COVID-19 and mortgage and rental payments: May 2020

ANU Centre for Social Research and Methods

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Abstract

There is little high quality nationally representative data on the level of housing stress being experienced during the COVID-19 period or on the extent to which Australians have been able to reduce their mortgage and rent payment in light of government policies enabling this. The data reported in this paper shows that between April and May 2020 the proportion of Australians reporting that they had not been able to pay their mortgage or rent on time increased from 6.9 per cent in April to 15.1 per cent in May. The level of housing stress is substantially higher for renters than amongst mortgage holders, though this can be explained mainly by differences in socioeconomic outcomes between renters and mortgage holders. Young adults are experiencing very high rates of housing stress with 44.0 per cent of renters aged 18-24 years not being able to pay their rent on time. Importantly, this high rate of housing stress remains even after controlling for levels and changes in income. For renters, the level of housing stress is much higher for the lower income group than for the higher income group with the rate of not being able to pay rent on time being four times as higher for the lowest income quintile compared to the highest income quintile. A large majority of those who have attempted to re-negotiate or freeze mortgage or rental payments have been successful. 16.1 per cent of mortgage holders have managed to reduce their mortgage payment and 8.0 per cent have had their payments frozen for a period of time. Lower, but still a substantial proportion, of renters have negotiated a lower rent (10.5 per cent) or rental freeze (2.0 per cent).

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1 Introduction and overview

The introduction of physical distancing and other isolation measures due to COVID-19 gave rise to concerns that the negative economic consequences resulting from these policies would lead to people not being able to pay their mortgage or rent. In response, the Australian and State/Territory governments implemented a number of policies to assist Australians with their housing and their mortgage/rental payments.

At a national level, this comprised a six-month moratorium on evictions due to tenants not being able to pay their rent.[1] Financial support was provided at the state/territory level with most offering a land tax relief package for commercial and residential tenancies, as well as a land tax reduction or waiver for residential landlords under certain conditions. Some jurisdictions, such as Victoria, provided landlords with land tax discounts for providing tenants impacted by COVID-19 with rent relief, and there was some financial assistance for tenants in the form of one-off grants.[2]

Banks in Australia also put in place measures to assist customers having trouble making their mortgage payments including offering customers the option of deferring home loan repayments for up to six-months, loan restructures and further credit. These were short-term measures and the moratorium on evictions and policies related to deferring home loan payments are not designed to reduce total rent or mortgage payments, and people who do not pay their rent or mortgage will still accrue a debt that they will be required to repay.

The spread of COVID-19 and the associated restrictions has had a very large negative effect on the Australian economy with large falls in employment, hours worked, average household incomes and a fall in GDP (ABS 2020a; ABS 2020b; ABS 2020c; Biddle et al. 2020). It is widely expected that GDP will fall again in the June 2020 quarter. The negative economic effects, while enormous, appear to have been mitigated at least in the short-run for individuals and households by a range of government policies. These have increased the incomes of many Australians (primarily at the bottom of the income distribution (Biddle et al. 2020a)) due to increases in social security payment levels, the JobKeeper payment for many people who have been able to maintain their employment and various measures to assist businesses, particularly small to medium sized enterprises.

While there have been increases in average incomes for those up to the mid-point of the income distribution, there is evidence that the measures put in place to assist renters and those with mortgages who are experiencing financial stress have been needed. Data from the Australian Banking Association show that, as of 16 May, the number of mortgages that had been deferred was 429,000 with a value of $153.5 billion and by 12th of June 2002 this had grown to 457,660 mortgages having been deferred with a total value of $165 billion.[3] ABS data collected between the 29th of April and the 4th of May shows that 13 per cent of Australians who live in a home owned with a mortgage reported that one or more people in their household had difficulty paying the mortgage for their home or an investment property due to COVID-19 (ABS 2020c).

This paper provides an analysis of the housing circumstances of Australians using data from the second wave of the ANU Centre for Social Research and Methods' COVID-19 impact monitoring survey program, collected during the second half of May 2020. Data for this survey is available through the Australian Data Archive (doi:10.26193/GNEHCQ)

Analysis is provided on the extent to which renters and mortgage holders are experiencing housing stress as measured by not being able to pay their rent or mortgage payments on time, as well as the characteristics that predict this measure of housing stress. Data is also provided on whether renters and mortgage holders have sought to renegotiate rent or mortgage payments to pay less or to freeze these payments and whether they have been successful in doing so. The May 2020 ANUpoll also collected data on landlords and the extent to which they have been asked to delay or postpone receiving rental payments, request for an early lease termination and whether they had evicted a tenant over the three months prior to the survey.

The remainder of the paper is structured as follows. The next section provides an overview of the data used in the paper, including the housing related questions of interest (Section 2). Section 3 reports data on the extent to which Australians report being unable to pay their mortgage or rent on time and how this differs according to income, age, geographic variables and other characteristics. Section 4 focuses on attempts that mortgage holders and renters have taken to reduce their mortgage or rental payments. The final section concludes.

2 Data and measures

The data analysed in this paper is primarily from the May 2020 ANUpoll which collected data from a representative sample of the Australian population from Life in Australia™, Australia's only probabilistic, longitudinal panel.[4] Most of the panel members who completed the May 2020 ANUpoll (the 38th Wave of data collection on Life in Australia™) had also completed the April 2020 ANUpoll (Wave 37 of Life in Australia™) or the February survey (Wave 35). That is, they are the same individuals. The longitudinal nature of our data allows us to look at the impact of changes in economic circumstances following the introduction of the COVID-19 restrictions on housing stress in 2020.[5]

The May 2020 ANUpoll collected information from 3,249 respondents aged 18 years and over across all eight States/Territories in Australia, and is weighted to have a similar distribution to the Australian population across key demographic and geographic variables.[6] About half of respondents (1,555) completed the survey on the 12th or 13th of May, with the remaining respondents interviewed between the 14th and 24th of May.[7]

Of those individuals who completed the May 2020 ANUpoll, 91.6 per cent or 2,976 individuals had completed the February 2020 survey. The linkage rate was slightly higher with the April 2020 ANUpoll with 2,984 individuals or 91.8 per cent of the May respondents having completed the survey in the previous month.

When analysing responses to questions at a particular point in time, we use the full cross-sectional samples and the survey weights for that particular wave. When analysing change through time at the individual level or when using February 2020 to predict May 2020 outcomes, we use the linked longitudinal sample and Wave 38 weights.

In the May 2020 ANUpoll, we asked respondents questions about their housing tenure, whether they had not been able to pay their mortgage or rent on time because of a shortage of money and steps they had taken to attempt to reduce their housing costs.

The first housing question was 'In the last 3 months have you not been able to pay the mortgage or rent on time because of a shortage of money?' Potential responses to this question were: yes, mortgage; yes, rent; yes, both; or no, neither rent or mortgage.

A comparable question from the April ANUpoll was 'In the last 3 months did any of the following happen to you because of a shortage of money?' with one of the options being 'Could not pay the mortgage or rent on time.'

In the May 2020 ANUpoll, mortgage holders were asked whether in the last three months they had:

- successfully re-negotiated mortgage payments to pay less
- unsuccessfully re-negotiate mortgage payments to pay less
- successfully placed a freeze on repayments for a particular time period
- unsuccessfully placed a freeze on repayments for a particular time period.

People who were renting were asked whether they had:

- re-negotiated rental payments to pay less
- placed a rental freeze for a particular time period
- unsuccessfully asked to delay or postpose your rental payments
- unsuccessfully requested a rent reduction
- requested an early lease termination
- had been evicted from their residence.

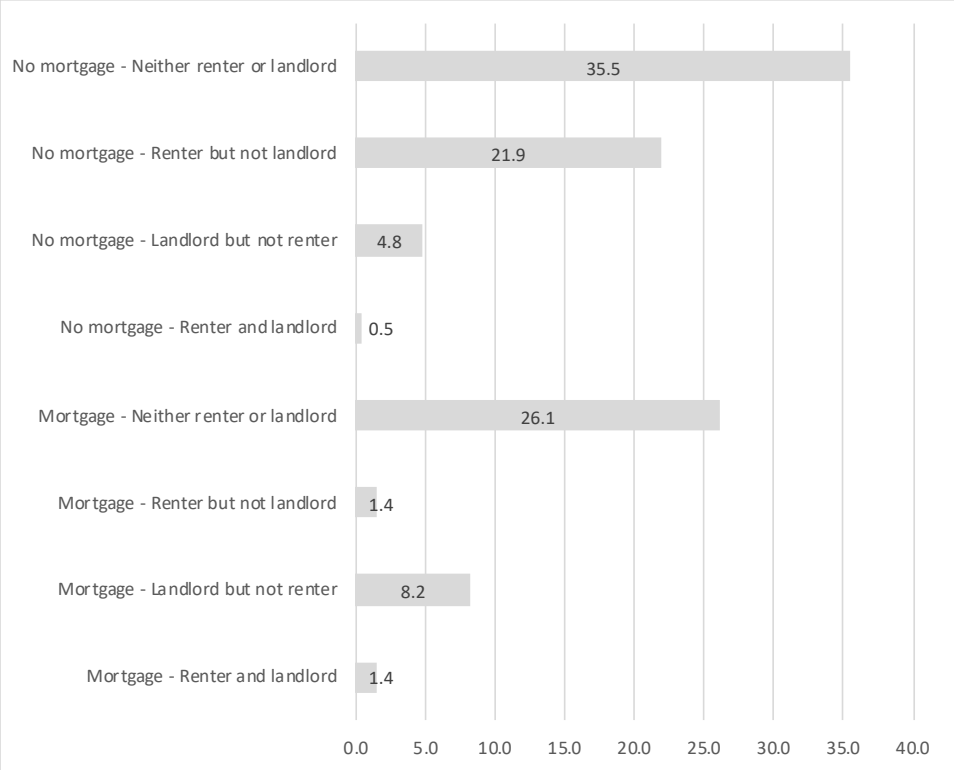
Respondents who were landlords were asked about whether in the last three months:

- their tenants had requested an early lease termination
- their tenants had asked to delay or postpone their rental payments
- their tenants had requested a rent reduction
- they had evicted a tenant.

Of the respondents to the May 2020 wave of ANUpoll, 40.5 per cent reported having been a mortgage holder in the last three months, 24.4 per cent reported being a renter and 15.5 per cent reported being a landlord. The vast majority of the remaining respondents either owned their house outright, or lived rent-free. These categories are not mutually exclusive with many landlords still being mortgage holders and people able to simultaneously be a mortgage holder and a renter or to have moved between buying and renting over the three-month period covered by the question. Figure 1 gives the per cent of Australian adults by the combination of the three variables.

Although the survey did not obtain a direct measure of outright home ownership, 40.3 per cent of the respondents were neither renting nor a mortgage holder during the three month period (of this group 35.5 per cent were not landlord and a further 4.8 per cent were landlords). This group will include those who own their house outright as well as those living rent free, usually with family members.

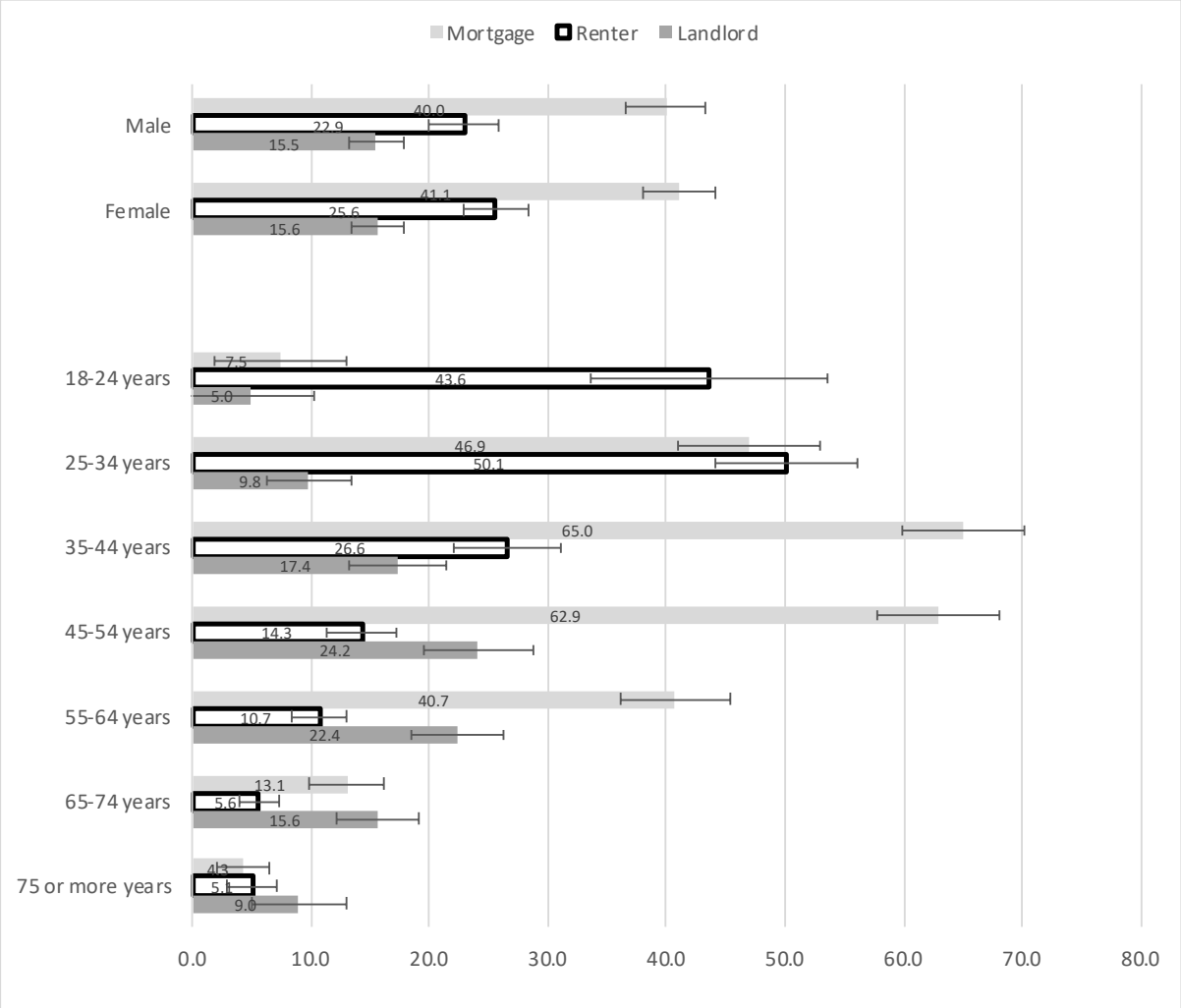
Figure 1 Combination of mortgage, renter and landlord status – May 2020



Source: ANUpoll, May 2020.

Housing tenure varies quite substantially by demography, and particularly by age (Figure 2). Young adults are more likely to be renters and less likely to be mortgage holders. Those in the middle age groups are more likely to be mortgage holders, whereas those at the upper end of the age distribution are less likely to be both (as they own their home outright).

Figure 2 Combination of mortgage, renter and landlord status – May 2020



Source: ANUpoll, May 2020.

3 Inability to pay mortgage or rent on time

A sizeable minority, 15.1 per cent, of the Australian population reported that they had not been able to pay their mortgage or rent on time over the previous three months due to a shortage of money. This is significantly and substantially higher than the 6.9 per cent of respondents who said yes to the similar question in April 2020.

A similar proportion of Australians report not having been able to pay their rent on time (8.0 per cent) and not having been able to pay their mortgage on time (8.7 per cent) (Table 1). However, given that there are more mortgage holders compared to renters, the rate of housing stress was higher amongst renters. Specifically, amongst those who were renting, just over one-in-four (26.9 per cent) had not been able to pay their rent on time. A smaller, but still substantial 17.1 per cent of mortgage holders had not been able to pay their mortgage on time.

Table 1 shows that not having been able to pay rent or mortgage in time varies by age. The top panel shows the percentage of each age group who reported not being able to pay their rent or the mortgage on time. The bottom panel reports the percentage of renters and mortgage holders who were not able to pay their housing costs (rent or mortgage) on time by age group.

There is a clear relationship between age and not being able to pay housing costs on time with it being highest among those aged 18-24 years and falling with age (Table 1). Just over one-in-four (27.5 per cent) of those aged 18-24 years reported not being able to pay their rent and/or mortgage on time which falls to 10.9 per cent of all those aged 55-64 years and just 1.7 per cent of all those aged 75 years or older.

Of course, a substantial proportion of the population does not hold a mortgage or pay rent because they own outright their home or because they are living rent free, for example a young a person living with their parents. Focusing on those with a mortgage or who were renting, much higher rates of having not been able to pay housing costs on time due to a lack of money emerge. Amongst 18 to 24 year olds who were renting, 44.0 per cent were not able to pay their rent on time over the previous three months. About a quarter of those aged 25 to 34 years (24.3 per cent) and those aged 35 to 44 years (27.2 per cent) who were renting were not able to pay on time and even amongst those aged 65 to 74 years 20.4 per cent reported not being able to pay their rent on time. This pattern of young people being particularly affected is consistent with data from the ABS Labour Force Survey which show particularly large employment falls for those aged 15-24 years (ABS 2020a; ABS 2020b).

Amongst those with a mortgage, there is not as clear an age profile in rates of not being able to pay their mortgage on time (beyond the first age cohort, which has very low rates of home ownership), but the rates are high ranging from 12.9 per cent of those aged 25 to 34 years to 18.5 per cent for those aged 65 to 74 years.

Overall, amongst those who held a mortgage or who were renting, nearly half of those aged 18-24 year were unable to pay their rent or mortgage on time and this falls to 10.3 per cent amongst those aged 75 years or older.

Table 1. Not able to pay the mortgage or rent on time in last 3 months because of a shortage of money by age group, May 2020

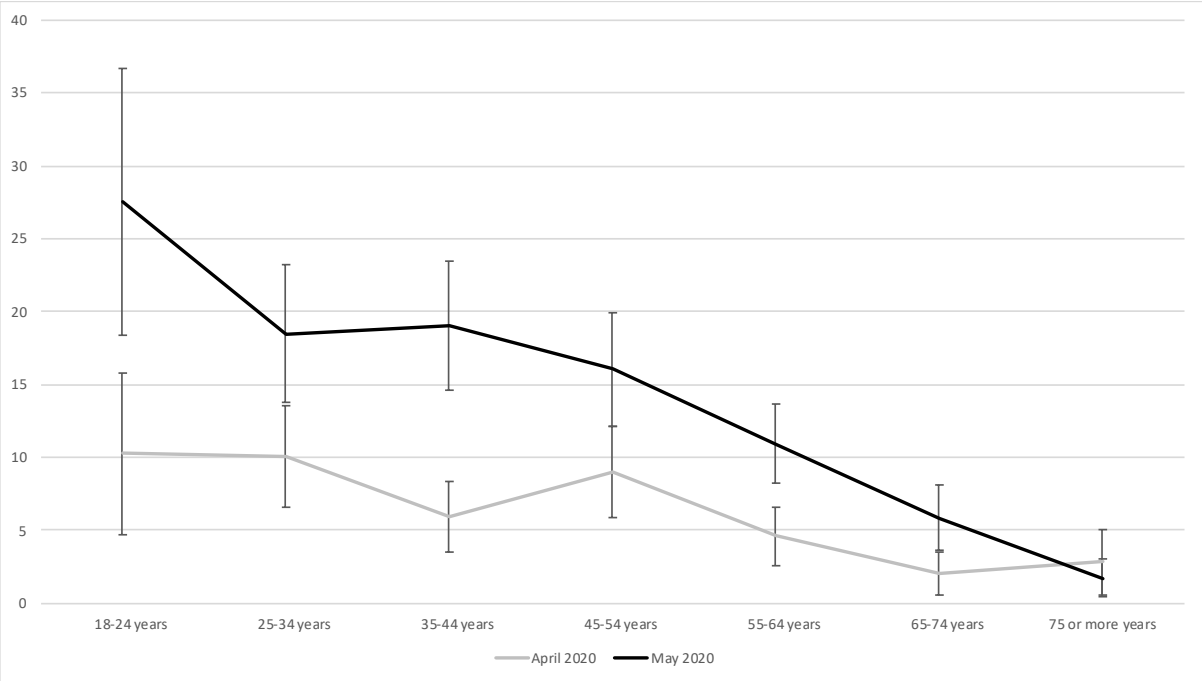
	Could not pay rent and/or mortgage on time	Could not pay rent on time	Could not pay mortgage on time
	As % of total population		
18-24 years	27.5	22.6	9.5
25-34 years	18.5	12.2	7.1
35-44 years	19.1	8.7	11.8
45-54 years	16.0	5.0	12.8
55-64 years	10.9	3.7	9.0
65-74 years	5.9	1.9	4.7
75 or more years	1.7	1.1	1.3
Total	15.1	8.0	8.7
	As % of renters and % of those with a mortgage		
	% either	% renters	% mortgage
18-24 years	45.0	44.0	60.4
25-34 years	20.0	24.3	12.9
35-44 years	19.7	27.2	15.2
45-54 years	20.6	18.4	19.6
55-64 years	17.7	15.9	17.7
65-74 years	19.3	20.4	18.5
75 or more years	10.3	7.6	13.5
Total	21.7	26.9	17.1

Notes: Respondents could both hold a mortgage and be renting.

Source: ANUpoll, May 2020.

Not only is there a much higher level of housing stress for young Australians, Figure 3 shows that there has also been a larger increase in housing stress between April and May 2020 at the lower and middle part of the age distribution. Specifically, there was an almost threefold increase in housing stress between April and May 2020 (from 10.3 per cent to 27.5 per cent), and a more than threefold increase in housing stress for Australians aged 35 to 44 years (from 5.9 per cent to 19.1 per cent). While there was a significant increase for the older age groups (but not those aged 75 years and over), these increases were much smaller.

Figure 3 Not been able to pay the mortgage or rent on time in last 3 months because of a shortage of money by age group, April and May 2020



Source: ANUpoll, April and May 2020.

The increase in housing stress between April and May 2020 (or over the entire COVID-19 period) may have been reduced somewhat by actions individuals have taken to share resources. When analysing results from the April 2020 survey, we reported that '6.4 per cent of respondents said that there were more people living in the household' compared to February 2020, more than twice the number of people who reduced their household size. While we didn't ask this question in May 2020, we expect that this household consolidation will continue to occur whilst economic circumstances are negative.

Table 2 shows how the levels of having not been able to pay the mortgage or rent on time because of a shortage of money varies by income quintile. Income in February 2020 is used to reflect the income position of individuals prior to COVID-19. We will return to the relationship with changes in income and housing stress in a subsequent table.

As expected, those on lower levels of income are more likely to have not been able to pay their rent on time falling from 40.0 per cent of those in the lowest income quintile to 9.9 per cent of those in the highest in income quintile.

The relationship between income and not being able to pay mortgage on time is less clear, although the lowest two income quintiles do have a higher rate of having not been able to pay their mortgage on time (22 per cent) than the top three income quintiles (14.9, 13.5 and 13.5 per cent).

Table 2 Not being able to pay the mortgage or rent on time in the last 3 months because of a shortage of money by income quintile in February 2020, May 2020

Income quintile in February 2020	Could not pay rent and/or mortgage	Could not pay rent on time	Could not pay mortgage on time
	% either	% renters	% mortgage
Quintile 1 (lowest income)	35.0	40.0	22.9
2	25.3	30.6	22.0
3	18.0	22.6	14.9
4	13.5	13.1	13.5
Quintile 5 (highest income)	14.4	9.9	13.5

Notes: Respondents could both hold a mortgage and be renting. Income quintiles are derived from per person household after tax income.

Source: ANUpoll, May 2020 and ANUpoll February 2020.

Table 3 provides information on the relationship between income change (per person household after tax weekly income) from February to May 2020 and ability to pay mortgage and rent on time over the last 3-months. The average income in February 2020 is lower for those who could not pay their mortgage or rent on time compared to those who were able to pay on time (as was also shown in Table 2). What is different in Table 3, however, is that we also show that there is a very clear relationship between change in income between February and May 2020 and not being able to pay mortgage or rent on time due to a lack of money. While both those who could pay on time and those who were unable to pay on time experienced, on average, a fall in per person household income between February and May 2020, in percentage terms the fall in income was much larger for those who could not pay on time. That is, housing stress is not just correlated with pre-COVID income, but is also correlated with income dynamics.

Table 3 Per person household after-tax weekly income and change in income by whether could pay mortgage and rent on time over last 3-months, May 2020

	Income		Income change	
	February 2020	May 2020	($)	(%)
			Mortgage holder	
Could pay on time	$917	$842	-$75	-8.2%
Could not pay on time	$832	$719	-$113	-13.6%
			Renter	
Could pay on time	$772	$684	-$89	-11.5%
Could not pay on time	$430	$369	-$61	-14.2%

Notes: Respondents could both hold a mortgage and be renting.

Source: ANUpoll, May 2020 and ANUpoll February 2020.

There has been some discussion of the impact of COVID-19 on people living in Australian but who are not Australian citizens who may be more vulnerable to the economic effects of COVID-19 due to not being entitled to all of the forms of assistance that are available to Australian citizens. The Life in Australia™ panel includes people living in Australia who are not citizens with 271 of these respondents participating in the May 2020 ANUpoll.

Those who were not an Australian citizen were much more likely to have not been able to pay rent on time (20.3 per cent) compared to Australian citizen (6.1 per cent) and the difference is

statistically significant. There was, however, no difference between citizens and non-citizens in the proportion who were not able to pay their mortgage on time (both 8.7 per cent). Overall, 25.1 per cent of non-citizens were either not able to pay their rent or mortgage on time, which is almost twice the rate of 13.6 per cent for citizens.

3.1 Modelling the factors associated with housing stress

We have shown that housing stress – as measured by not being able to pay rent or mortgage on time – varies by the characteristics of the individual, including their income leading up to and during the COVID-19 pandemic. We also shown that renters are more likely to report housing stress than those with a mortgage. These explanatory factors are likely to be related to each other, and an interesting question therefore is which factors are the most important in explaining variation across the population.

To answer this question, we estimate a regression model on the sample of respondents who (in the previous 3 months) were either renters or who had a mortgage, with the probability of being in housing stress as the dependent variable. Model 1 includes a dummy variable for whether or not the person was a renter (as opposed to a mortgage holder only) as well as demographic and education variables only. In addition to these variables, Model 2 also includes the socioeconomic characteristics of the area in which a person lives, their income in February (in quintiles) and the change in income between February and May (as a continuous variable).

Looking at Model 1 to start with, without controlling for socioeconomic characteristics we can see that young Australians were far more likely to be in housing stress than older Australians, as were those who spoke a language other than English at home, and who had not completed Year 12. Controlling for these factors, non-citizens had a higher probability of being in housing stress than citizens, though the difference is not statistically significant (p-value = 0.215). Even after controlling for these demographic factors, renters had a higher probability of being in housing stress.

Looking at Model 2, however, we can see very different results for the demographic variables when socioeconomic status is controlled for. Young Australians are still more likely to be in housing stress once income and socioeconomic status of the geographic area is controlled for, suggesting that there is more to housing stress than just income for this group, with accumulated savings and wealth likely to be low. There is no longer any association with language background and education, suggesting that the observed variation across those groups was mainly driven by socioeconomic status. However, sex and location does become significant with females with a given income having lower levels of housing stress than males, and those who live outside of a capital city having lower levels of stress than those in capital cities. The latter may be due to higher housing costs relative to income in capital cities, as well as a greater economic effect of COVID-19 in urban areas.

There are some differences in housing stress according to the socioeconomic status of the area in which a person lives. The most disadvantaged areas have a higher level of housing stress than those in the middle of the geographic socioeconomic disadvantage distribution. Given we are controlling for household income in our model, this implies that income isn't the only determinant of housing stress and other factors captured by the area in which a person lives may be important. Somewhat surprisingly though, those who live in the fourth quintile in terms of socioeconomic status have the highest level of housing stress. This may be because house prices (and therefore mortgage repayments) and rents are higher in higher socioeconomic status areas and the fact that not all people living in more socioeconomically advantage areas

have higher incomes. Finally, we can also see that income and changes in income are important determinants of housing stress, but that there is a clear distinction between the bottom quintile and the rest of the distribution.

Table 4 Factors associated with whether could pay mortgage and rent on time over last 3-months

	Model 1		Model 2	
	Coeff.	Signif.	Coeff.	Signif.
Renter	0.059	**	0.005	
Female	-0.034		-0.042	**
Aged 18 to 24 years	0.192	***	0.259	***
Aged 25 to 34 years	-0.013		0.001	
Aged 45 to 54 years	0.022		0.013	
Aged 55 to 64 years	-0.008		0.019	
Aged 65 to 74 years	-0.008		-0.002	
Aged 75 years plus	-0.072		-0.023	
Indigenous	0.041		-0.001	
Born overseas in a main English-speaking country	-0.011		-0.009	
Born overseas in a non-English speaking country	-0.016		-0.015	
Speaks a language other than English at home	0.083	*	0.054	
Not an Australian citizen	0.059		0.039	
Has not completed Year 12 or post-school qualification	0.085	*	0.057	
Has a post graduate degree	-0.056		0.018	
Has an undergraduate degree	-0.031		0.005	
Has a Certificate III/IV, Diploma or Associate Degree	0.042		0.053	
Lives in a non-capital city	-0.033		-0.044	**
Lives in the most disadvantaged areas (1st quintile)			0.087	**
Lives in next most disadvantaged areas (2nd quintile)			0.047	
Lives in next most advantaged areas (4th quintile)			0.101	***
Lives in the most advantaged areas (5th quintile)			-0.018	
Lowest income quintile in February 2020			0.133	***
Second income quintile in February 2020			0.050	
Fourth income quintile in February 2020			-0.041	
Highest income quintile in February 2020			-0.035	
One-standard deviation decline in income between February and May 2020 ($340)			0.020	*
Probability of base case	0.168		0.112	
Sample size	1,843		1,461	

Notes: Probit Regression Model. The base case individual is female; aged 35 to 44; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; and lives in a capital city. For Model 2, the base case individual lives in neither an advantaged or disadvantaged suburb (third quintile); was in the middle quintile in terms of household income in February; and had no change in income between February and May.

Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Source: Life in Australia™ February 2020, and ANUpoll, May 2020.

4 Attempts to reduce mortgage and rental payments

As discussed in the introduction to this paper, decisions have been made by the National Cabinet and banks to try to assist and protect mortgage holders or renters who are

experiencing financial hardship. This section provides data on the steps taken by Australian mortgage holders and renters to try and reduce their housing costs.[8]

Across the Australian population, estimates from the May 2020 ANUpoll are that:

- 6.5 per cent successfully re-negotiated mortgage payments to pay less and 1.2 per cent were unsuccessful;
- 3.2 per cent were successful in placing a freeze on their repayments for a particular time period and 0.9 per cent were unsuccessful;
- 2.5 per cent were successful in reducing their rent and 1.5 per cent were unsuccessful; and
- 0.5 per cent were successful in having their rent frozen for a period of time and 0.8 were unsuccessful.

These rates are reasonably high, particularly given that a substantial proportion of the Australian population do not hold a mortgage or are not renting. Table 5 shows the proportion of mortgage holders who reported taking steps to attempt to reduce their mortgage payments and the proportion of renters who reported trying to reduce their rental payments.

Amongst mortgage holders, 18.6 per cent attempted to re-negotiate their mortgage payments to pay less. Within this group, 16.1 per cent were successful and 3.1 per cent were unsuccessful, implying that a small proportion of people tried multiple times, with mixed success. About half that number had attempted to place a freeze on mortgage repayments with 8.0 per cent being successful and 2.4 per cent unsuccessful. The rate of success (those who were successful divided by those who asked) was therefore 86.6 per cent for re-negotiating to pay less and 86.0 per cent for placing a freeze.

A smaller proportion of renters had attempted to re-negotiate rental payments to pay less (14.7 per cent) with 10.5 per cent being successful and 6.2 per cent unsuccessful. Renters were also asked whether they had requested an early lease termination. While there can be a range of reasons for requesting an early lease termination, one reason is not being able to afford the rental payments. Data from the May 2020 ANUpoll shows that 3.2 per cent of renters had requested an early lease termination. Less than one percent (0.9 per cent) reported being evicted from their residence in the last three months.

Table 5 Steps taken to attempt to reduce mortgage and rental payments in the last three months, May 2020

	%
Mortgage holders	
Attempted to re-negotiate mortgage payments to pay less	*18.6*
Successfully re-negotiated mortgage payments to pay less	16.1
Unsuccessfully re-negotiated mortgage payments to pay less	3.1
Attempted to place a freeze on repayments for a particular time period	*9.3*
Successfully placed a freeze on repayments for a particular time period	8.0
Unsuccessfully placed a freeze on repayments for a particular time period	2.4
Renters	
Attempted to re-negotiate rental payments to pay less	*14.7*
Successfully re-negotiated rental payments to pay less	10.5
Unsuccessfully requested a rent reduction	6.2
Attempted to place a rental freeze for a particular time period	*4.8*
Placed a rental freeze for a particular time period	2.0
Unsuccessfully asked to delay or postpose your rental payments	3.3
Requested an early lease termination	3.2

Notes: Respondents may report both having successfully and unsuccessfully attempted to re-negotiate down or freeze mortgage and rental payments.

Source: ANUpoll, May 2020.

We can combine mortgage holders who asked for a lower mortgage rate or who asked to freeze their payment into a single group (reduce or defer), and do the same for renters with regards to those rental payments. Across the whole sample of mortgage holders, 24.4 per cent attempted to either reduce or defer, with 22.2 per cent being successful in either, resulting in an overall success rate of 90.9 per cent. For renters, 16.6 per cent attempted to either reduce or defer, with 12.1 per cent being successful in either, resulting in an overall success rate of 72.7 per cent. Table 6 look at these rates over the age distribution, and Table 7 looks at the rates over the income distribution. For mortgage holders, we find higher rates of attempting to reduce or defer payments amongst those aged 35-44 years and those aged 75 years or older (Table 6). For renters, higher rates of attempting to reduce or defer rental payments are present amongst younger age groups. It is notable that for 18-24 year old renters, 21 per cent attempted to reduce or defer their rental payments and of these just over half (11.2 per cent) were successful. There are much higher success rates for most other age groups.

Table 6 Whether attempted to reduce or defer mortgage/rent and whether successful in reducing or deferring mortgage/rent by age group, May 2020

	Mortgage holder			Renter		
	Attempted	Success	Success rate	Attempted	Success	Success rate
Age group			%			
18-24 years	-	-		21.0	11.2	53.3
25-34 years	20.7	19.5	94.4	18.6	15.4	82.5
35-44 years	32.1	27.7	86.7	15.4	9.9	64.4
45-54 years	21.9	20.9	95.9	8.3	4.3	51.6
55-64 years	17.3	15.2	88.4	13.5	11.7	86.8
65-74 years	19.2	19.1	99.1	12.1	10.3	85.1
75 or more years	34.8	30.2	86.8	0.8	0.0	0.0

Source: ANUpoll, May 2020.

We also find differences in attempts and success in mortgage and rent reduction or deferral by income level. The highest proportion of mortgage holders who attempted to reduce or defer payment of mortgages was amongst the middle-income quintiles and particularly the second income quintile. The highest rate of attempting to reduce or defer rent was, again, in the second quintile, with the success rate also tending to be higher in this group. A possible explanation for the high rates of seeking reductions and deferrals in housing payments for the second quintile compared to the first is that there have been far higher relative improvements in income for the latter than the former, due in part to JobKeeper and JobSeeker payments (Biddle et al. 2020b). Those at the upper end of the income distribution experienced reductions in income, but they may have had a greater level of savings to cover this decline.

Table 7 Whether attempted to reduce or defer mortgage/rent and whether successful in reducing or deferring mortgage/rent by income in February 2020, May 2020

	Mortgage holder			Renter		
	Attempted	Success	Success rate	Attempted	Success	Success rate
Income group			%			
Quintile 1 (lowest)	21.6	19.9	92.4	16.0	12.6	78.6
2	29.5	24.7	83.9	23.9	19.4	81.1
3	26.8	25.9	96.4	9.7	5.1	52.5
4	24.3	22.3	91.7	14.0	9.5	67.7
Quintile 5 (highest)	20.0	18.4	92.2	14.1	14.1	100.0

Source: ANUpoll, May 2020.

Amongst those who reported not being able to pay their mortgage on time, 39.1 per cent reported having attempted to reduce or defer their mortgage and 60.9 per cent did not attempt to do this (Table 8). Amongst those who said they were able to pay their mortgage on time in the last three-months, 7.1 per cent had attempted to reduce or defer their mortgage payments.

Of those who reported not being able to pay their rent on time, 26.8 per cent had attempted to either reduce or defer their rent with 73.2 per cent of those in this situation not having

attempted to reduce or defer their rent (Table 8). Just 2.1 per cent of those who were able to pay their rent on time had attempted to reduce or defer their rent.

The higher rates of attempting to reduce or defer mortgage payments amongst those who were not able to pay their mortgage on time compared to those who were not able to pay their rent on time most likely reflects the position taken by banks to freeze mortgages which makes it easier to individuals to attempt to negotiate as compared to negotiating with a landlord. This is also reflected in the fact that a much higher proportion of those who attempted to renegotiate their rental payments were unsuccessful as compared to those who attempted to renegotiate their mortgage payments.

Table 8 Whether had attempted to reduce or defer mortgage or rent by whether had been able to pay mortgage or rent on time in last three-months, May 2020

	Did not attempt to reduce or defer mortgage/rent	Attempted to reduce or defer mortgage/rent
	%	
	Mortgage holder	
Paid mortgage on time	92.9	7.1
Not able to pay mortgage on time	60.9	39.1
	Renting	
Paid rent on time	97.9	2.1
Not able to pay rent on time	73.2	26.8

Source: ANUpoll, May 2020.

The May 2020 ANUpoll asked respondents who were landlords a series of questions. When comparing the responses of landlords and those who are renting it is important to bear in mind that many landlords have more than one rental property and therefore reporting on the experience of more than one renter in these cases. Given this, it is not surprising that a higher proportion of landlords reported that their tenants had requested a rent reduction (17.0 per cent) than renters who reported requesting a rent reduction (14.7 per cent) and asking to delay or postpone rental payments (12.7 per cent compared to 4.8 per cent). In addition, 9.7 per cent of landlords reported that their tenant had requested an early lease termination.

4.1 Modelling the factors associated with housing payment reduction and deferral

In this section, we replicate the econometric modelling from Section 3.1, this time with the dependent variable being whether or not a person requested a mortgage or rent reduction or deferral. Model 1 once again includes a dummy variable for whether or not the person was a renter (as opposed to a mortgage holder only) as well as demographic and education variables only. Model 2 also includes the socioeconomic characteristics of the area in which a person lives, their income in February (in quintiles) and the change in income between February and May (as a continuous variable).

Renters were estimated to be less likely to have requested a deferral or delay than mortgage holders, with the difference even larger once observable characteristics are controlled for. Of the demographic variables, females were slightly less likely, though only after socioeconomic outcomes are controlled. There are large differences for those aged 45 to 64 years, with the negative marginal effect significant regardless of whether socioeconomic characteristics are controlled for. Those who live outside of capital cities also have a significantly lower probability.

The largest marginal effects, however, were characteristics related to ethnicity. Indigenous Australians were significantly and substantially more likely to have requested a reduction or deferral in housing payments, with the probability roughly twice as large as for non-Indigenous Australians. Those who speak a language other than English also have a higher probability, though the marginal effect isn't as large in magnitude.

What is somewhat interesting from the table is that the area in which a person lives, and their income in February was not associated with having requested a reduction or deferral. The change in income between February and May 2020 is, however, statistically significant. This gives some support for the suggestion above that the high rates of request for reduction and deferrals for the second income quintile was in part due to relative declines in income for this group (compared to the bottom quintile who had large increases).

Table 9 Factors associated with having requested a rental or mortgage reduction or deferral, May 2020

	Model 1		Model 2	
	Coeff.	Signif.	Coeff.	Signif.
Renter	-0.108	***	-0.128	***
Female	-0.044		-0.053	*
Aged 18 to 24 years	0.001		0.065	
Aged 25 to 34 years	-0.050		-0.030	
Aged 45 to 54 years	-0.076	**	-0.094	**
Aged 55 to 64 years	-0.103	***	-0.092	**
Aged 65 to 74 years	-0.059		0.013	
Aged 75 years plus	-0.048		-0.083	
Indigenous	0.268	***	0.313	***
Born overseas in a main English-speaking country	0.022		0.028	
Born overseas in a non-English speaking country	0.020		0.014	
Speaks a language other than English at home	0.110	**	0.145	**
Not an Australian citizen	0.076		0.082	
Has not completed Year 12 or post-school qualification	0.013		0.013	
Has a post graduate degree	-0.074		-0.015	
Has an undergraduate degree	0.005		0.029	
Has a Certificate III/IV, Diploma or Associate Degree	0.053		0.084	
Lives in a non-capital city	-0.065	**	-0.089	***
Lives in the most disadvantaged areas (1st quintile)			-0.014	
Lives in next most disadvantaged areas (2nd quintile)			-0.009	
Lives in next most advantaged areas (4th quintile)			0.004	
Lives in the most advantaged areas (5th quintile)			-0.032	
Lowest income quintile in February 2020			-0.013	
Second income quintile in February 2020			0.066	
Fourth income quintile in February 2020			-0.013	
Highest income quintile in February 2020			-0.049	
One-standard deviation decline in income between February and May 2020 ($340)			0.034	*
Probability of base case	0.280		0.261	
Sample size	1,839		1,457	

Notes: Probit Regression Model. The base case individual is female; aged 35 to 44; non-Indigenous; born in Australia; does not speak a language other than English at home; has completed Year 12 but does not have a post-graduate degree; and lives in a capital city. For Model 2, the base case individual lives in neither an advantaged or disadvantaged suburb (third quintile); was in the middle quintile in terms of household income in February; and had no change in income between February and May.

Coefficients that are statistically significant at the 1 per cent level of significance are labelled ***; those significant at the 5 per cent level of significance are labelled **, and those significant at the 10 per cent level of significance are labelled *.

Source: Life in Australia™ February 2020, and ANUpoll, May 2020.

5 Concluding comments

This paper presents new data on the housing circumstances of Australians collected in the second half of May 2020, post COVID-19 restrictions being put in place in the country. This is a question that is of considerable policy interest given the very substantial negative economic consequences of COVID-19.

There is little high quality nationally representative data on the level of housing stress being experienced throughout the COVID-19 pandemic and the extent to which Australians have been able to reduce their mortgage and rent payment. The data reported in this paper shows

that between April and May 2020 the proportion of Australians reporting that they had not been able to pay their mortgage or rent on time increased from 6.9 per cent to 15.1 per cent. This is a very large increase in housing stress. While there are high rates of housing stress amongst both mortgage holders and renters, the level is substantially higher for renters (26.9 per cent) than amongst mortgage holders (17.1 per cent). Young adults are experiencing particularly high rates of housing stress with 44.0 per cent of renters aged 18-24 years not being able to pay their rent on time. Importantly, this high rate of housing stress remains even after levels and changes in income are controlled for. Young Australians have relatively low incomes and have been hit hard by the COVID-19 induced employment declines, but that is not the only reason why they have experienced increased rates of housing stress.

For renters, the level of housing stress is much higher for the lower income group than for the higher income group with the level of not being able to pay rent on time being four times as higher for the lowest income quintile compared to the highest income quintile. While mortgage holders in the lower income quintiles are more likely to have not been able to pay their mortgage on time than those in higher income quintiles, the differences in mortgage stress between lower and higher income groups is much smaller than the differences between lower and higher income group renters.

In response to the concerns about COVID-19 on the ability of Australians to make mortgage and rental payments, Australian governments have introduced policies to protect renters and mortgage holders and banks have also put in place various measures to assist Australians unable to make their payments. Australians have taken advantage of these measures in large numbers and a large majority of those who have attempted to re-negotiate or freeze mortgage or rental payments have been successful. 16.1 per cent of mortgage holders have managed to reduce their mortgage payment and 8.0 per cent have had their payments frozen for a period. Lower, but still a substantial proportion, of renters have negotiated a lower rent (10.5 per cent) or rental freeze (2.0 per cent). This amounts to a success rate of 90.9 per cent for mortgage-holders, and 72.7 per cent for renters. We also find very low rates of eviction, with less than 1 per cent of the sample reporting that they had been evicted in the previous 3-months.

There are particularly high rates of housing stress reported by renters who are younger, in lower income groups, live in socioeconomically disadvantaged neighbourhoods and who are not Australian citizens. The very substantial increase in housing stress between April and May 2020 and the high rates being reported in May 2020 has occurred in spite of the fact that incomes have increased very substantially at the bottom end of the income distribution, largely due to the JobSeeker and JobKeeper payments (Biddle et al. 2020b). If incomes of those in the bottom half of the income distribution start to fall as these payments are withdrawn, then it is likely that housing stress will continue to increase, although the extent to which this occurs will depend upon how the rental market and whether there are falls in rents. What started as a public health crisis and is turning into an economic crisis may eventually lead to a housing crisis, particularly for young Australians and those on low incomes.

References

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Endnotes

1 https://www.pm.gov.au/media/national-cabinet-statement

2 https://www.theguardian.com/world/2020/apr/17/australias-landlords-and-tenants-what-support-is-available-in-the-coronavirus-crisis

3 https://www.ausbanking.org.au/wp-content/uploads/2020/06/Banking-Activity-Infosheet-PDF-May-27-Final.pdf

4 https://www.srcentre.com.au/services/life-in-australia-panel

5 In order to monitor the impacts of COVID-19, the ANU Centre for Social Research and Methods has established a COVID-19 impact monitoring survey program. It builds upon data collected in January and February 2020 prior to COVID-19 restrictions being implemented, thereby following the same group of individuals prior to and through the COVID-19 pandemic period. This program provides population level estimates of the impact of COVID-19 and allows measurement of the variation in and the determinants of the change in outcomes for Australians. The surveys include a core set of questions on attitudes to COVID-19, labour market outcomes, household income, financial hardship, life satisfaction and mental health. In addition, each survey contains some specific questions of particular policy interest at the particular point in time in which the data was collected. The first wave of the COVID-19 monitoring surveys was conducted in April and the most recent survey conducted in May 2020. A number of additional waves of data will be collected throughout 2020 and 2021, with data from these surveys made available from the Australian Data Archive as soon as possible after the data collection has finished.

6 Data for the vast majority of respondents was collected online, with a small proportion of respondents enumerated over the phone.

7 Of those who completed the May 2020 wave of data collection, 2,986 individuals (91.9 per cent) also completed the April 2020 ANUpoll (the 37th wave of data collection). Of those who completed both the April and May surveys, 2,810 respondents (94.1 per cent) also completed the February 2020 survey (35th wave of data collection).

8 We find very low rates of eviction, with less than 1 per cent of the sample reporting that they had been evicted in the previous 3-months. The experience of eviction during the COVID-19 pandemic may need to be analysed using a dataset with a larger sample size of renters.