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Digital Housing and Renters: Disrupting the Australian Rental Bond System and Tenant Advocacy

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Introduction

Increasingly more of the things we do with, and in, houses are being mediated and changed by digital technology. A burgeoning body of work has started to explore these technological transformations and the issues arising in various parts of the housing sector. The issues explored in this work present many challenges for tenant advocates in Australia. With these concerns in mind, in late 2018 we gathered together the key tenant advocate organisations from every state and territory in Australia for a one-day workshop on digital housing.

The aim of the workshop was two-fold; First, in the short-term the aim was to broaden and sharpen the focus of our own research by reality checking our academic analysis – some of which we present below – with frontline housing practitioners and tenant advocates. A second longer-term aim is to work with tenant advocates to develop responses to three of the more pressing ways that technology is changing landlord/tenant relations. These are: the way renters live in homes; the way properties are rented and managed; and the way real estate is traded and exchanged. We briefly outline each below.

We conclude this essay with one illustrative case of how tech companies are seeking to insert themselves into the rental housing system by asking the question: *how is the rental bond system likely to be augmented by tech companies and digital platforms, and what will be the flow-on effect for formal tenant advocacy in Australia?* This was an issue that emerged as a major topic of discussion in the workshop, yet has been little discussed in the academic literature. This case is important for housing advocacy because it shows that the technology is not the issue *per se*, but

rather the issue is how technology is brought together with the long-standing capitalist and rentier logics within private property housing systems.

Issue 1: The Way Renters Live in Homes

Many people now live in homes filled with devices – such as virtual assistants and smart appliances – that are data collecting, Internet-connected, and automatically controlled (Nicholls, Strengers, & Tirado, 2017). Reminiscent of the arguments behind the introduction of "labour-saving" devices in the post-war period (Rogers, 2017), these technological upgrades are meant to make our homes more comfortable and easier to manage, thus turning the dumb house into a smart home. Yet this is only one part of the socio-technical story. The smart home is also a 'surveilled' space. By sensing the environment, tracking our (inter)actions and analysing our behaviours and preferences, an ensemble of digital technologies have turned the home into a "data factory" (McGuirk, 2015, np; Sadowski, 2019b). Thus, "amplifying and accelerating" longstanding trends in domestic surveillance and discipline, enacted by third-parties like government agencies and insurance companies (Maalsen and Sadowski 2019).

In addition to the sharp rise in sharing rental housing with other people (Maalsen, 2019) – which is itself often mediated by digital platforms (Maalsen, 2018) – we now also share our homes with digital technologies that are partly owned and controlled by their manufacturers. This presents a threat to rental tenants because the data that is collected by devices as tenants go about their daily homemaking practices can be accessed by third-parties such as landlords, increasing the power asymmetry and threatening tenants' rights (Sadowski, 2019a).

Issue 2: The Way Properties are Rented and Managed

The new suite of digital platforms, which offer services that facilitate the valuation, rental and exchange of real estate, have a clear lineage back to pre-internet real estate practices and mentalities in countries like Australia (Rogers, 2017). However, the recently formed, but already well funded, "real estate/financial/technology complex" (Shaw 2018) demonstrates that there is widespread, aggressive interest from investors in exploiting the potentials of digital disruption in the housing sector. Under the umbrella terms of PropTech and RealTech, these digital platforms are clustered around providing services aimed at different aspects and actors in the real estate market (Dal Maso, Robertson, & Rogers, 2019; Shaw 2018).

Tenant advocates in Australia are looking at the global Prop/RealTech sector as a further, potential threat to rental tenants to come. For example, companies like Zillow (US) and Zoopla (UK) provide services to investors that include centralising detailed data about property from various sources, optimising decision-making with automated valuation models based on proprietary analytics, and mediating transactions by connecting buyers/investors/renters and sellers/owners (see Landau-Ward and Porter this issue). The "uploading" of private property real estate mentalities and practices into digital platforms is a problem for rental security (Rogers, 2017), wherein the ultimate goal is to facilitate the frictionless flow of capital into landed assets that are increasingly thought of as "digital, global commodit[ies]" (Rogers, 2016).

Issue 3: The Way Real Estate Is Traded and Exchanged

At the convergence of smart homes and platform real estate emerges a new set of global rentiers, including the "global corporate landlords" (Beswick et al., 2016) and the global corporate land-*less*-lords. One variety of the global landlord is the private equity firms that own large investment portfolios containing thousands of rental properties, which are geographically spread across multiple cities, countries, and continents (Fields, 2018). The unique challenges posed by overseeing property portfolios and securitising rental income have given rise to "the automated landlord," as Desiree Fields calls it, "whereby the management of tenants and properties is increasingly not only mediated, but governed, by smartphones, digital platforms, and apps, and the data and analytics these devices and infrastructures gather and enable" (Fields, 2019, p. 4).

One variety of the global land-*less*-lord is Airbnb, which, while not owning much landed property, has emerged as a powerful global short-term rental landlord nonetheless. The digital, financial and technological innovations that underwrite these landlord practices are an obvious threat to rental tenants because they are creating new ways to extract the value from rental homes and to exploit the tenants who live in these assets.

With these three issues as the context, our final two sections explain how the rental bond system in Australia works and how tech companies are planning to change the system. This case shows that technological innovation is neither intrinsically positive or negative, rather it is the socio-technical arrangements within which the technology is produced and implemented that determines its social, economic, and political effects.

Disrupting the Rental Bond System

A rental bond is essentially a type of landlord insurance or guarantee that covers any potential damage to a property that is caused by a tenant, which goes beyond normal wear and tear. In the state of New South Wales (NSW), as in many Australian states and territories, a rental bond is collected from the tenant before they move into the property to the amount of no more than four weeks rent, although four weeks rent is a relatively standard bond amount. At the end of a tenant's lease, the property is inspected by the landlord or their agents, and if the property is deemed by the landlord/agents to be in a reasonable state, the bond is refunded to the tenant in full.

There are well reported issues with this rental bond system. For example, for people on low incomes, and, increasingly, for moderate income-earners, a lump sum bond payment of four weeks rent is often a financial burden during the rental application process. The government recognises this, and low-income earners can apply for 'Rentstart' assistance through their local Housing NSW Office, and a bond can also be lodged in instalments. Furthermore, a lack of transparency and power asymmetry between tenants and landlords within the everyday management of the rental bond system has allowed unscrupulous landlords/agents to withhold or delay the return of a bond.

In response to these and other inefficiencies and inequities in the rental bond process, in 2015 the NSW Government's Office of Fair Trading introduced the first digital disruption to the rental bond system with the launch of their Rental Bonds Online technology: a digital portal that allows tenants, landlords, and agents to lodge rental bonds online. The Rental Bonds Online system streamlined the bond lodgement and return process, therein circumventing the need for the middleman (e.g., landlord/agent). The system mitigates some of the flaws in the previous system by preventing landlords/agents from delaying or denying the return of the bond.

When a bond is lodged by a tenant it is held in trust by The Rental Board, an NSW state government agency tasked with holding rental bonds paid by tenants to landlords for residential tenancies. This bond trust system is important for tenant advocacy in NSW because the interest generated from the bonds held in trust by The Rental Board – along with the Property Services Interest Account which holds interest earned on rent and deposits – is used to fund tenant advocacy services.[2] Tech companies are looking to enter this rental bond system, gain access to the capital that is held in trust, and put this capital to use in other ways.

Disrupting Tenant Advocacy

The attempted entry of tech companies into the bond space represents the next wave of digital disruption to the rental bond system. There are a growing number of rental bond tech start-ups – essentially bond insurance companies – that are offering supposedly 'cheaper' alternatives to tenants. The bond insurance companies allow tenants to pay a fee for a bond surety certificate that costs less than the four weeks rent they would have to pay otherwise. If a claim is made by the landlord/agent when the tenant exits their lease, the bond insurance company provides a guarantee to pay the landlord's claim. This may seem like a reasonable service to provide for both tenants and landlords, but as our tenant advocate partners told us in our workshop, the devil is in the technological and financial details of this privatised bond insurance system.

One of these tech start-ups, Snug, argues that this puts the money back in the tenants' hands instead of sitting and accumulating interest in the Rental Bond Board (Snug, n.d.). By paying a surety fee instead of cash bond, Snug argues, tenants can invest that money or spend it on unexpected expenses or return it to the economy. However, as our tenant advocate partners argue, the design of the current Rental Bond Board system allows the interest generated from the private property rental system to be directed into government services that provide support to tenants (TUNSW, 2018). The tech start-up model of rental bond insurance would undermine this system. In this disrupted model, private sector companies would gain access to bond fees that are paid by tenants – transferring the control and benefits of bond capital from public to private coffers – thus, depriving the tenant advocates of the funding for their services (TUNSW, 2018). As Leo Patterson Ross (2018) of the Tenants Union of NSW argues,

> "In Australia, tenancy disruptors like TrustBond, Snug, and others try and present as being for tenants, but I believe they realised that the power rests heavily with the service provider and since they don't have a plan to disrupt the physical supply of rental housing, they have sought to either reduce service provider costs without any benefit flowing to end user or eke out essentially private taxes from end users. This is particularly been the case with alternative bond loan products which claim to replace cash bond but actually protect current landlord interests by maintaining their current costs and risk profile, while extracting a fee from the end user tenant to access the product."

In conclusion, as with so much digital disruption, the essential dynamics at work follow a familiar story of power asymmetries, capital accumulation, and private hands grabbing public value. That is not to say the technologies and their outcomes are pre-determined, but rather that they are highly dependent on the political, economic, and social context within which these technologies are created and implemented. In short, the question is: *who is disrupting whom?*

To begin to answer this question, we have outlined three key ways housing is being digitally disrupted: 1) the way renters live in homes; 2) the way properties are rented and managed; and 3) the way real estate is traded and exchanged. But an important lesson from our research and engagement

is that scholars need to work closely with tenant advocates to both test their ideas and approaches, and to develop responses to the digital housing challenges already coming over the horizon.

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Prospects for an Intelligent Planning System

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A Computational Approach to Planning

The creation of an intelligent planning system that draws together all the data for a city and uses these, in combination with the algorithmic encoding of planning policy and law, to automate the production of optimal strategic plans and recommendations for rational planning decisions, has long been an ambition for a subset of planners and urban policy-makers. Writing in 1965, Melvin Webber proposed the creation of intelligence centres that would collate and interlink data, supply analysis and forecasts, formulate strategic plans, aid incremental, multi-centered decision-making, and enact a scientific morality in urban affairs. An intelligent planning system, he hypothesised, would tackle subjective opinion, clientelism and vested interests, learn from its actions, be more efficient, and lead to more effective outcomes (Webber, 1965).

In 1969, Jay Forrester set out a cybernetic approach to planning and cast the city as a system of systems. Each system, Forrester (1969) postulated, could be broken into its constituent parts and processes, be modelled and simulated to capture its essence, and these models used to plan and operate its functions. In the 1970s, the systems perspective cast planning as an evidence-informed, structured, rational, applied science that could be performed computationally. In the 1980s and 90s, GIS became a platform for drawing together and analysing spatial data and creating spatial planning intelligence about places. GISs were complemented by spatial decision support systems and expert systems that encoded planning rules and practices and could guide decision-making (Kim, Wiggins, & Wright, 1990; Klosterman, 1997). This was accompanied in the 1990s by initial experimentation with 3D urban and landscape models, and virtual reality (VR) technologies that could convey the topography of existing and planned future environments (Doyle, Dodge, & Smith, 1998).

Cybernetic thinking re-emerged in the 2000s with the growth in big data – real-time data concerning a system's performance – and more advanced computation, including artificial intelligence (Krivý, 2018). Intelligent transport systems such as road traffic control became