680.00	\$540.00	\$550.00	\$450.00
July 2023	\$750.00	\$550.00	\$700.00	\$480.00

Table 1: Median weekly rent prices (\$ pw)¹²

Rental increases are impacting households across the income spectrum, but the effect is more pronounced for lower-income renters. Any increases in rent for lower-income households places a substantial burden on their budgets, as these renters spend a significant proportion of their income on essential items and have limited financial buffers. As rent costs continue to rise, these households are left with fewer resources for other critical expenses, which can lead to financial instability.

1.2 Community Consultation

In 2023, the NSW Government sought feedback on laws for renting. A survey hosted on the NSW Governments Have Your Say website collected feedback from the public on:

- reasons an owner can terminate a lease – removing ‘no grounds’ evictions
- making it easier for renters to keep pets
- protecting renters’ personal information
- making it easier to transfer rental bonds from one property to another
- other ways to make the system fairer.

¹⁰ SQM Research – Residential Vacancy Rates February 2024

¹² Department of Communities and Justice (2023), *Rent Report*, accessed 06 November 2023, available via [link](#)

The survey was available in seven languages and received 16,032 responses overall. There were also 405 written submissions to the consultation. Renters and owners made the most submissions, and an almost equal number of submissions.

In addition to the online consultation, the NSW Rental Commissioner met with key stakeholders to understand the challenges and opportunities in the rental market. Since taking up the role in August 2023, the Commissioner has held in-depth consultation, including roundtables and one-on-one engagements across more than 50 sessions with over 60 organisations. Stakeholders included renters (including young people, social, private and community housing tenants), property providers (private owners, community housing providers, student accommodation owners and build to rent institutional investors), industry bodies, academics, legal services, advocates, and animal welfare organisations. These forums enabled deeper discussion on the themes raised through the submission feedback as well as other matters important to stakeholders.

Throughout the engagement renters expressed they want to see their city grow and mature, and want secure and affordable rentals near their families, friends, and cultural communities. Renters described being under significant pressure due to affordability and a lack of rental housing options. There continues to be concerns from diverse stakeholders about the need to increase housing supply. Industry representatives, renters and advocates all called for an increase in housing supply across NSW to improve rental market conditions.

3. Benefits of Transport Orientated Development Program

Transport Orientated Development (TOD) provides integrated places designed to bring people, activities, buildings, and public space together, with easy walking and cycling connection between them and with access to transport hubs connecting people to jobs and essential services like hospitals and schools.¹³ The NSW Planning TOD Program presents a significant opportunity to increase the supply and diversity of rental properties providing good quality homes and improving affordability in well-connected areas, where people want to live.

Affordable Rental Homes

Most renters represent low- and moderate-income households many of whom are employed in essential services and as key workers. A significant challenge for key and essential workers is affordability to live near where they work in key roles like cleaning, retail, nursing, childcare, education and policing. The mandatory inclusion of Affordable Rental Housing in perpetuity and the Affordable Housing Contribution as part of the TOD program is strongly supported. The benefits of inclusionary zoning include supporting the development of affordable and social housing in locations where people want to live ensuring access to homes for essential and key workers on lower incomes in places where property prices and rents might be otherwise prohibitive.¹⁴

International evidence demonstrates that Transport Orientated Developments have a number of positive outcomes. This includes cost savings to renters and homeowners from savings generated on reduced transport costs, improved community connection through mixed use developments and environmental and health outcomes from neighborhoods that promote active transport. TOD can also increase property prices as areas quickly become high demand and sought after places to live. This can be mitigated by the introduction of inclusionary zoning ensuring a portion of homes in the area remains affordable in perpetuity.

One of the most impactful ways to deliver affordability in the rental market is through the provision of social and affordable housing alongside increased private rental supply. Lower income households cannot compete with households that have greater capacity to choose rentals across the price spectrum.¹⁵ For the lowest-income renters, there is currently no affordable supply to choose from. There is an opportunity within the TOD program to increase the target for social and affordable housing through mandatory and voluntary planning agreements.

International examples demonstrate the benefit to inclusionary zoning. In the UK there is a long-established inclusionary planning system in place (Section 106 agreements) that requires private developers to include social and affordable housing in their projects. As developers are aware of the S106 requirements, all the inclusionary zoning costs are factored into the cost of initially buying land. As a result of inclusionary zoning 26,000 homes ranging from social rent properties to dwellings bought using shared equity and affordable ownership models – were completed in 2021–2022. These ‘S106’ homes accounted for 44 per cent of all 59,000 affordable homes built that year in the UK.¹⁶

¹³ Institute for Transportation and Development Policy. Available online <https://www.itdp.org/>

¹⁴ AHURI Fact Sheet on Inclusionary Zoning. Available online <https://www.ahuri.edu.au/analysis/brief/what-inclusionary-zoning-and-how-does-it-help-deliver-affordable-housing>

¹⁵ Reynolds, M., Parkinson, S., De Vries, J and Hulse, K. (2024) Affordable private rental supply and demand: short-term disruption (2016–2021) and longer-term structural change (1996–2021), AHURI Final Report No. 416, Australian Housing and Urban Research Institute Limited, Melbourne

¹⁶ Ibid.

Diverse homes in the right locations

An analysis of the eight priority precincts demonstrates the opportunity for increased housing density and mixed tenure supply to meet the needs of renters in NSW. Across the eight precincts there are over 51,000 dwellings. The TOD program plans create the infrastructure and capacity to add an additional 47,800 over 15 years – almost doubling the current supply of dwellings.

Six of the eight proposed precincts have a higher rate of rental households than greater Sydney, with four of these having over 50 per cent of their households as renters (See Table 1).

Five of the eight proposed precincts are classified as ‘extremely unaffordable’, where households are paying between 30 -38 per cent of their income on rent. Vacancy rates across the precincts are very low, with an average vacancy rate of 1.8 per cent.

Investment in additional homes in these areas is critical. Comparing unmet demand, using the number of rental listings in a month with the number of ‘seriously interested renters¹⁷’ demonstrates the high level of need in the proposed TOD locations. Across the eight precincts for the month of February 2024, there were 981 rental listings but over 16,000 interested renters, resulting in an unmet demand figure of 94 per cent demonstrating the need for increased homes in these areas.

Table 1: Analysis of renting demand in priority precincts

Accelerated Precinct	Number of dwellings (2021)	Number of Rental Households (2021)	% of rental households (2021)	Rental Affordability index (2023)	Vacancy rate (Feb 2024)	Number of rental properties listed for rent in the past month (Feb 2024)	Number of interested renters in the past month (Feb 2024)	Potential Unmet demand
<i>Greater Sydney - comparator</i>	<i>n/a</i>	<i>n/a</i>	35.90%	30-38% of income on rent	1.1%	30,093	<i>n/a</i>	<i>n/a</i>
Bankstown	13,033	5,531	50.4%	20-25% income on rent	0.4%	135	3,409	96.0%
Bays West*	3,128	1,428	39.6%	30-38% of income on rent	2.8%	69	1,571	95.6%
Bella Vista	2,640	305	12.6%	30-38% of income on rent	1.4%	21	489	95.7%
Crows Nest	2,762	1,281	54.2%	30-38% of income on rent	1.8%	78	2,208	96.5%
Homebush	5,217	2,490	56.6%	20-25% income on rent	1.3%	133	2,299	94.2%
Hornsby	9,613	3,727	43.0%	25-30% income on rent	1.5%	147	2,323	93.7%
Kellyville	8,555	1,551	19.2%	30-38% of income on rent	2.4%	87	1,506	94.2%
Macquarie Park	6,142	3,150	65.8%	30-38% of income on rent	2.4%	311	2,291	86.4%
Total/average	51,090	19,463	42.7%	N/A	1.8%	981	16,096	94.0%

*Postcode of Rozelle used as closest proxy

Note: data for this table is at the postcode level. Noting that the TOD will be within a more restricted area of set distance from transport hubs so numbers used to demonstrate indicative demand.

There is a high demand for rental homes in the priority precincts and high rates of rental stress. Increasing housing supply to accommodate various renters with affordable options and well-designed spaces, specifically addressing the needs of families, older individuals, and people with accessibility needs will contribute to improving renting in NSW.

The TOD program will deliver an increase in housing supply in areas of high demand for renters and property providers in NSW. Given the significant supply and affordability challenges present in the rental market there is an opportunity to increase affordable housing targets and include opportunities to deliver social housing as part of the mixed-use developments that are delivered in the identified areas where possible. This would ensure a diverse supply of rental homes and reduce pressure in the broader private rental market by providing increased housing options for the lowest income renters.

¹⁷ REA PropTrack Community Profile, accessed March 2024

OFFICIAL



OFFICIAL