***A McKell Institute Idea***

# Rewarding Renters to make SA competitive

***How bond reform and long-term leases can help South Australia attract a skilled workforce***

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## Overview

To become more economically competitive in attracting a skilled workforce, as well as innovative small and medium enterprise leaders, South Australia must enhance its overall liveability. This should not be limited to homeowners. A growing number of South Australians are renting, many for longer or indefinitely. To address this shift, the South Australian Government should implement the next wave of pratical rental reforms that make renting fairer, more secure and more attractive.

## The Policy Problem

South Australian renters are routinely disadvantaged. When moving to their next property many must pay a new rental bond before their existing one is refunded. When a bond is received by government, it is invested and accrues interest over time, however the bond returned is the original value only, without the acrued interest that rightfully belongs to the renter.

Further, the South Australian rental landscape isn't geared towards long-term or indefinite renters, instead commonly offering short term 12-month leases, meaning uncertainty of living arrangements.

## McKell's Plan to Make Renting Fairer

**Recommendation 1: A portable bond scheme that delivers a dividend to renters**
Under a portable bond scheme, a renter's initial lease would be held and transferred automatically between tenancies. This would reduce administrative complexity, and most importantly, eliminate the financial pressure of paying overlapping bonds.

Upon final withdrawal of a bond, renters should receive a "renters' dividend", the interest accrued on their funds, similar to the returns that would apply if the money was in a standard savings bank account.

**Recommendation 2: A land tax concession for landlords opting-in to long-term leases**
A targeted land tax concession should apply to residential properties under registered three or five year leases. Eligibility would be contingent on meeting conditions such as pre-defined rent increases, and minimum maintenance standards.

## Who stands to benefit?

These reforms would directly benefit the 22 per cent of South Australians who currently rent by providing financial fairness and greater stability. Landlords offering long-term leases would benefit from the tax concession as well as the financial stability it provides them. More broadly, South Australia would strengthen its economic competitiveness by offering an attractive rental environment for the skilled workers and innovators the state seeks to attract.

## Introduction

To diversify the South Australian economy and attract and retain innovative leaders and a skilled workforce, our living conditions need to be superior. One way of achieving this is to make South Australia the best place in the country to rent.

In recent years, the South Australian Government has made extensive changes to rental reforms, including longer notice periods, the allowance of minor alterations and safety modifications, and the requirement for prescribed reasons to terminate a tenancy.

But there is still more to be done. Over the past few years, rents have risen sharply while vacancy rates have fallen to historic lows. Higher rents coupled with rising property prices means it is taking South Australians longer to save a house deposit. For some, home ownership is drifting completely out of reach.

The number of South Australians renting is growing quickly. Between 1994–95 and 2019–20 the share of private renters in South Australia grew by almost 60 per cent, from 13.3 per cent to 21.1 per cent.[i]

At the 2021 Census, 22 per cent of South Australians households rented their property and while that is still lower than the national rate of 27 per cent nationally,[2] it is expected to continue to trend upwards.

Rental policy is fragmented. The Commonwealth controls migration, taxation, and social spending; the states regulate tenancies and land tax; councils manage planning and local rates. Making renting fairer requires synergy at all three levels.

Earlier McKell Institute research has focussed on how the Commonwealth can ease the burden for renters. This paper focuses on the next logical practical and low cost steps the South Australian Government can take within its own powers to make South Australia the best place in the country to rent: creating a portable bond scheme with a “renters’ dividend”, and incentivising landlords to offer long leases to provide stability and certainty for renters.

## South Australian renters are facing unaffordability, unavailability and uncertainty

Rents in South Australia, and in Adelaide especially, have grown at some of the fastest rates in the nation. Weekly median rents across the state have jumped from $320 per week in mid- 2018, to $495 in April 2025—an increase of almost 55 per cent. For reference, consumer prices in Adelaide increased by only 26 per cent over the same period.[3]

Runaway rental inflation across South Australia looks set to continue into the foreseeable future. In April 2025, national rental inflation ran at 5.5 per cent, compared to only 2.4 per cent for the consumer price index. In that same month, 82.8 per cent of Australian households saw rent increases, and without further intervention there is no reason to think South Australia immune from the trend.

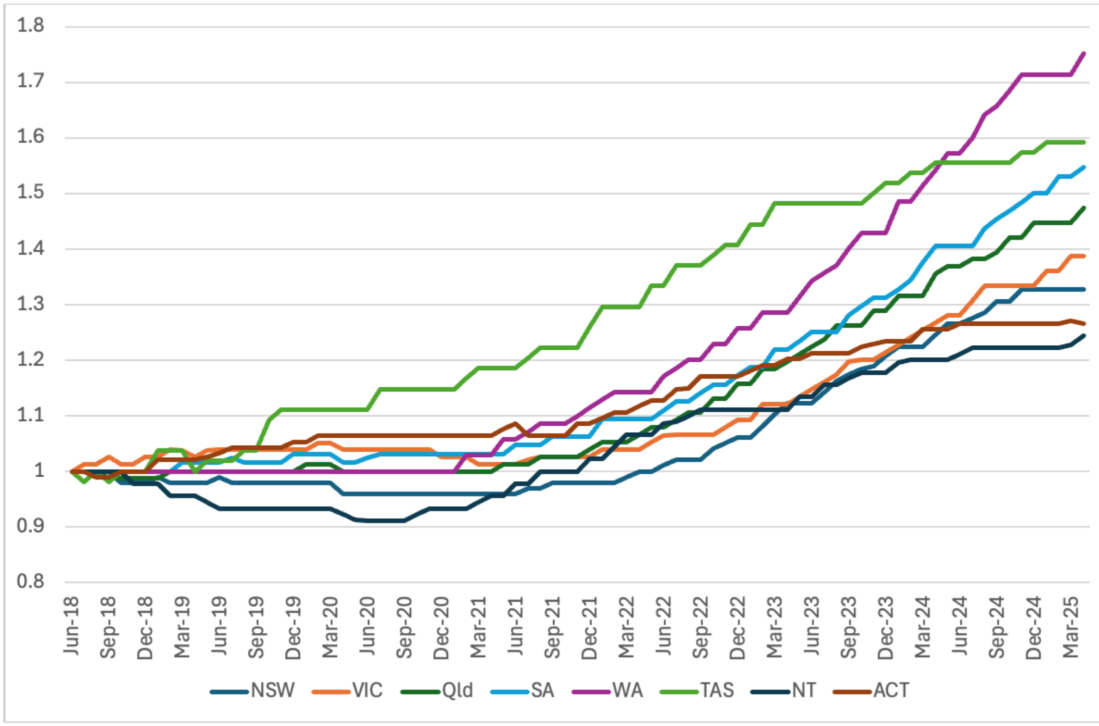


***Figure 1:*** *Median asking rents, states and territories, June 2018 to April 2025, June 2018 = 1.0*[4]

Rents in Adelaide also remain elevated: renting a median property costs approximately 40 per cent of a single full-time South Australian income *before tax*. The proportion of postcodes rated "unaffordable" by SGS Economics and Planning has surged. In 2019 most of Greater Adelaide was considered "acceptable" or "moderately unaffordable", but by 2024 almost all of it had become "unaffordable". Their most recent report identified that the *typical renting household* in Adelaide now spends over 30 per cent of its income on rent—the threshold for rental stress.[5]

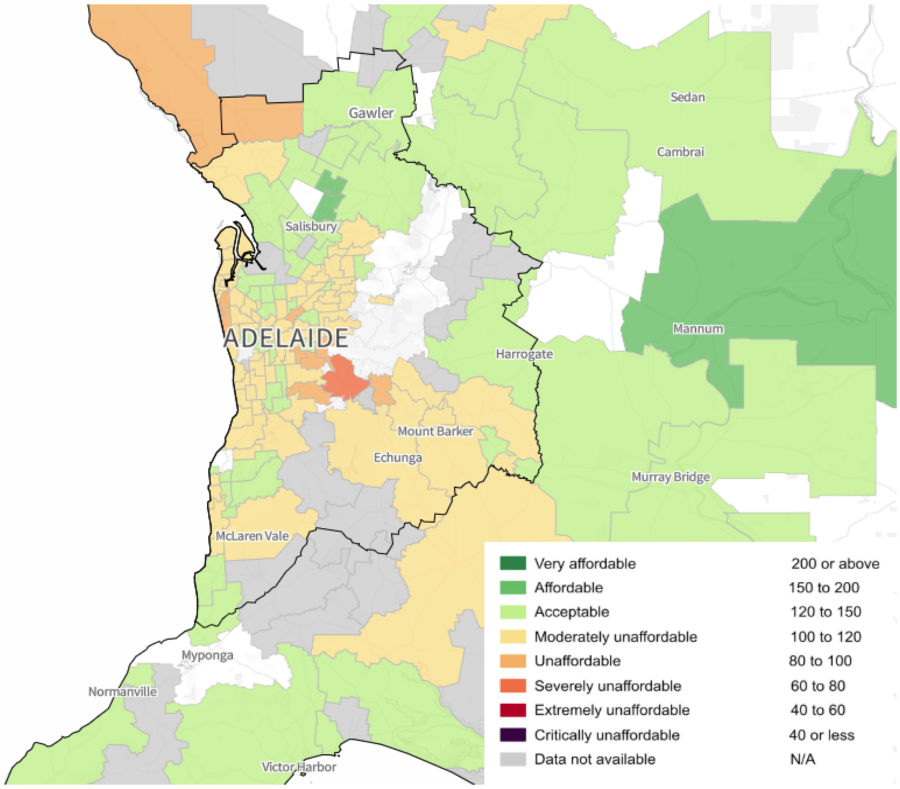


***Figure 2**: SGS Affordability Snapshot, Greater Adelaide, Q1 2019*

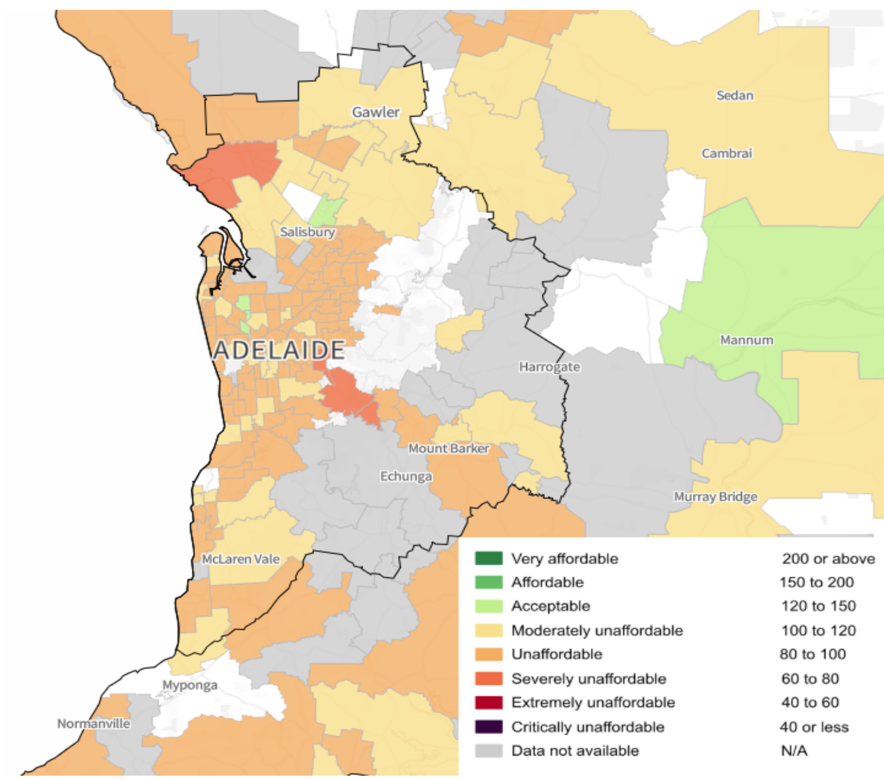


***Figure 3:** SGS Affordability Snapshot, Greater Adelaide, Q2 2024*[6]

All the while, rapid growth in dwelling prices mean many South Australians are renting at higher rates for longer periods. In Adelaide, median establishing dwelling prices have grown from 4.95 times the median income in 2002, to over 10.32 times the median income in 2024. This has left ownership out of the question for many South Australians.

Vacancy rates are near record lows. In September 2025, Adelaide's vacancy rate was 0.8 per cent and sat well below the 1.5–3 per cent considered a balanced market, and markedly below the national vacancy rate of 1.2 per cent.[7]

The result of such unaffordability and unavailability in the South Australian rental market is deep uncertainty and anxiety for renters. This has obvious detrimental effects on renters themselves, but it also contributes to discouraging skilled workers from settling in South Australia. As competition between states heats up for skilled and essential workers, creating a healthy and balanced rental market also presents a prime opportunity for the South Australian Government.

## Progress is being made

South Australia has made laudable progress in supporting its renters. The South Australian Government has already strengthened renters' rights under the *Residential Tenancies Act 1995* (SA) (***RTA***) by:

- banning the solicitation of rent bidding;
- limiting rent increases to once every 12 months;
- lengthening notice periods for termination; and
- introducing prescribed reasons for termination.[8]

South Australia has also increased housing supply by fast tracking approvals and releasing new land. South Australia now boasts among the highest increase in dwelling completions and commencements in the country since 2022. This is a particularly notable achievement in light of the decreases in completions and commencements observed in other states with larger populations.

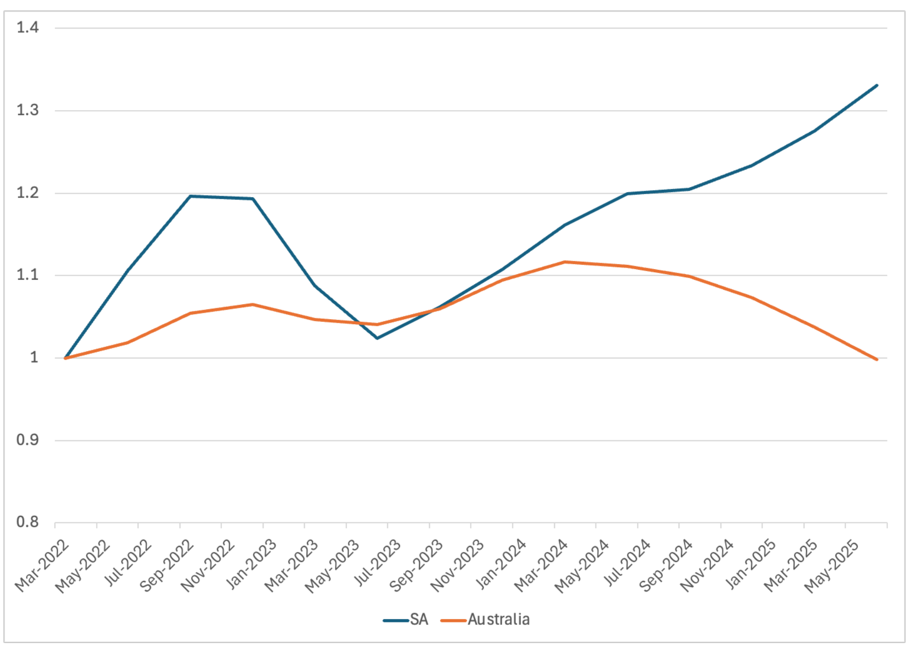

***Figure 4:*** *Dwelling units commenced, South Australia and Australia-wide, March 2022 to June 2025, March 2022 = 1.0*[9]

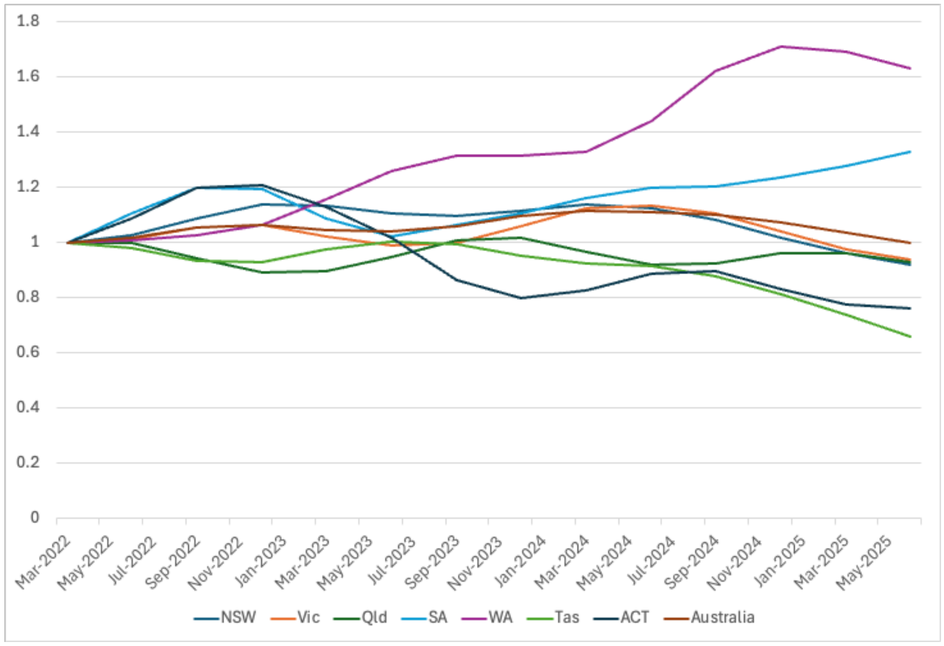


***Figure 5:*** *Dwelling units completed, states and territories, March 2022 to June 2025, March 2022 = 1.0*[10]

Adelaide's vacancy rate, while low, has begun to rise steadily as new properties enter the market. In fact, it has risen from its nadir of 0.4 per cent at the beginning of 2022, to 0.8 per cent today. This compares with a persistently flat national vacancy rate. If South Australia's supply side progress continues, it would not be unreasonable to expect Adelaide's vacancy rate to eventually surpass the national vacancy rate.

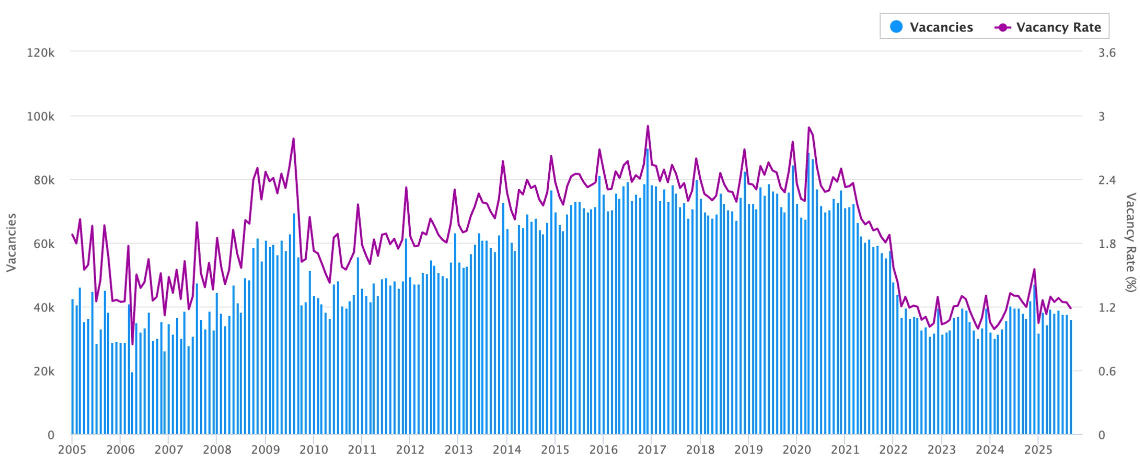


***Figure 6:*** *National vacancy rate, 2005 to 2025*[11]

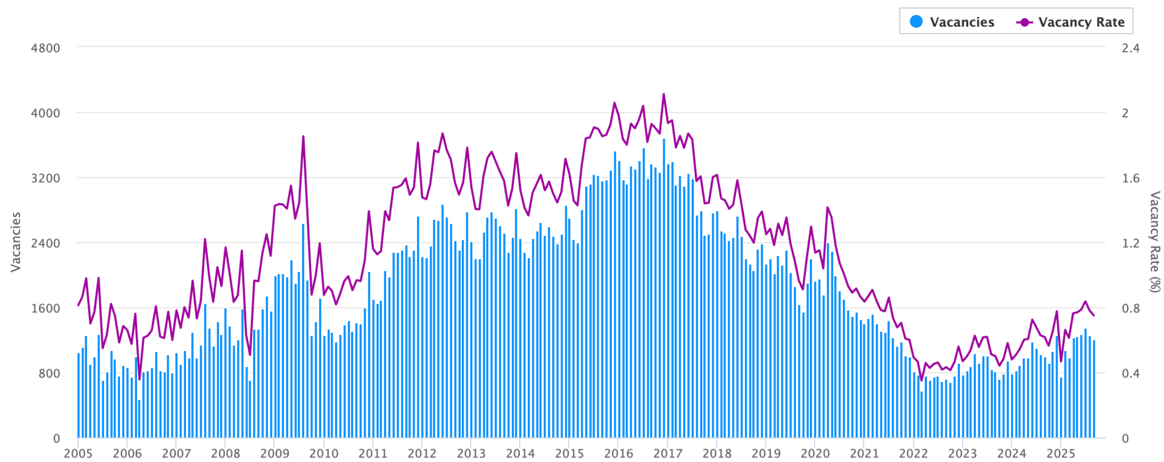


***Figure 7:*** *South Australian vacancy rate, 2005 to 2025*[12]

## Ideas for improving rental conditions in South Australia

*Creating a portable bond scheme with a "renters' dividend"*

It is increasingly important, as more South Australians rent for longer periods, that they are not financially burdened when moving between leases and that they receive the full bond value owed to them.

Currently, in South Australia, renters are required to pay a bond upfront to the Consumer and Business Services (CBS). At the cessation of the lease, subject to any legitimate claim by the landlord, the initial bond is returned to the tenant.

However, if they commence a new lease, renters often need to pay a new bond before the initial one is refunded. At four weeks' rent, this is often not an insignificant sum. For renters this is a financial burden, and for government it is administratively cumbersome.

It is recommended that South Australian Government follow the lead of Victoria and New South Wales by instituting a portable bond scheme in which renters' bonds are simply transferred across to their next rental lease, and go further to increase South Australia's attractiveness to workers by providing a dividend when they cease renting.

Rental bonds in South Australia are invested and accrue interest. Sections 100 and 101 of the *RTA* provide that bonds are to be aggregated into a fund and invested, with proceeds applied to research, education, and enforcement.

It is recommended that South Australia pay out a "renter's dividend" upon removal of the bond from the portable bond scheme. This income rightfully belongs to renters. That South Australians are increasingly renting for longer also means compounding interest and/or investment can provide a meaningful windfall to renters.

At a four per cent interest rate, on a typical South Australian bond of $2,483, a renter would see a significant return of $1,817 after 15 years. If bonds were 'invested' within the meaning of section 100 of the *RTA*, they could feasibly achieve benchmark superannuation-like level returns of around eight per cent. After 15 years, this could mean up to $4,810 returned on a typical bond.

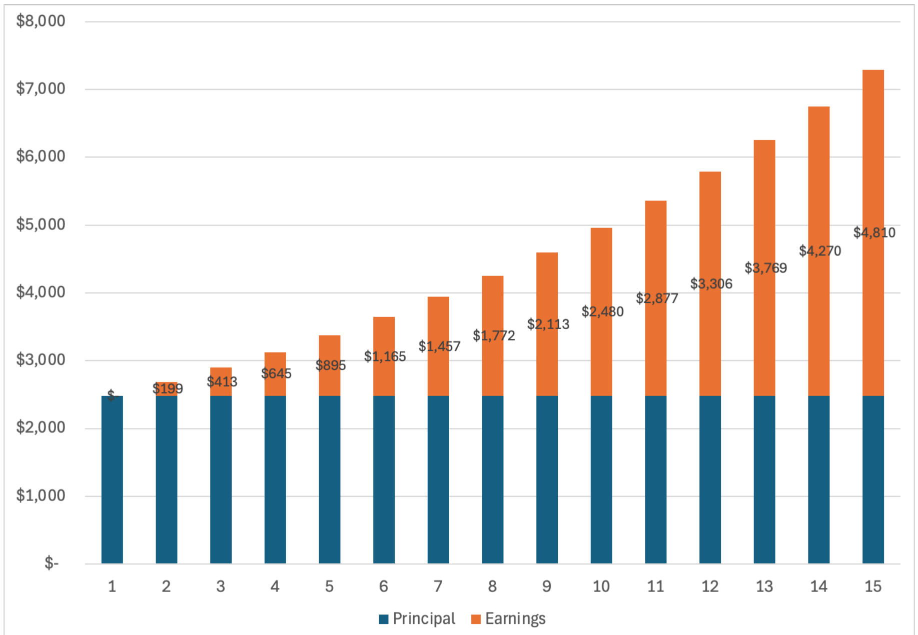


***Figure 8**: Aggregate return at 8 per cent after 15 years, typical South Australian bond*

The services currently funded from bond fund income should instead be financed through South Australian consolidated revenue, consistent with other regulatory and consumer protection functions.

The outcome: a financially fairer rental market.

*Incentivising longer-term leases through land-tax*

Unlike many overseas jurisdictions, most Australian leases last only a year. In 2023, 73.5 per cent of leases nationally were 12 months long, and only 12 per cent ran longer—and this gap has been widening over time.

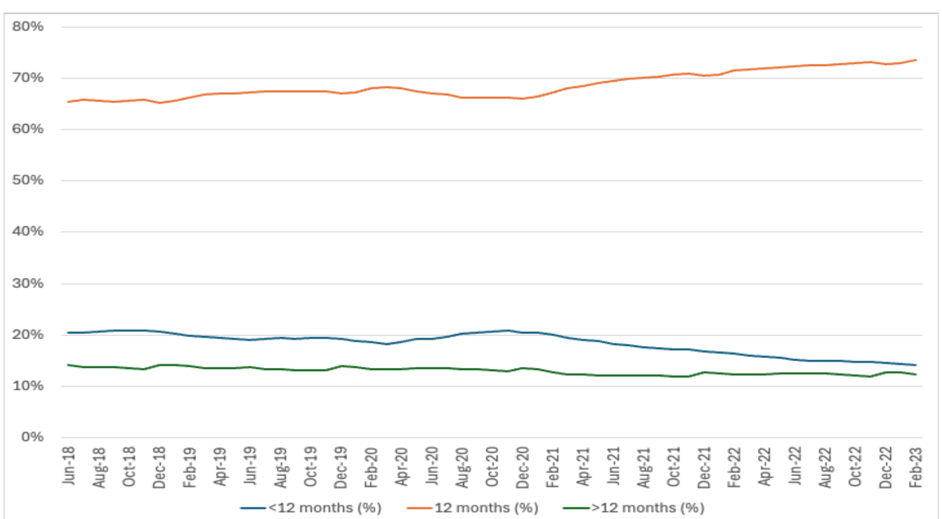


***Figure 9:** Share of leases by length, Australia, June 2018 to February 2023*[13]

Yet surveys consistently show that renters want more stability.[14] The Australian Housing and Urban Research Institute found renters would pay an extra $72 per week for the right to renew their lease indefinitely, and families with children value tenure security most of all.

This gap between what renters want and what landlords offer can be closed by rewarding those who provide stability with long-term leases. This provides an opportunity for South Australia.

South Australia already offers generous land-tax concessions to encourage build-to-rent developments. The same approach should apply to smaller landlords. Under the *Land Tax Act 1936* (SA), a discount or rebate should apply to residential properties under a registered three or five year leases that meet basic conditions such as pre-defined parameters for rent increases, and maintenance standards.

Private land tax accounts for only about eight per cent of South Australian tax revenue, meaning even a modest take up would have only a minor fiscal impact.

The outcome: renters get stability; landlords get certainty; and the state loses little revenue.

## Conclusion

Like the rest of the country, more South Australians are renting for longer or indefinitely. To be economically competitive in attracting and retaining a skilled workforce, the South Australian Government should take action to make renting fairer and more stable.

Building on the previous rental reforms, this next tranche of practical and low-cost recommendations would create a wholistic advantage for the state and should be committed to ahead of the South Australian election.

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[i] Australian Bureau of Statistics, *Housing Occupancy and Costs, 2019–20 Financial Year* (25 May 2022) <https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/latest-release>.

[2] Australian Bureau of Statistics, *Housing: Census, 2021* (28 June 2022) <https://www.abs.gov.au/statistics/people/housing/housing-census/latest-release>.

[3] 'Latest Insights into the Rental Market', *Australian Bureau of Statistics* (Web Page, 28 May 2025) <https://www.abs.gov.au/articles/latest-insights-rental-market>.

[4] 'Latest Insights into the Rental Market', *Australian Bureau of Statistics* (Web Page, 28 May 2025) <https://www.abs.gov.au/articles/latest-insights-rental-market>.

[5] SGS Economics and Planning, *Rental Affordability Index: Research Report* (Report, 2024) < https://sgsep.com.au/projects/rental-affordability-index>.

[6] SGS Economics and Planning, *Rental Affordability Index: Research Report* (Report, 2024) < https://sgsep.com.au/projects/rental-affordability-index>.

[7] 'Residential Vacancy Rates: National', *SQM Research* (Web Page, September 2025) < https://sqmresearch.com.au/graph_vacancy.php?national=1&t=1>.

[8] 'Rental Reforms', *Government of South Australia* (Web Page, 2025) < https://www.cbs.sa.gov.au/campaigns/rental-reforms>.

[9] Australian Bureau of Statistics, *Building Activity, Australia* (Web Page, June 2025) < https://www.abs.gov.au/statistics/industry/building-and-construction/building-activity-australia/latest-release>.

[10] Australian Bureau of Statistics, *Building Activity, Australia* (Web Page, June 2025) < https://www.abs.gov.au/statistics/industry/building-and-construction/building-activity-australia/latest-release>.

[11] Residential Vacancy Rates: National', *SQM Research* (Web Page, September 2025) < https://sqmresearch.com.au/graph_vacancy.php?national=1&t=1>.

[12] Residential Vacancy Rates: Adelaide', *SQM Research* (Web Page, September 2025) < https://sqmresearch.com.au/graph_vacancy.php?region=sa-Adelaide&type=c&t=1>.

[13] 'New Insights into the Rental Market', *Australian Bureau of Statistics* (Web Page, 24 April 2023) <https://www.abs.gov.au/statistics/detailed-methodology-information/information-papers/new-insights-rental-market>

[14] Steven Rowley and Amity James, '"Just like home". New survey finds most renters enjoy renting, although for many it's expensive', *Bankwest Curtin Economics Centre* (Web Page, 9 October 2018) < https://bcec.edu.au/media/just-like-home-new-survey-finds-most-renters-enjoy-renting-although-for-many-its-expensive/>; Choice, *Unsettled: Life in Australia's Private Rental Market* (Report, February 2017).