

Rental Affordability Index





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Contents

01 Introduction	4	04 State Trends	45	Appendix 1	59
1.1 Background and aim	4	4.1 New South Wales	45	Metropolitan and rest of state analysis	59
1.2 Publication information	4	Greater Sydney	45	Australian Capital Territory	59
1.3 Acknowledgements	4	Rest of NSW	45	New South Wales	59
1.4 Method	5	4.2 Victoria	47	Northern Territory	59
Income	6	Greater Melbourne	47	Queensland	59
Median rents	6	Rest of Victoria	47	South Australia	60
Small area analysis	6	4.3 Queensland	49	Tasmania	60
State-specific methodological considerations	7	Greater Brisbane	49	Victoria	60
		Rest of Queensland	49	Western Australia	60
02 Household Snapshots	8	4.4 South Australia	51	Appendix 2 - reference list	61
2.1 Introduction	8	Greater Adelaide	51	Reference list for household profiles	61
2.2 Single person on Newstart Allowance	11	Rest of SA	51		
2.3 Single pensioner	15	4.5 Tasmania	53		
2.4. Pensioner couple	18	Greater Hobart	53		
2.5 Single part-time worker parent on benefits	21	Rest of Tasmania	53		
<i>Single mother household</i>	22	4.6 Western Australia	55		
2.6 Single full-time working parent	24	Greater Perth	55		
2.7 Single income couple with children	27	Rest of WA	55		
2.8 Dual income couple with children	30	4.7 ACT	57		
2.9 Student sharehouse	33				
2.10 Minimum wage couple	36				
2.11 Hospitality worker	39				
03 National Trends	41				
3.1 Background	41				
3.2 Metropolitan areas	42				
3.3 Rest of state areas	44				

01 Introduction

1.1 Background and aim

National Shelter, Community Sector Banking, The Brotherhood of St Laurence, and SGS Economics and Planning have released the Rental Affordability Index (RAI) on a biannual basis since 2015. As of 2019, the RAI will be released annually. The RAI is a price index for housing rental markets. It is an easy to understand indicator of rental affordability relative to household incomes and is applied to geographic areas across Australia.

This report has been prepared as part of the eighth RAI release. To illustrate the situation for vulnerable groups, the report continues to assess the rental affordability situation for various Australian household types, with a focus on aged and key worker cohorts. This release also incorporates analysis of households receiving Newstart.

1.2 Publication information

The RAI covers all states with available data.¹ The RAI tracks rental affordability relative to income for all households but also focuses specifically on very low and low-income households. The indices are provided at metropolitan and balance of state levels. More detailed information is available at the postcode or Local Government Area (LGA) level across Australia in each quarter, where there is reliable data.

An interactive map of the RAI at the small geographical area level can be found at the following website:

<https://www.sgsep.com.au/projects/rental-affordability-index>

This report presents the preliminary findings of the November 2019 release of the RAI. It provides an update of the November 2018 RAI report by providing analysis of data from the four most recent available quarters (September and December 2018, March and June 2019). The report relies on rental bond data up to and including the June quarter of 2019.

1.3 Acknowledgements

The project partners wish to thank the following government bodies for providing the data used in this report:

- Access Canberra, ACT Government
- Australian Bureau of Statistics (ABS)
- Department of Family and Community Services, NSW
- Department of Health and Human Services, Victoria
- Department of Justice, Tasmania
- Government of Western Australia, Department of Communities
- Residential Tenancies Authority, Queensland.

¹The Northern Territory does not form part of this release as rental bond data was not available to develop the RAI.

1.4 Method

It is generally accepted that if housing costs exceed 30 per cent of a low-income household's (lowest 40 per cent of households across all income bands) gross income, the household is experiencing housing stress (30/40 rule). That is, housing is unaffordable and housing costs consume a disproportionately high amount of household income.

The RAI uses the 30 per cent of income rule. Rental affordability is calculated using the following equation:

$$\text{RAI} = (\text{Median income}/\text{qualifying income}^2) * 100$$

Households paying 30 per cent of income on rent have a RAI score of 100, indicating these households are at the critical threshold level for housing stress.

Households paying close to 30 per cent or more of their income on rent are generally seen to be in housing stress. Under those circumstances the cost of housing is affecting a household's ability to pay for other primary needs including (but not limited to):

- Food
- Power and water
- Health services and medication
- Travel and transport
- Education
- Household goods (such as cars, washing machines, fridges, stoves, computers)
- Debt repayments.

Table 1 shows how RAI scores relate to the severity of housing unaffordability. Scores of 100 and less indicate that households spend 30 per cent or more of their income on rent. At this level, rents are of such a level that they negatively impact on a household's ability to pay for other primary needs such as food, medical requirements and education.

An index score of 80 or less indicates severely unaffordable rents with households paying 38 per cent or more of their income on rent. Extremely unaffordable rents occur when the index score is 50 or less, and households spend 60 per cent of their income or more on housing.

Scores between 100 and 120 represent areas that are close to a situation of unaffordable housing, with households seeking to rent there less likely to easily meet and pay off unexpected costs or bills. Young families with children in care may find it hard particularly difficult to make ends meet.

RAI scores of 120 to 150 indicate that households would pay 20 to 25 per cent of their income on rent, facing moderately unaffordable rents. A RAI score between 150 and 200 indicates households seeking to rent in a particular area would experience acceptable rents, while a score greater than 200 indicates relatively affordable rents.

TABLE 1. RENTAL AFFORDABILITY INDEX AND SEVERITY OF RENTAL UNAFFORDABILITY

Index score	Share of income spent on rent	Relative unaffordability
<50	60% or more	Extremely unaffordable rents
50-80	38-60%	Severely unaffordable rents
80-100	30-38%	Unaffordable rents
100-120	25-30%	Moderately unaffordable rents
120-150	20-25%	Acceptable rents
>150	15% or less	Affordable rents

Source: SGS Economics and Planning, 2019

²Qualifying income refers to the income required to pay rent where rent is 30% of income

Income

The Index uses the average weekly household earnings of each region (i.e. greater metropolitan and rest of state areas).

The measure of household income used is **total household income** of **renting households**. This measure is the combined total personal weekly incomes of each resident present in a household on census night.

This November 2019 release has updated household income using 2016 ABS census data for the first time. The ABS time series of Average Weekly Earnings (Cat 6302.0) (a measure of personal weekly income) is used to index weekly household incomes for the quarters between the 2011 and 2016 censuses, and post-2016. ABS average weekly earnings data is available bi-annually.

Intermediate quarters are interpolated using a geometric average. If data for the most recent quarter is unavailable, income is assumed to grow at the average quarterly growth rate of preceding quarters.

Median rents

The RAI is calculated using the median rental price of dwellings for which bonds were lodged in a region for a given quarter. Rental data is obtained at the postcode level where available, using bond lodgement data from the following bodies:

- Department of Family and Community Services, NSW
- Department of Health and Human Services, Victoria
- Department of Justice, Tasmania
- Government of Western Australia, Department of Communities
- Residential Tenancies Authority, Queensland
- Rental Bonds, Access Canberra, ACT Government.

Small area analysis

To demonstrate rental affordability for different income groups and household types, small area level analysis is undertaken for different household income ranges and dwelling sizes. Incomes range from \$5,000 to \$200,000 (in \$5,000 increments), and dwelling sizes range from 1 to 5 bedrooms as well as all dwellings regardless of number of bedrooms.

Indicative household incomes and dwelling sizes for **ten typical household types** have been developed to illustrate the rental situation for vulnerable cohorts. These are summarised in the table below.

TABLE 2. EIGHT LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES

Household type	Indicative gross annual income	Indicative dwelling size
Single pensioner	\$27,856	1 bdr
Pensioner couple	\$47,970	2 bdr
Single person on Newstart Allowance	\$18,122	1 bdr
Single part-time worker parent on benefits	\$39,510	2 bdr
Single full-time working parent	\$91,405	2 bdr
Single income couple with children	\$91,405	3 bdr
Dual income couple with children	\$182,810	3 bdr
Student sharehouse	\$76,768	3 bdr
Minimum wage couple	\$72,270	2 bdr
Hospitality worker	\$56,893	1 bdr

Source: Compiled by SGS Economics and Planning, 2019. See Appendix 2 for full list of sources used.



The [interactive online RAI map](#) provides the function to input income and bedroom data to gauge the rental affordability situation for different household types (see link under ‘publication information’ above) based on these incomes.

To calculate RAIs for each household type in each metropolitan and rest of state area (as reported in Chapter 4 of this document), key worker incomes were scaled to reflect proportional differences in earnings by region.

The reference list for inputs and assumptions used for these household types are provided in Appendix 2 to this report.

State-specific methodological considerations

The RAI has been developed as stand-alone evidence for each state and, while inter-state comparisons of indices have been made, these should be interpreted with caution as rental data differs across geographic areas. The above-described method has been adjusted slightly for each state based on the availability of data. The appendix includes an overview of state-specific considerations.

02 Household Snapshots

2.1 Introduction

The RAI profiles ten different low to moderate income household types to demonstrate the rental situation for different income groups, age demographics and household compositions in Australia. This release has a focus on rental affordability for single persons on the Newstart allowance. Our analysis reveals two important issues. Across Australia, median rents are extremely unaffordable for this group and this issue has not improved over time, with some capital cities becoming significantly less affordable as Newstart payments are continually outpaced by rising rents.

Low-income households are particularly at risk, with 44 per cent of all low-income households currently in housing stress, compared to 35 per cent in 2008. This rises to 62 per cent when considering just households in the bottom income quintile.

The selected households range from those dependent on some form of income support, through to dual income key worker couples.

The chosen ten households are:

- Single pensioner
- Pensioner couple
- Single person on Newstart
- Single part-time worker parent on benefits
 - *Single female with children*
- Single working parent
- Single income couple with children
- Dual income couple with children
- Student sharehouse
- Minimum wage couple
- Hospitality worker.

Affordability has been reported for each household type based on gross, median incomes estimated for a particular household, based on location.

³ABS Census Data. Cat 4130.0- Housing Occupancy and Costs, 2015-16 (table 22): hh in rental stress

⁴Note: The household profiles found on the RAI interactive map found at <http://www.sgsep.com.au/maps/thirdspace/#map1> use Australia-wide average incomes for each lower income household type.



It must be noted that the household types and their typical income level and dwelling size are indicative. They are moreover not representative of all vulnerable and/or lower income household types.

It is also important to note that the RAI only considers the cost of rents against income. Many of these households have, or may have, considerable additional financial pressures placed upon them, including the costs of utilities (e.g. energy and water), locational and travel costs, childcare costs (this is especially true for single working parents and dual income couple parents), and other day-to-day living costs.

Income support levels are based on the Australian Government Department of Human Services payment rates as at October 2019. Total household income estimates are based on gross income, including Commonwealth Rent Assistance. The eligibility of very low-income households to access discounted rents has not been factored into this analysis.

Full-time worker incomes were based on ABS (2016a) Average Australian Employee Earnings and Hours data, scaled to its location (i.e. metropolitan or rest of state area). An average Australian full-time secondary teacher income was used as the typical key worker income, and a full-time hospitality worker income was used for the hospitality worker profile.

Note: Analysis by household type for WA should be interpreted with care, as rental data is not available by bedroom type.

A reference list for the assumptions used for these household profiles can be found in Appendix 2.

Single
person on
Newstart
Allowance



2.2 Single person on Newstart Allowance

\$18,122 P.A., 1 BEDROOM

SEVERELY TO EXTREMELY UNAFFORDABLE RENTS ACROSS ALL STATES IN BOTH METROPOLITAN AND REGIONAL AREAS

The single person on Newstart Allowance is 22 years old or older with no children and seeks to rent a one bedroom dwelling. This person is unemployed, with assets below DSS thresholds and receives income support in the form of Newstart allowance and rent assistance, but no additional income. The estimated gross annual income for this household is \$18,122

TABLE 3. RAI FOR SINGLE PERSON ON NEWSTART ALLOWANCE

	RAI score	Rent as a share of income
Greater Sydney	22	135%
Rest of NSW	50	60%
Greater Melbourne	28	106%
Rest of VIC	52	57%
Greater Brisbane	30	98%
Rest of QLD	36	83%
Greater Adelaide	39	77%
Rest of SA	64	47%
Greater Perth*	30	100%
Rest of WA*	31	97%
Greater Hobart	35	86%
Rest of TAS	56	54%
ACT	26	115%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

The situation for the single person on Newstart is untenable, with a person of this household type needing to pay over 77 per cent of his/her income on rent to live in any capital city area. Rental stress pushes single persons on Newstart to the outer fringes of our cities, well away from opportunities to get them back into employment.

The single person on Newstart faces the greatest financial challenge of all household types examined by this study when looking to rent in metropolitan and regional areas. All states examined have a RAI score below 45 in metropolitan areas, making rents well above the threshold for Extremely Unaffordable.

The regional areas offer scarce alternatives for the single person on Newstart. Rents for this household are generally Severely Unaffordable in regional areas.

For the single person on Newstart, the RAI score is 22 in metropolitan Sydney (meaning rents are 135% of income), making it the least affordable capital city nationwide. This household, solely reliant on Newstart allowance and rental assistance requires, on average, an income more than 4.5 times higher than it currently receives in order to afford the median rent in metropolitan Sydney. An income over 3 times the current payment level is required for this household in metropolitan Melbourne.

Affordability for this household type has not improved over time, with some capital cities becoming significantly less affordable as Newstart payments are continually outpaced by rising rents and other increases in the cost of living. Figure 1 presents a time series of affordability for a person on Newstart in capital cities over the past nine years. All cities have been Extremely Unaffordable, with Sydney being the worst, and changing little over this period.

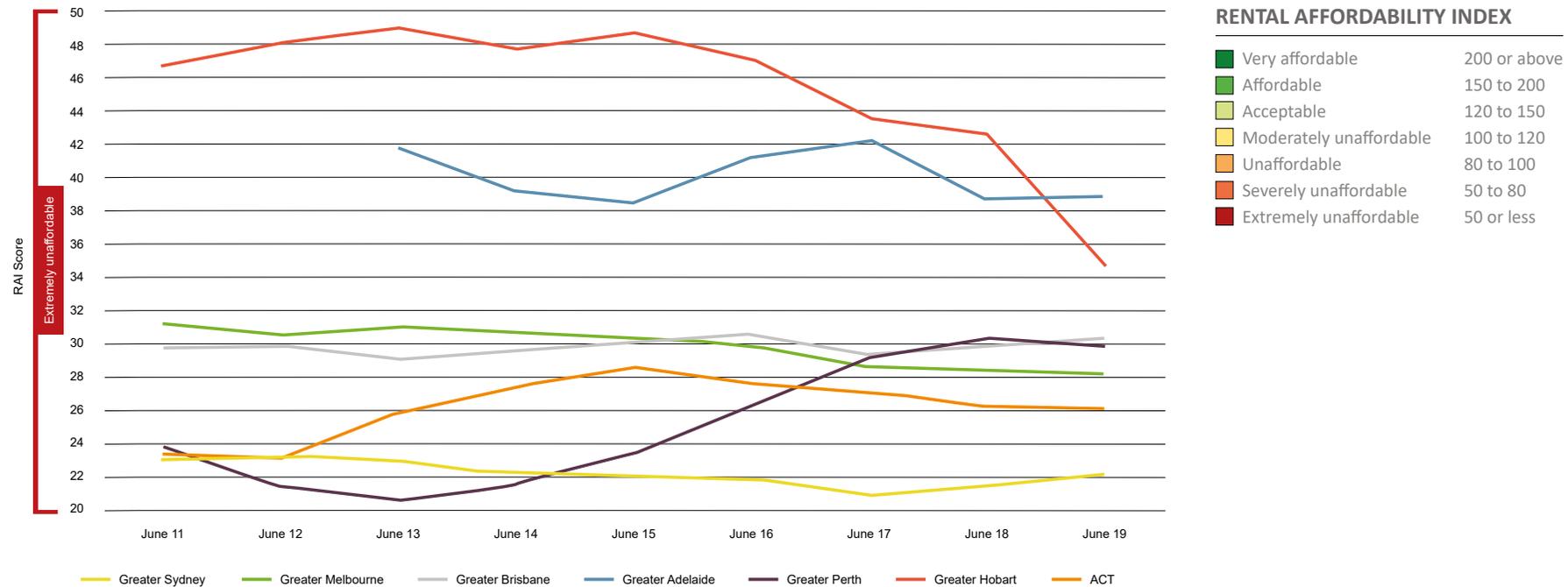
Trends of note include:

- Hobart was significantly more affordable than other cities in 2011 but has seen a sharp decline in affordability since 2016, caused by rents rising much faster than income payments. It is now less affordable than Adelaide

- Affordability for a person on Newstart in Perth has improved significantly
- In the ACT, affordability for a person on Newstart improved significantly between 2012 and 2015, but has since begun to worsen
- Note that despite these improvements, both Perth and the ACT remain Severely Unaffordable
- In Melbourne, the affordability for a person on Newstart has experienced a slow but consistent decline

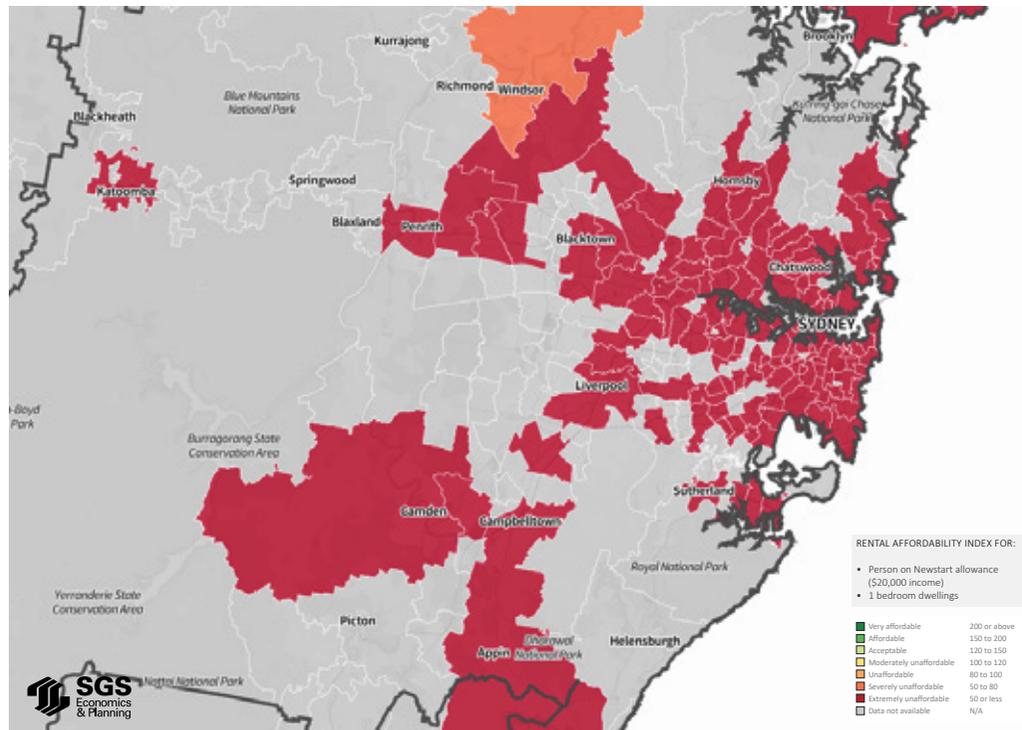
Demographic analysis of persons receiving Newstart between the years 2012 to 2019 revealed that most recipients are in the 30 to 39 and 40 to 49 age brackets. It is worth noting that uptake of the allowance increased for the 40 to 49, 50 to 59 and 60 plus age groups over the same period.

FIGURE 1. RAI SCORES FOR A PERSON ON NEWSTART ALLOWANCE, CAPITAL CITIES, 2011- 2019



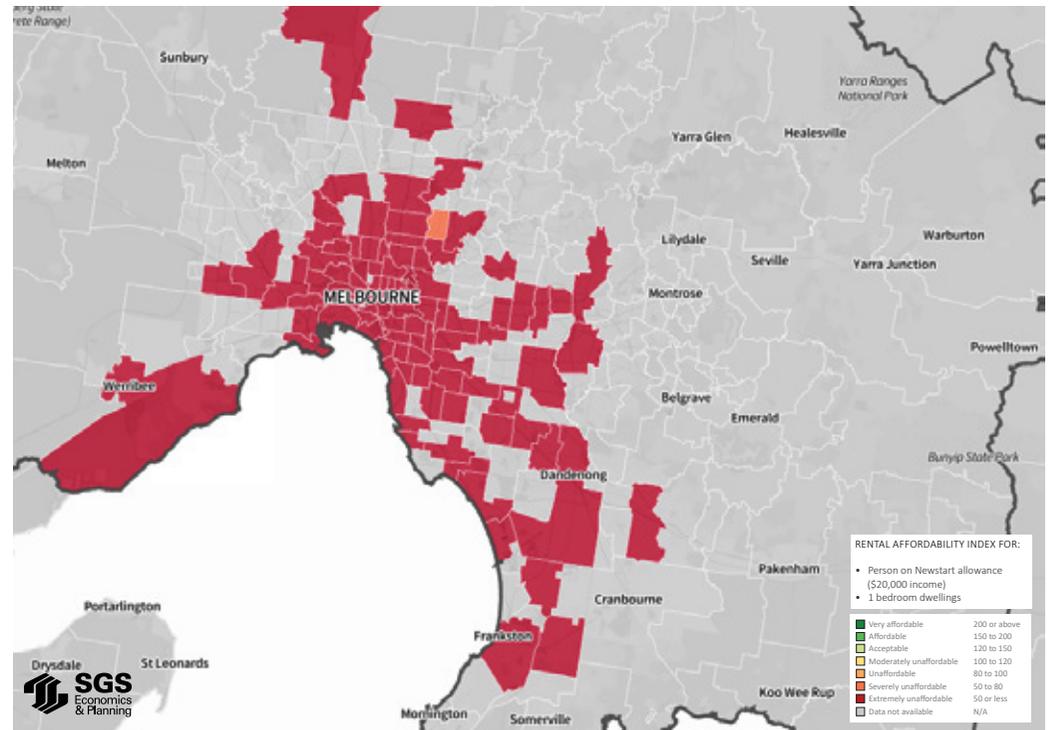
Source: SGS Economics and Planning, 2019

FIGURE 2. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 3. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Single
pensioner



2.3 Single pensioner

\$27,856 P.A., 1 BEDROOM

EXTREMELY UNAFFORDABLE TO SEVERELY UNAFFORDABLE RENTS IN METROPOLITAN AREAS ACROSS ALL STATES

The single pensioner household is 65 years or older and seeks to rent a one bedroom dwelling. Retired and/or no longer active in the workforce, this person lives on the age pension for older Australians with income or assets below certain limits, with consideration for super, investments and earnings. Assumed to have no additional income from paid work, the single pensioner receives an estimated gross annual income of \$27,856.

Rental affordability for single pensioners is alarmingly poor. Across the nation, the single pensioner household is facing Severely Unaffordable and Extremely Unaffordable rents. For the most part, living in metropolitan areas (which is where one bedroom dwellings are generally available) would require 50 per cent or more of the pensioner's income to be spent on rent. Housing pressures on this household type are likely to be compounded by a range of other pressures, including healthcare costs associated with ageing. The need for walkable access to transport, and local shops and services may also place limitations on this household in terms of choosing an appropriate location to live.

Across all regional areas, rents for the single pensioner are Unaffordable, with each state's RAI scores falling below the Moderately Unaffordable threshold.

For the single pensioner, Greater Sydney remains the least affordable location to rent of all Australian capital cities. This household faces a RAI score of 34, indicating rents are Extremely Unaffordable, accounting for 88 per cent of total income.

This is followed by the ACT as the second least affordable metropolitan region for a single pensioner household, with a RAI score of 40, and then Greater Melbourne with a RAI score of 43.

While still Severely Unaffordable, Greater Adelaide and Greater Hobart are marginally more affordable for single pensioners

compared with all other Australian cities. Consistent with broader trends (discussed in section 4.5), affordability for single pensioners in Greater Hobart has been declining in recent quarters.

TABLE 4. RAI FOR SINGLE PENSIONER HOUSEHOLD

	RAI score	Rent as a share of income
Greater Sydney	34	88%
Rest of NSW	77	39%
Greater Melbourne	43	69%
Rest of VIC	80	37%
Greater Brisbane	47	64%
Rest of QLD	55	54%
Greater Adelaide	60	50%
Rest of SA	98	31%
Greater Perth*	46	65%
Rest of WA*	48	63%
Greater Hobart	54	56%
Rest of TAS	86	35%
ACT	40	75%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

Pensioner couple



2.4. Pensioner couple

\$47,970 P.A., 2 BEDROOM

UNAFFORDABLE TO SEVERELY UNAFFORDABLE RENTS IN METROPOLITAN AREAS ACROSS ALL STATES

The pensioner couple household is comprised of a couple that is 65 years or older seeking to rent a two bedroom dwelling. One member of the household is assumed to still be active in casual or part-time employment, earning \$300 per fortnight. This additional income combined with the household's pensioner payment totals an estimated gross annual income of \$47,970.

While faring better than the single pensioner household, the couple pensioner household generally faces Unaffordable to Severely Unaffordable rents in metropolitan areas. Regional areas remain Moderately Unaffordable for this household, with only the Rest of SA and Rest of Tasmania offering some areas with Acceptable rents.

Most areas within a 10 kilometre radius of the Sydney CBD and some of the inner areas of Melbourne are Extremely Unaffordable to the pensioner couple, meaning that they would have to pay 60 per cent of their total income or more on rent. Adding to their financial pressure are several other costs, which may include health care costs associated with ageing. The need for walkable access to transport, and local shops and services may also place limitations on this household in terms of choosing an appropriate location to live.

Given one member of this household has been assumed to retain part-time or casual employment, a pensioner couple solely dependent on a pensioner payment would face a much higher level of rental unaffordability.

For the pensioner couple household looking to locate in Sydney, rents are the least affordable, with an average RAI score of 55. The ACT has a RAI score of 59 for the pensioner couple, making it the second least affordable area for this household type. This is followed closely by Greater Melbourne with a RAI score of 63.

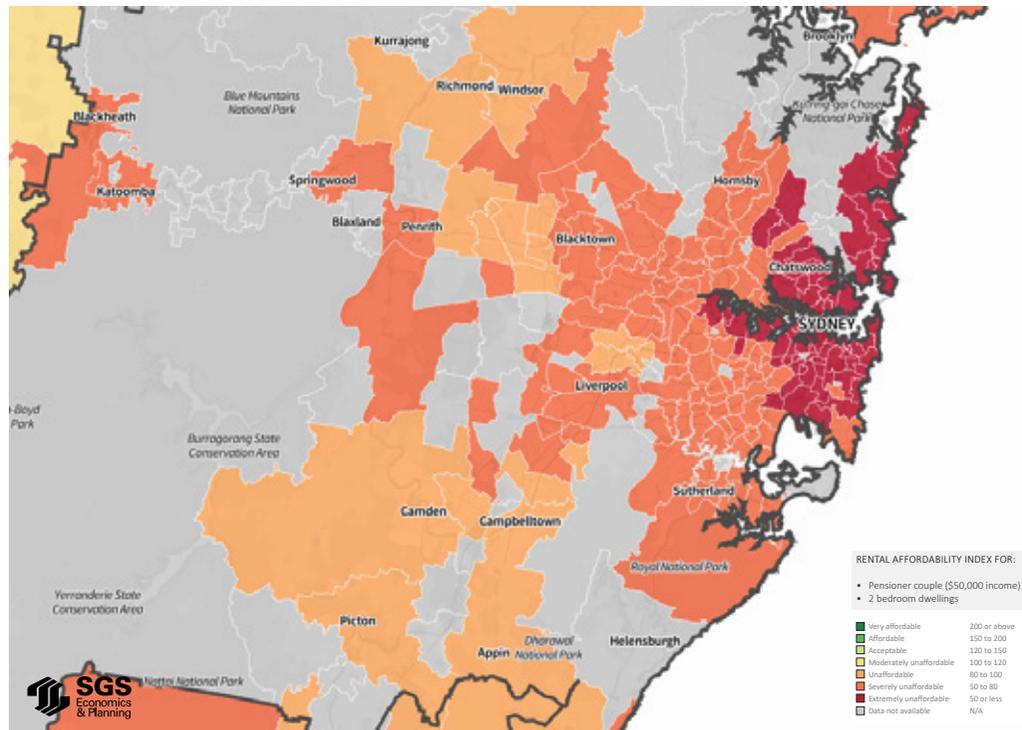
TABLE 5. RAI FOR PENSIONER COUPLE HOUSEHOLD

	RAI score	Rent as a share of income
Greater Sydney	55	54%
Rest of NSW	99	30%
Greater Melbourne	63	48%
Rest of VIC	103	29%
Greater Brisbane	80	37%
Rest of QLD	82	37%
Greater Adelaide	90	34%
Rest of SA	133	23%
Greater Perth*	80	38%
Rest of WA*	82	36%
Greater Hobart	75	40%
Rest of TAS	111	27%
ACT	59	51%

Source: SGS Economics and Planning (2019)

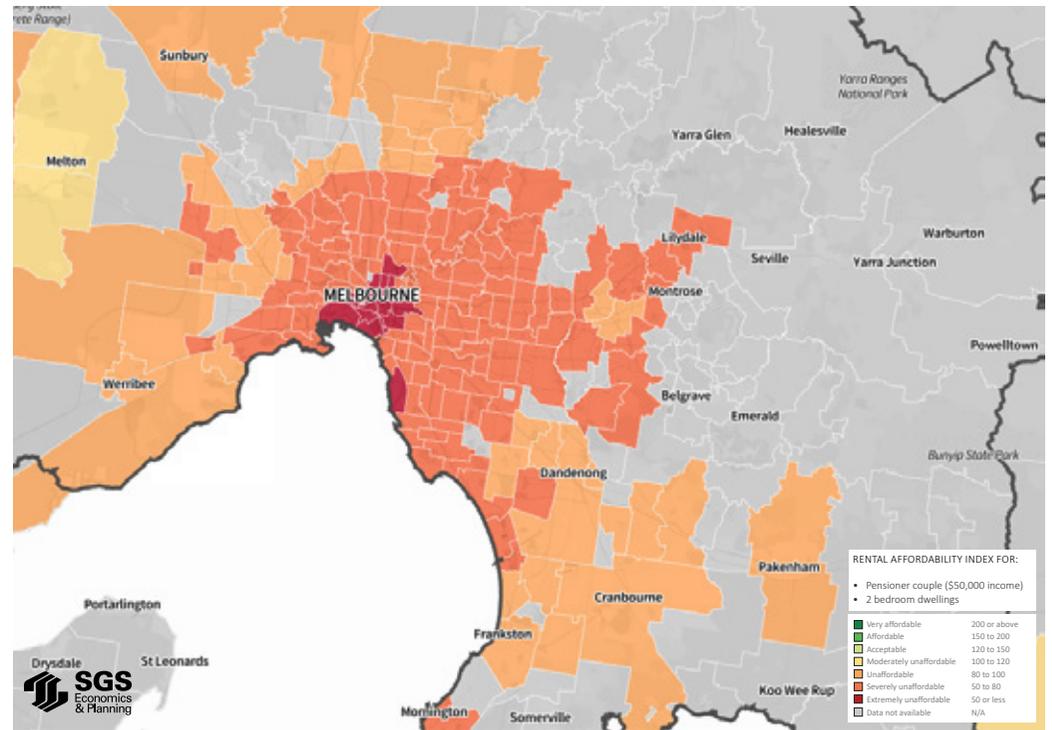
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

FIGURE 6. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 7. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Single
part-time
worker
parent on
benefits



2.5 Single part-time worker parent on benefits

\$39,510 P.A., 2 BEDROOM

SEVERELY UNAFFORDABLE TO EXTREMELY UNAFFORDABLE ACROSS MOST METROPOLITAN AREAS

The single parent household is comprised of a parent and one child under five and is seeking to rent a two bedroom rental dwelling. This household receives income support in the form of a parenting payment, supplemented by casual or part time paid employment. It has an estimated gross annual income of \$39,510

Rents are almost entirely Severely Unaffordable to Extremely Unaffordable across all metropolitan areas where data is available for the single part-time worker parent on benefits household. Childcare and healthcare costs are likely to compound the financial stress on this rental household.

With a RAI score of 46, the single part-time worker parent on benefits faces Extremely Unaffordable rents in metropolitan Sydney. This is followed closely by the ACT as the second least affordable location for this household, with a RAI score of 48.

In metropolitan Melbourne, the RAI score for this household is 52, indicating that this household would be required to pay 56 per cent of their income on rent. In regional Victoria the RAI score of 84 means that rents remain Unaffordable.

The single part-time worker parent household also faces Severely Unaffordable rents in the metropolitan areas of Adelaide, Brisbane, Perth and Hobart.

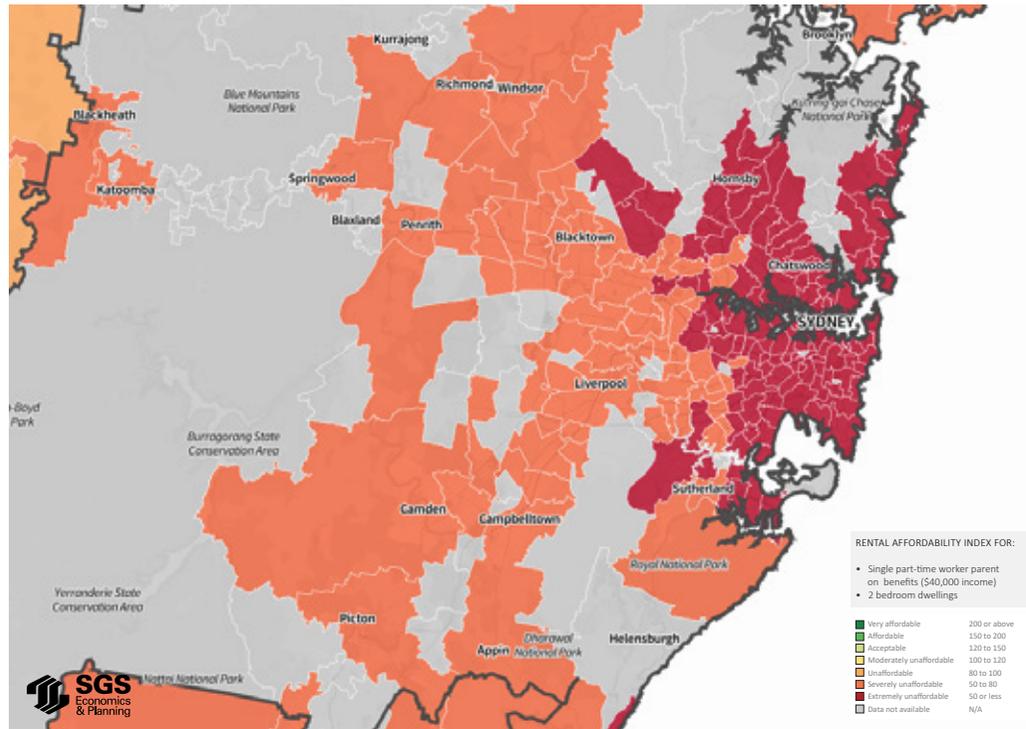
TABLE 6. RAI FOR SINGLE PART-TIME WORKER PARENT ON BENEFITS

	RAI score	Rent as a share of income
Greater Sydney	46	66%
Rest of NSW	81	37%
Greater Melbourne	52	58%
Rest of VIC	84	36%
Greater Brisbane	66	45%
Rest of QLD	67	45%
Greater Adelaide	74	41%
Rest of SA	109	27%
Greater Perth*	66	46%
Rest of WA*	68	44%
Greater Hobart	62	49%
Rest of TAS	91	33%
ACT	48	62%

Source: SGS Economics and Planning (2019)

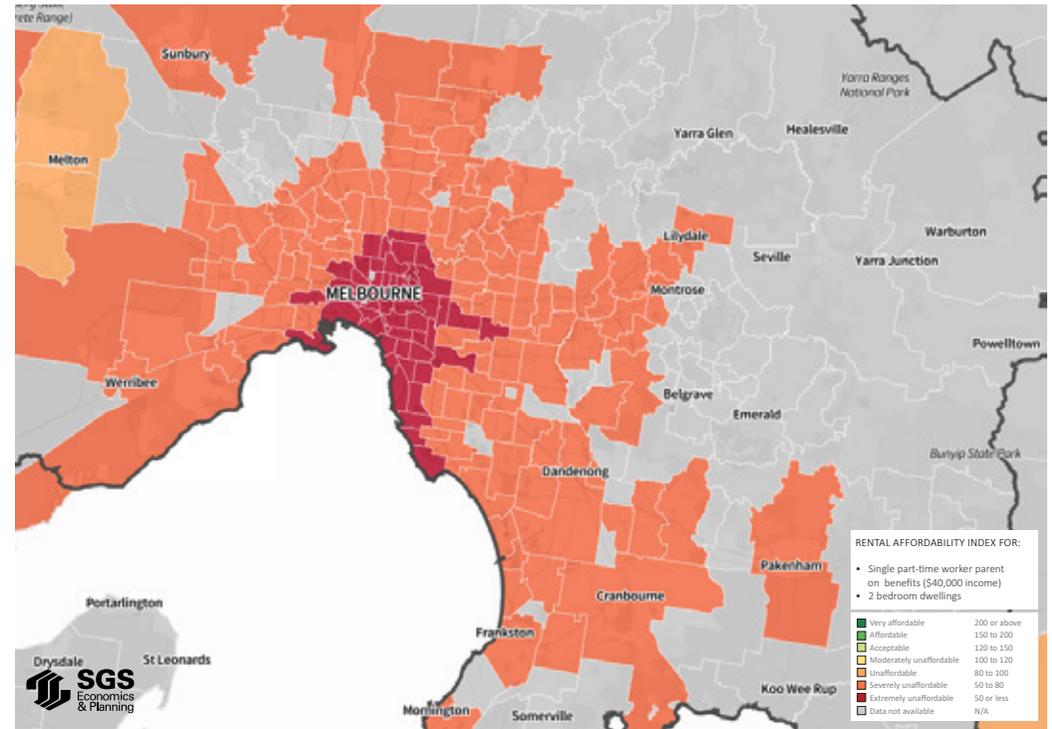
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

FIGURE 8. GREATER SYDNEY, JUNE QUARTER 2019



Source: SGS Economics and Planning, 2019

FIGURE 9. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Single mother household

Of single parent households in rental stress, the clear majority are single mothers. In 2015 – 16, there were 89,700 single mother households, across Australia, living in rental stress.⁵ Of single mother households who rent, over 50 per cent earned less than \$41,600 per annum⁶. This is only marginally higher than the income of single part time worker parents on benefits, meaning that greater metropolitan regions across all states remain untenable for this group.

⁵Ibid
⁶ABS Census, 2016

Single
full-time
working
parent



2.6 Single full-time working parent

\$91,405 P.A., 2 BEDROOM MODERATELY UNAFFORDABLE RENTS IN METROPOLITAN AREAS

The key worker single parent household is comprised of a single parent and child under five, and is seeking to rent a two bedroom dwelling. As a full-time teacher, the key worker parent earns an estimated \$91,405 per annum⁷ (ABS, 2016a).

TABLE 7. RAI FOR SINGLE FULL-TIME WORKING PARENT

	RAI score	Rent as a share of income
Greater Sydney	108	28%
Rest of NSW	193	16%
Greater Melbourne	113	27%
Rest of VIC	184	16%
Greater Brisbane	150	20%
Rest of QLD	153	20%
Greater Adelaide	173	17%
Rest of SA	256	12%
Greater Perth*	165	18%
Rest of WA*	172	17%
Greater Hobart	143	21%
Rest of TAS	205	15%
ACT	124	24%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

Given the full-time worker status of the single full-time working parent, a considerable proportion of earnings is likely to go towards childcare and after school care costs for this household. While RAI scores are generally above the rental unaffordability threshold for this household, these financial pressures are likely to result in parents not being able to afford other primary needs such as power, transport and education for children.

Metropolitan Sydney is the least affordable of all areas covered by this study. The RAI score for a single working parent is 108, indicating Unaffordable rents. On average, this household would spend an average of 30 per cent of income on rent.

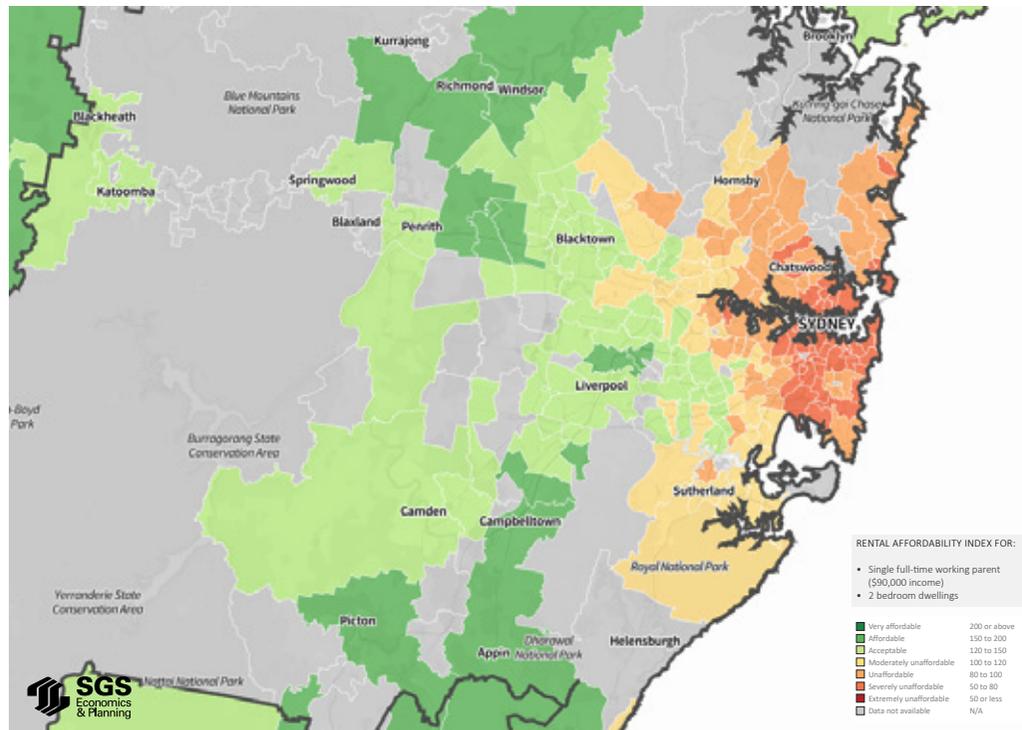
Greater Melbourne is the second least affordable location for single full-time worker parents. With a RAI score of 113, this household would see around 27 per cent of its income spent on rent.

Slight improvements have been recorded for Greater Sydney and Greater Brisbane; the rest of the states have seen a decline in affordability.

In regional areas rents generally range from Acceptable to Affordable.

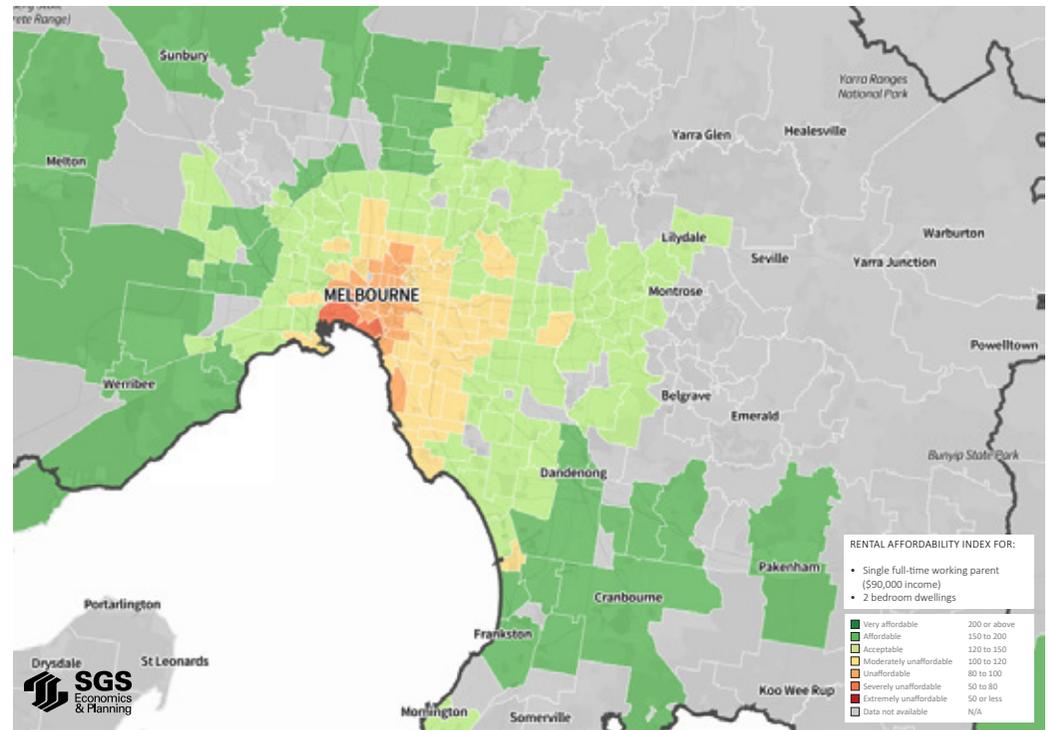
⁷ This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 10. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 11. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Single
income
couple with
children



2.7 Single income couple with children

\$91,405 P.A., 3 BEDROOM

ACCEPTABLE TO UNAFFORDABLE RENTS ACROSS MOST METROPOLITAN AREAS⁸

The single income couple with children consists of one key worker, one stay at home parent, and two children, one of whom is under five. This household seeks to live in a three bedroom rental dwelling. This household lives on a single key worker income of \$91,405 per annum⁹.

TABLE 8. RAI FOR SINGLE INCOME COUPLE WITH CHILDREN

	RAI score	Rent as a share of income
Greater Sydney	108	28%
Rest of NSW	154	19%
Greater Melbourne	118	25%
Rest of VIC	151	20%
Greater Brisbane	127	24%
Rest of QLD	135	22%
Greater Adelaide	148	20%
Rest of SA	198	15%
Greater Perth*	165	18%
Rest of WA*	172	17%
Greater Hobart	117	26%
Rest of TAS	171	18%
ACT	112	27%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

The single income couple with children household faces Moderately Unaffordable rents in metropolitan regions.

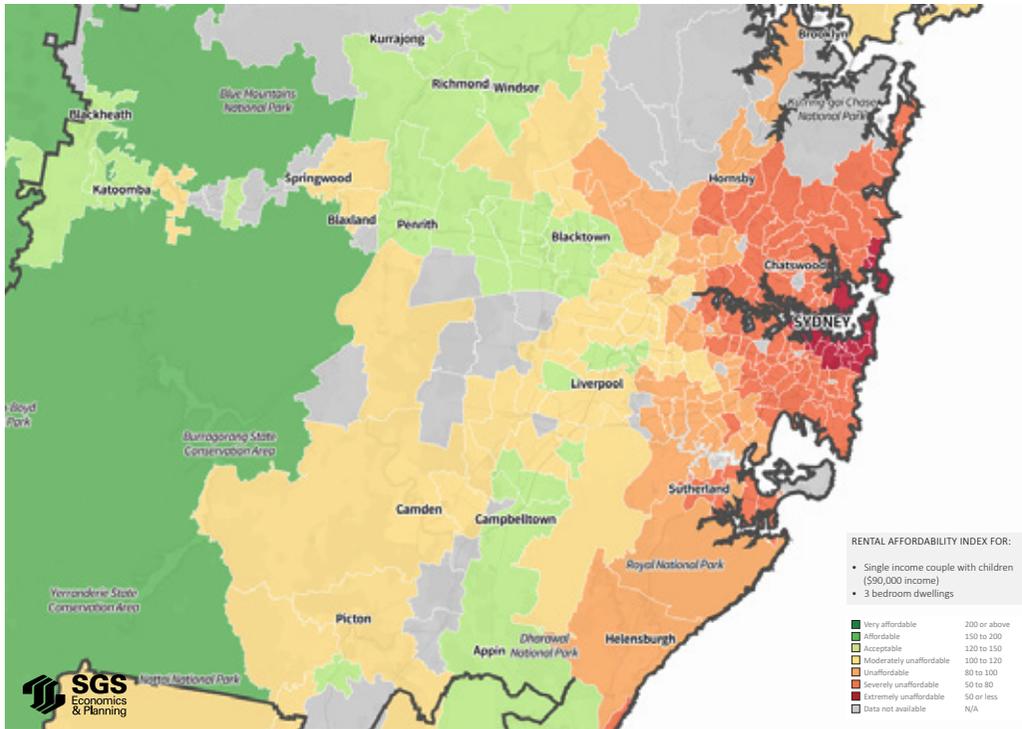
With a RAI score of 108, the single income couple with children would pay around 28 per cent of income on rent in Greater Sydney. Greater Melbourne and the ACT follow Greater Sydney as least affordable with RAI scores of 118 and 112. This has declined further since the previous release.

This household faces Unaffordable rents across most inner and middle metropolitan areas. In most metropolitan areas, Acceptable rents can only be found in outer suburbs, causing implications for access to work and other opportunities. Given the size of this family, there is considerable additional financial pressure from day-to-day living costs.

⁸Note that RAI scores appear more affordable than for single full-time working parents, despite single income couples with children requiring larger dwellings (3 bedrooms). This is due to the spatial distribution of dwelling forms, as 2 bedroom dwellings are more heavily represented (compared to 3 bedroom dwellings) in the inner regions of cities, and therefore have a higher median rent

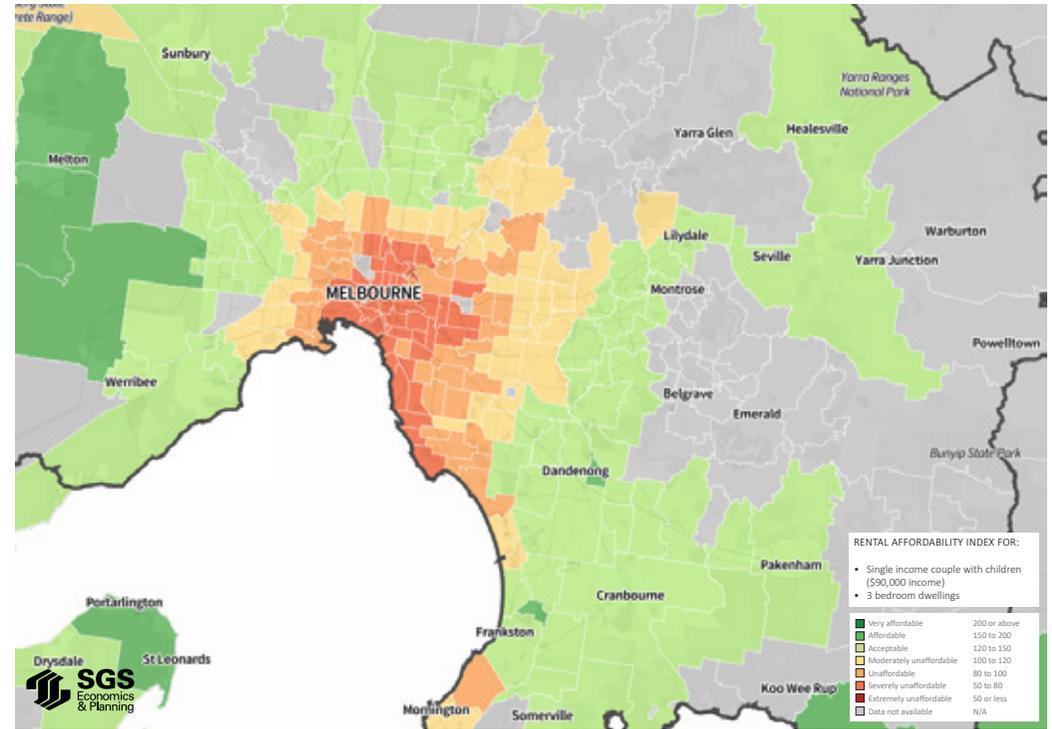
⁹This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 12. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 13. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Dual
income
couple with
children



2.8 Dual income couple with children

\$182, 810 P.A., 3 BEDROOM ACCEPTABLE TO AFFORDABLE RENTS ACROSS STATES

The full time key worker couple has two children under ten and seeks to rent a three bedroom dwelling. This household lives on two full time teachers' wages, with a combined annual income of \$182,810 per annum¹⁰.

TABLE 9. RAI FOR DUAL INCOME COUPLE WITH CHILDREN

	RAI score	Rent as a share of income
Greater Sydney	215	14%
Rest of NSW	308	10%
Greater Melbourne	237	13%
Rest of VIC	301	10%
Greater Brisbane	255	12%
Rest of QLD	269	11%
Greater Adelaide	295	10%
Rest of SA	396	8%
Greater Perth*	330	9%
Rest of WA*	343	9%
Greater Hobart	234	13%
Rest of TAS	341	9%
ACT	223	13%

The dual income couple with children household can generally access Acceptable to Affordable rents across most metropolitan and regional areas, except for the inner suburbs of Melbourne and inner and middle suburbs of Sydney.

Greater Hobart and the ACT dropped further in affordability over the last two quarters.

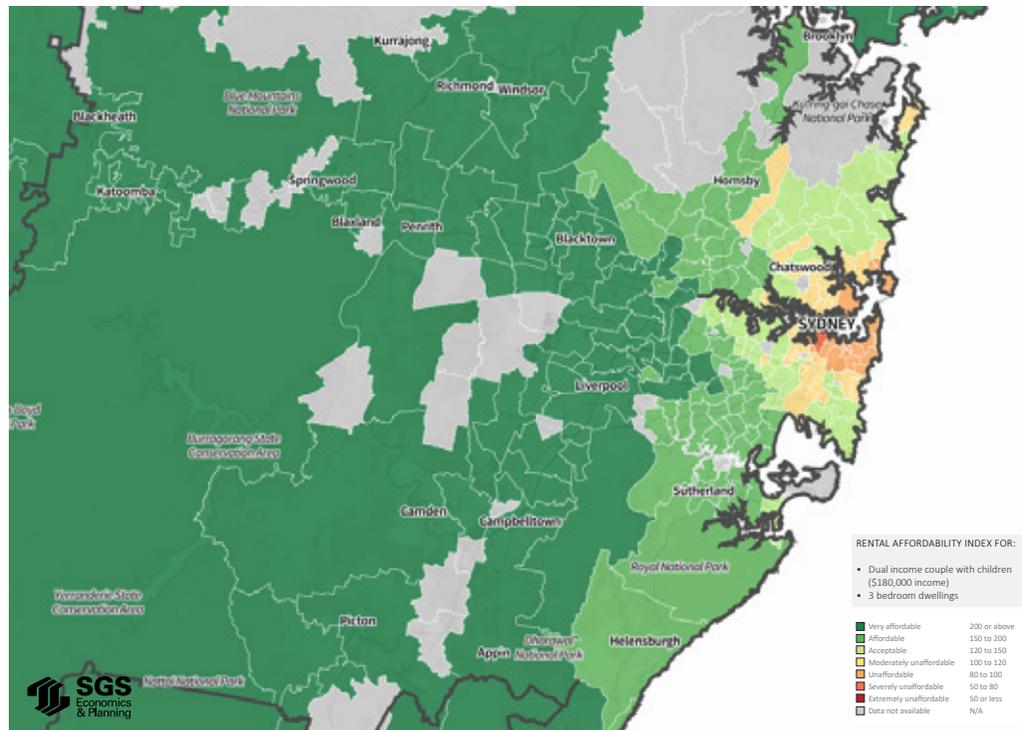
Regional areas offer Affordable rents for this household.

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

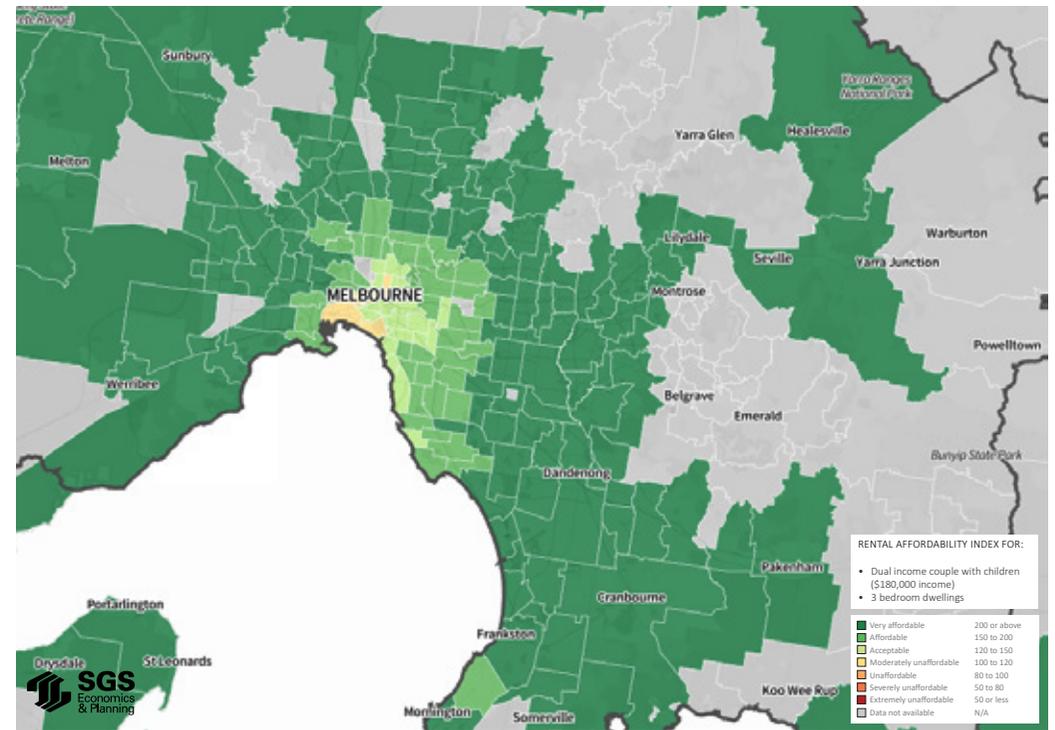
¹⁰This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 14. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 15. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Student sharehouse



2.9 Student sharehouse

\$76,768 OR \$25, 589 PER STUDENT P.A., 3 BEDROOM UNAFFORDABLE ACROSS METROPOLITAN AREAS AND SEVERELY UNAFFORDABLE IN THE INNER AND MIDDLE RING SUBURBS

The student sharehouse household is comprised of three students between the ages of 18 and 35, seeking to rent a shared three bedroom dwelling. Each member of this household receives an income support payment in the form of Youth Allowance or Austudy. In addition, each student earns the maximum additional income allowable before income support payments are affected. The estimated gross annual income for this household is \$76,768 or \$25,589 per student.

TABLE 10. RAI FOR STUDENT SHAREHOUSE

	RAI score	Rent as a share of income
Greater Sydney	89	34%
Rest of NSW	127	24%
Greater Melbourne	105	28%
Rest of VIC	134	22%
Greater Brisbane	109	28%
Rest of QLD	115	26%
Greater Adelaide	123	24%
Rest of SA	164	18%
Greater Perth*	128	23%
Rest of WA*	132	23%
Greater Hobart	98	30%
Rest of TAS	148	20%
ACT	85	35%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

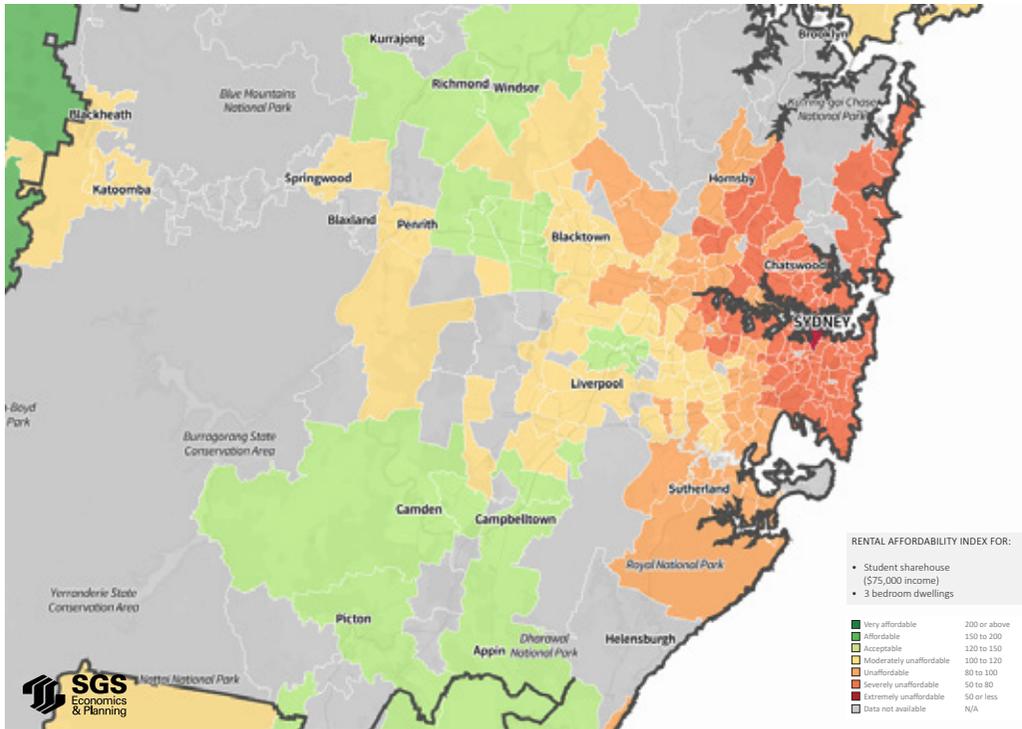
The student sharehouse faces Unaffordable to Extremely Unaffordable rents when seeking to locate in the inner and middle suburbs of metropolitan areas across Australia. This has implications for access to inner-city tertiary institutions and part-time work for the members of this household.

The ACT and Greater Sydney are the least affordable locations for this household, with RAI scores of 85 and 89, requiring 35 per cent of income to be spent on rent. This is followed by Greater Melbourne, with a RAI score of 105, offering rents at 29 per cent of this household's income.

The student sharehouse is moreover required to balance work and study, and the number of hours manageable varies on course demands. On top of this students have additional study costs and administration fees and renting students may have limited capacity to save or make voluntary payments to accumulating HECS or FEE HELP debts.

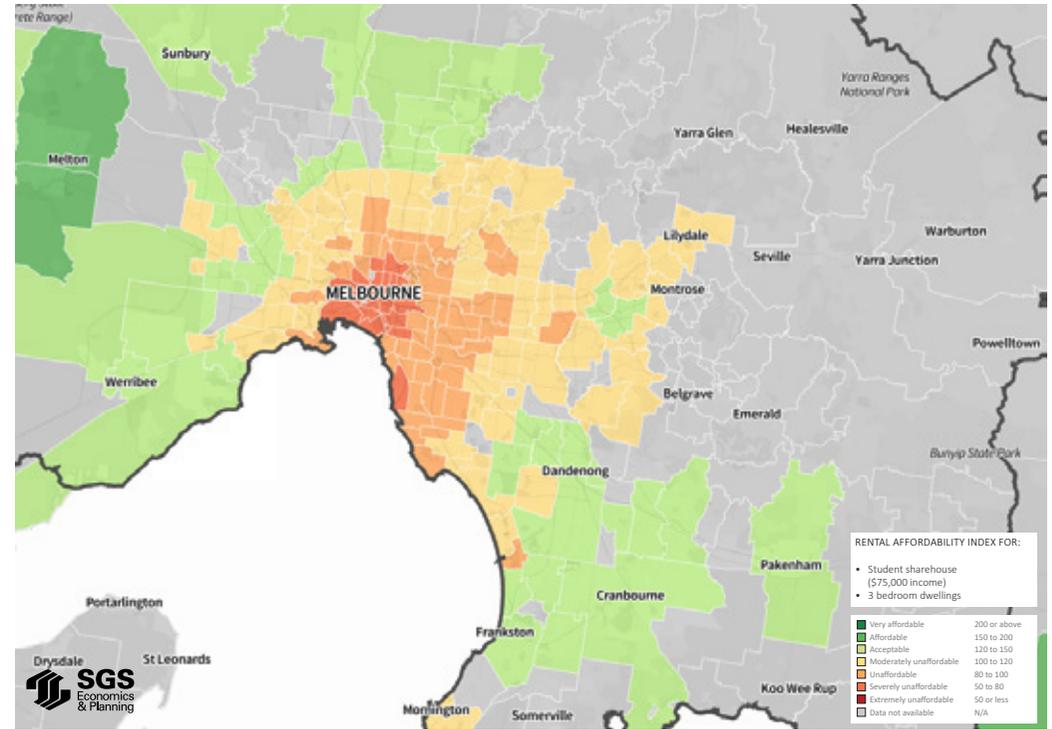
Many tertiary institutions are in high rent and central locations, a shortage of affordable homes often means students need to find accommodation further away in lower rent areas. This places additional pressure on students in terms of both travel times and costs. Additionally, the risk of turnover and vacancies are "owned" by the sharehouse, so the share of rent increases if someone leaves and there are vacant days. These add to the real experience of rental stress.

FIGURE 16. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 17. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Minimum wage couple



2.10 Minimum wage couple

\$72,270 P.A., 2 BEDROOM**UNAFFORDABLE TO MODERATELY UNAFFORDABLE ACROSS METROPOLITAN REGIONS**

The minimum wage couple household is comprised of a full-time working couple, both earning the national minimum wage (Fair Work, 2018). The household seeks to rent a two bedroom dwelling. It does not receive any income or rental support. The estimated gross annual income for this household is \$72,270.

TABLE 11. RAI FOR MINIMUM WAGE COUPLE HOUSEHOLD

	RAI score	Rent as a share of income
Greater Sydney	83	36%
Rest of NSW	149	20%
Greater Melbourne	95	32%
Rest of VIC	154	19%
Greater Brisbane	121	25%
Rest of QLD	123	24%
Greater Adelaide	135	22%
Rest of SA	200	15%
Greater Perth*	120	25%
Rest of WA*	124	24%
Greater Hobart	113	27%
Rest of TAS	167	18%
ACT	89	34%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

The minimum wage couple faces Moderately Unaffordable to Unaffordable rents across metropolitan regions in Australia.

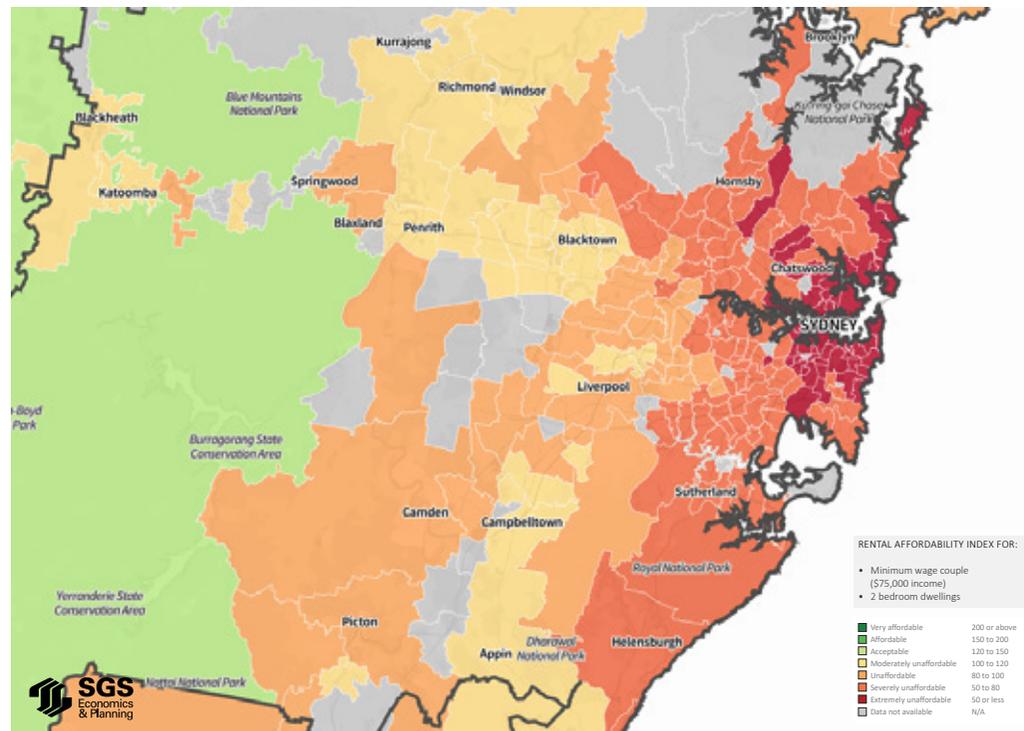
In Greater Sydney, rents are Severely to Extremely Unaffordable for this household in inner and middle suburbs. Greater Sydney is the least affordable metropolitan area with a RAI score of 83, 36 per cent of wages are spent on rent.

Rents are Unaffordable for this couple in both Greater Melbourne and the ACT, have further declined since the previous release, with RAI scores of 95 and 89 respectively. In Greater Brisbane, rents have shifted from Moderately Unaffordable to Acceptable, with a RAI score of 121 for this household.

Rents are generally Acceptable to Affordable across regional areas of Australia for this household.

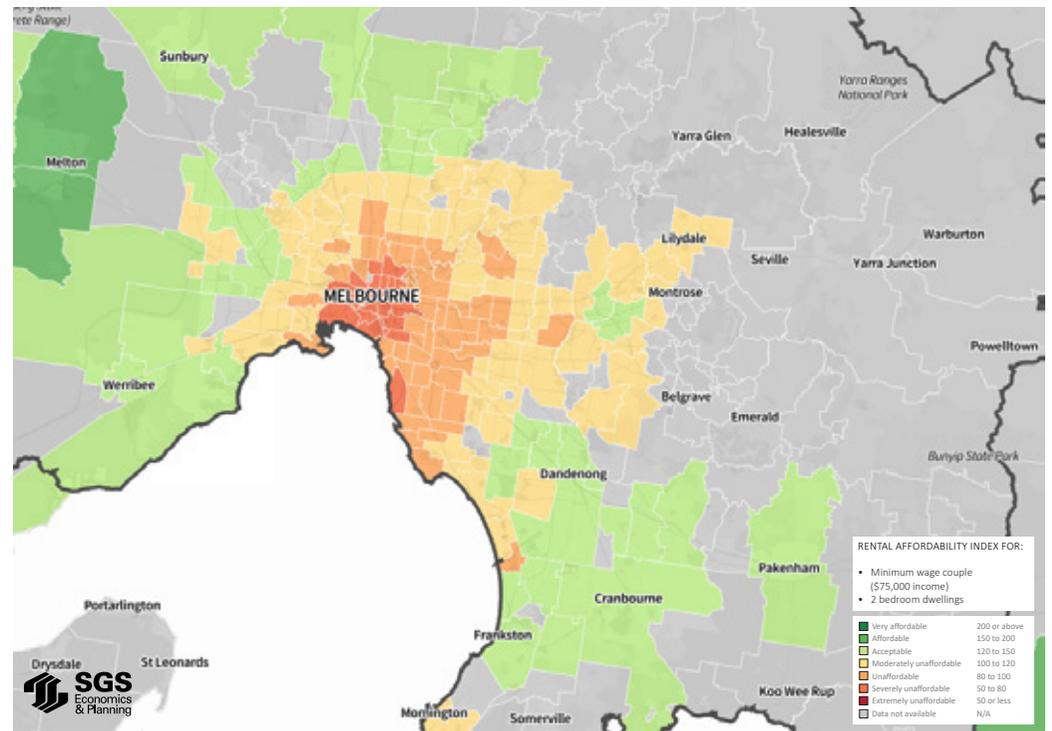
It should be noted that minimum wage workers are often employed on a casual basis. This is associated with lower income certainty, which can place these households in additional stress (as rent paid will not change in periods of lower income).

FIGURE 18. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 19. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Hospitality worker



2.11 Hospitality worker

\$56,893 P.A., 1 BEDROOM

SEVERELY UNAFFORDABLE ACROSS ALL METROPOLITAN AREAS

The hospitality worker household is a lone person household seeking to rent a one bedroom dwelling. This worker lives on a single hospitality worker income of \$56,893 per annum¹¹.

TABLE 12. RAI FOR HOSPITALITY WORKER

	RAI score	Rent as a share of income
Greater Sydney	75	40%
Rest of NSW	152	20%
Greater Melbourne	87	34%
Rest of VIC	146	21%
Greater Brisbane	91	33%
Rest of QLD	117	26%
Greater Adelaide	114	26%
Rest of SA	193	16%
Greater Perth*	96	31%
Rest of WA*	110	27%
Greater Hobart	109	28%
Rest of TAS	172	17%
ACT	77	39%

Source: SGS Economics and Planning (2019)

*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

Across the nation's metropolitan areas, rents for the hospitality worker household are Severely Unaffordable. With a RAI score of 75, Greater Sydney is the least affordable city for the hospitality worker, requiring households to pay around 40 per cent of their income on rent.

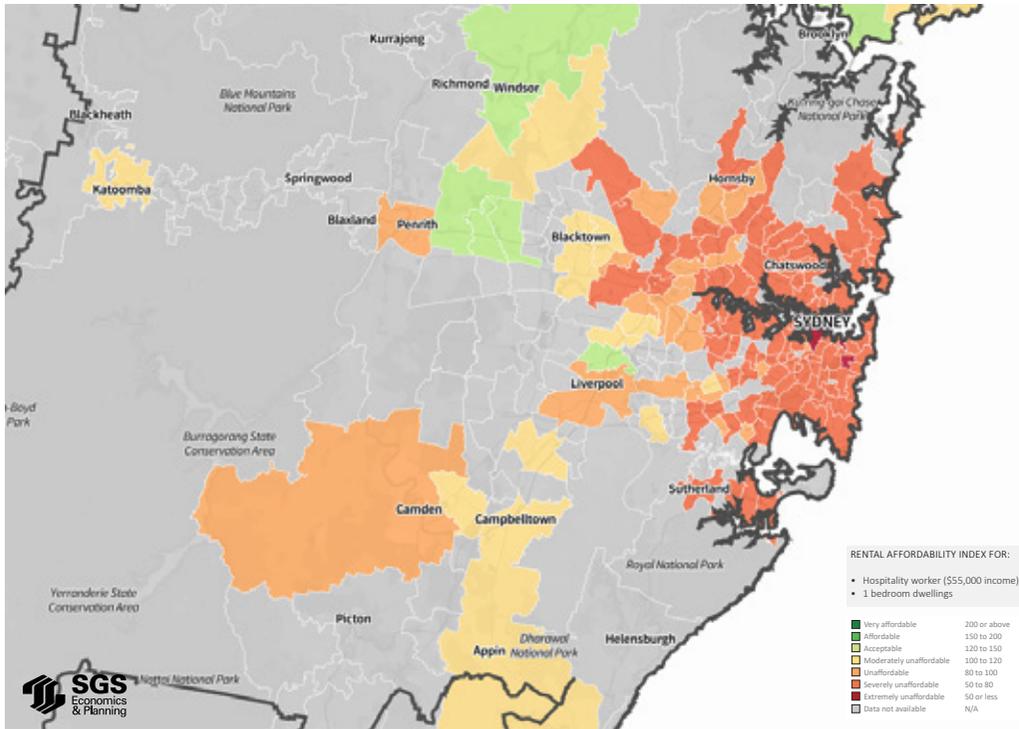
The ACT is the second least affordable city for hospitality workers with a RAI score of 77, requiring 39 per cent of income to be spent on rent.

In Greater Melbourne and Greater Brisbane, hospitality workers also face Unaffordable rents with RAI scores of 87 and 91 respectively, requiring households to pay up to 34 percent of income on rent.

Given the greater concentration of restaurants, bars and eateries in metropolitan areas, unaffordability in Australia's cities has implications for the capacity of hospitality workers to live near their place of work. Given the often unpredictable, early and/or late hours of work for this household type, the inadequacy of Acceptable rents constrains opportunities and liveability outcomes.

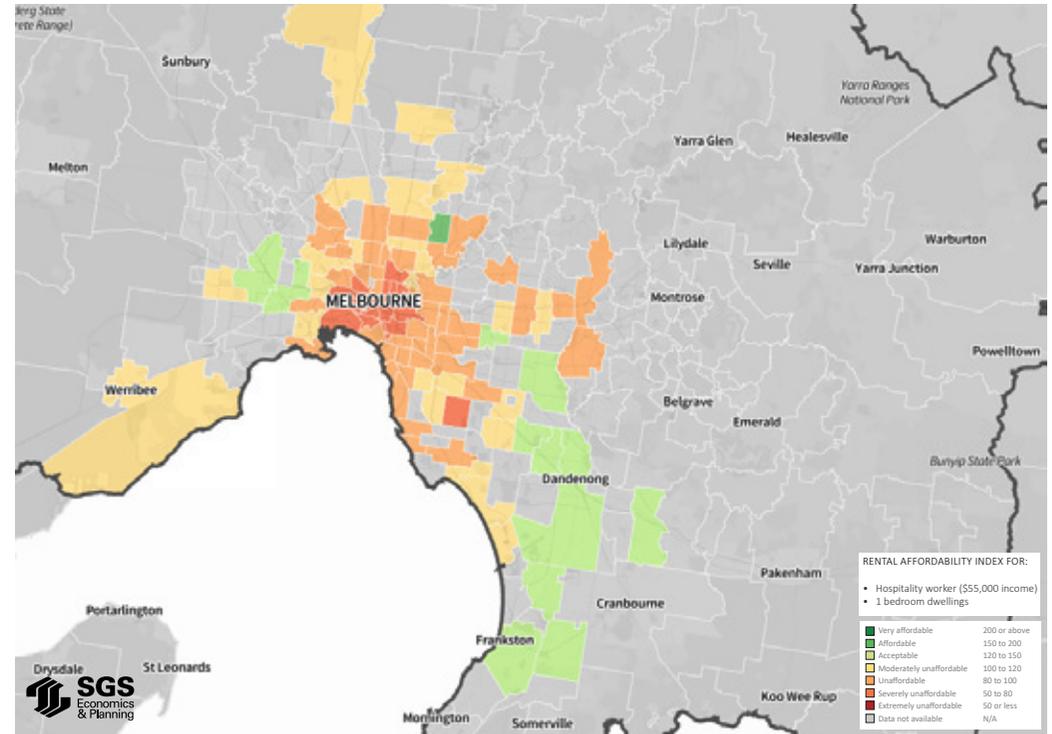
¹¹This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 20. GREATER SYDNEY, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

FIGURE 21. GREATER MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

03 National Trends

3.1 Background

Nationwide, the proportion of households renting is on the rise, having increased from 25 per cent to 30 per cent between 1995 and 2015. Housing costs for renting households have also increased over the same period, relative to owners. Renters currently spend an average of 20 per cent of their income on housing costs, while owners with a mortgage pay 16 per cent¹². AHURI estimates that 1.3 million households need additional housing assistance.

In Australia, this shift towards renting and increased rental costs, is driven by a range of factors. Since the introduction of the capital gains discount in 1999, which combined with negative gearing has dramatically increased the number of investors who compete with home owners for available property, more households have been driven into the rental market. Recent interest rate conditions and widening income inequality have reinforced this effect.

Investors have pushed out would-be home owners, so more households with middle to higher incomes are renting for longer. This impacts lower income renters by keeping rents higher.

There is less social and affordable housing stock available than there was a decade ago. As a result, more low-income Australians are pushed into the private rental market and pay unaffordable rents. As it stands, 43 per cent of all low-income households are in housing stress, compared to 35 per cent in 2008. This rises to 48 per cent for households in NSW.¹³

While not a main driver of housing affordability, vacancy rates also push up rents in inner city areas, increasing the rental burden for households which are not considered low-income. For investors, vacant properties are still worth holding on to and are often held on to for long term capital gains.

Too often, the situation is untenable, and renters end up in transitional housing or on the street.

¹²ABS Census Data. Cat 41311 Table 1.2 and Table 1.3

¹³ABS Census Data. Cat 4130.0- Housing Occupancy and Costs, 2017-18 (table 21): Rental Affordability, Lower Income Renter Households, National Housing and Homelessness Agreement basis

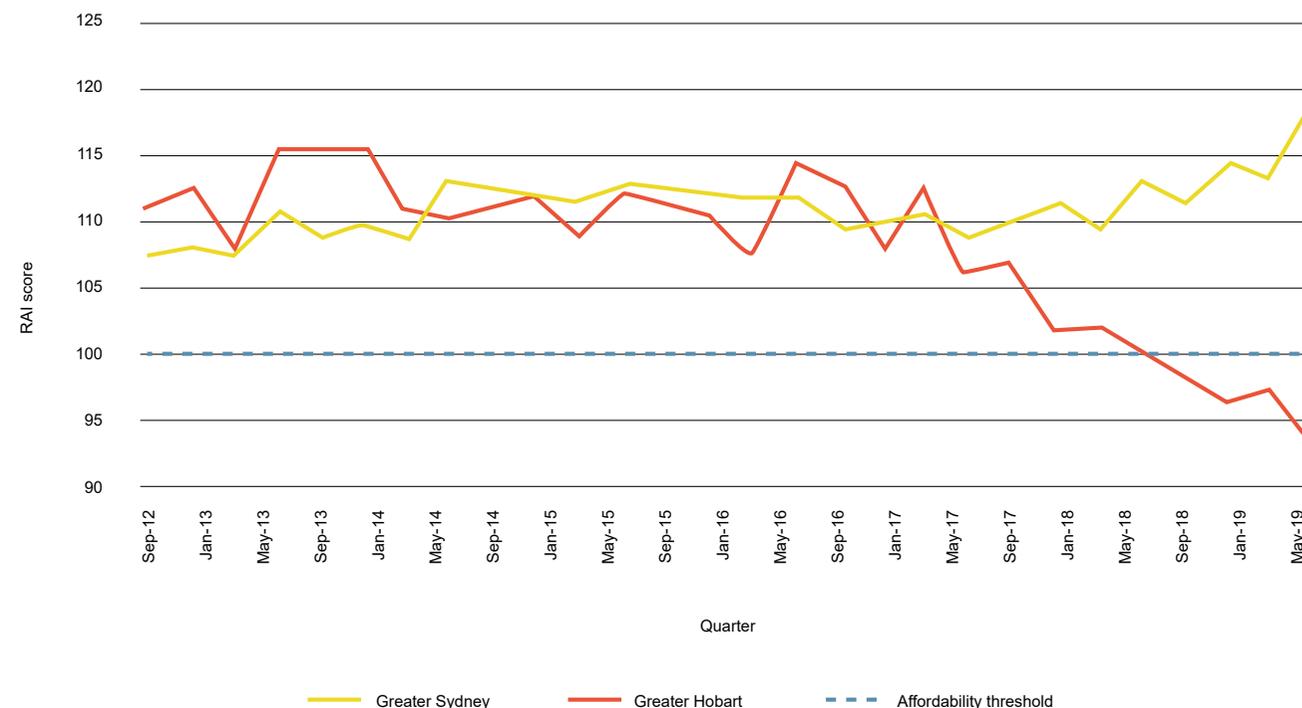
3.2 Metropolitan areas

Greater Hobart continues to be the least affordable capital city in Australia. Rental affordability in Hobart has dropped considerably over recent quarters and it is now the only capital city in Australia where rental affordability for the average income household has dropped below the critical threshold of 100 to a RAI score of 93 in June 2019. This means that even average income household is now paying 30% of their income or more on rent. Although household incomes in Tasmania are significantly lower than the national average, rents are only marginally lower than mainland averages. The gap between income and rent has been widening over the past three years.

With a RAI score of 112, **Greater Adelaide** has now overtaken **Greater Sydney** as the second least affordable capital city, as incomes in Greater Adelaide have failed to keep pace with rising rents. By comparison, Greater Sydney now has a RAI score of 119, with affordability improvements driven by both increasing incomes and static rents. While rental affordability in Sydney has seen improvement, the difference for very low-income households is negligible, and unaffordability remains severe.

A comparison of RAI scores in Greater Hobart and Greater Sydney over recent years (see Figure 22) shows that while the two cities have shared similar levels of rental affordability in the past, the gap between their RAI scores has widened considerably between 2017 and 2019.

FIGURE 22. RAI COMPARISON – SYDNEY AND HOBART (2014-2019)



Source: SGS Economics and Planning (2019)

TABLE 13. NATIONAL RAI TRENDS – METROPOLITAN AREAS

Region	2012		2013				2014				2015				2016				2017				2018				2019		2 yr trend	Trend since last year	3 year trend
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2							
Greater Sydney	108	108	108	111	109	110	109	113	113	112	112	113	113	112	112	110	110	111	109	110	111	110	110	113	112	115	114	119	9.3%	5.5%	6.5%
Greater Brisbane	113	114	114	119	118	118	116	119	119	118	115	117	116	116	113	117	117	117	115	120	121	121	119	123	123	122	120	127	6.5%	3.5%	8.7%
Greater Adelaide	109	111	111	112	115	115	116	114	117	117	111	113	114	117	114	118	117	117	117	117	117	117	116	114	114	114	111	112	-4.7%	-2.2%	-5.3%
Greater Hobart	111	113	108	116	115	115	111	111	111	112	109	112	112	111	108	114	113	108	112	106	107	102	102	101	99	97	97	93	-12.4%	-7.4%	-18.5%
Greater Melbourne	127	128	129	130	132	129	130	130	128	127	127	128	127	126	126	127	129	127	126	127	127	126	124	127	126	125	127	128	1.2%	1.0%	0.9%
Greater Perth	105	104	102	103	104	106	107	106	110	111	113	115	119	122	124	127	132	135	137	139	142	144	142	144	143	143	143	143	2.6%	-0.8%	12.7%
ACT	113	113	114	112	112	115	118	118	118	121	124	125	123	131	133	134	128	133	131	130	129	128	128	128	127	128	128	129	-0.6%	1.2%	-3.4%
Affordability threshold	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100			

Source: SGS Economics and Planning (2019)
 Note: Results may differ from previous RAI releases due to Census 2016 update.



Other key metropolitan area trends include:

- Rental affordability in **Greater Melbourne** has remained relatively unchanged since 2017 and has seen a marginal improvement over the past year.
- Rental affordability gains made in **Greater Brisbane** in early 2017 have been maintained over the past year, and affordability continues to improve.
- A marginal but consistent decline in rental affordability can be seen in the **Australian Capital Territory** from the December quarter of 2016 to the close of the second quarter of 2019.
- Rental affordability in **Greater Perth** has been maintained at the same level recorded for the last quarters of 2017 and 2018. It remains the most affordable capital city in Australia.
- For **low-income households** in metropolitan areas across Australia the situation remains untenable.

TABLE 14. NATIONAL RAI SUMMARY – METROPOLITAN AREAS (JUNE 2019)

Region	RAI	Share of hhold income spent on rent	Relative unaffordability
Greater Sydney	119	25%	Moderately unaffordable rents
Greater Brisbane	127	24%	Acceptable rents
Greater Adelaide	112	27%	Moderately unaffordable rents
Greater Hobart	93	32%	Unaffordable rents
Greater Melbourne	128	23%	Acceptable rents
Greater Perth	143	21%	Acceptable rents
ACT	129	23%	Acceptable rents

Source: SGS Economics and Planning (2019)

3.3 Rest of state areas

Key rest of state area trends include:

- **Regional TAS** has further declined in affordability and remains the least affordable of the rest of state areas studied.
- **Regional VIC** and **Regional QLD** are the second least affordable rest of state areas.
- **Regional NSW** and **Regional SA** have remained relatively unchanged since the previous release.
- The RAI in **Regional WA** had the greatest improvement compared with all other states, this suggests the steady growth in affordability that has occurred since 2014 may be maintained.

TABLE 16. NATIONAL RAI SUMMARY – REST OF STATE AREAS (JUNE 2019)

Region	RAI	Share of hhold income spent on rent	Relative unaffordability
Rest of NSW	122	25%	Acceptable rents
Rest of QLD	120	25%	Moderately unaffordable rents
Rest of SA	134	22%	Acceptable rents
Rest of Tas.	116	26%	Moderately unaffordable rents
Rest of Vic.	120	25%	Moderately unaffordable rents
Rest of WA	157	19%	Affordable rents

Source: SGS Economics and Planning (2019)

Table 15. National RAI trends – rest of state areas

Region	2012		2013				2014				2015				2016				2017				2018				2019		2 yr trend	Trend since last year	3 year trend
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2							
Rest of NSW	119	119	119	120	121	121	121	124	124	125	124	125	126	125	123	124	124	124	121	121	122	122	121	122	121	123	121	122	0.3%	0.3%	-1.2%
Rest of QLD	110	112	114	116	118	118	119	121	122	122	121	122	120	121	123	122	122	122	122	123	123	122	122	123	122	121	120	120	-2.6%	-2.6%	-2.3%
Rest of SA	127	128	129	129	131	132	129	130	130	134	129	129	132	131	132	134	136	137	137	138	138	138	133	133	136	134	134	134	0.8%	0.8%	-0.1%
Rest of Tas.	118	119	118	123	117	120	122	119	122	123	124	126	122	120	119	120	120	121	122	122	123	121	125	121	118	114	122	116	-4.5%	-4.5%	-3.0%
Rest of Vic.	121	123	124	125	126	123	123	123	124	124	124	124	125	122	123	125	126	126	126	125	125	124	123	124	125	121	123	120	-3.0%	-3.0%	-3.7%
Rest of WA	97	87	82	107	104	100	107	99	120	125	132	134	140	145	145	149	152	154	154	153	156	153	151	157	155	156	156	157	0.0%	0.0%	5.5%
Affordability threshold	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100			

Source: SGS Economics and Planning (2019)

Note: Results may differ from previous RAI releases due to Census 2016 update.

04 State Trends

4.1 New South Wales

Greater Sydney

The median rental household in Greater Sydney (at June 2019) has a gross income of \$103,500 per annum.

With a RAI score of 119, further improvement in affordability can be seen across Greater Sydney since its most recent decline in the December quarter of 2016. However, the difference this makes for very low-income households is negligible.

Sydney remains critically unaffordable to significant proportions of the renting population, especially very low and low-income households. It remains the third least affordable metropolitan region in Australia. The average rental household in Greater Sydney spends around 25 per cent of its total income on rent; for lower income households this share is much higher.

Sydney's inner city harbour suburbs feature in the top least affordable postcodes. The average household generally must travel at least 15- 40km from the CBD to areas such as Hornsby, Blacktown, Liverpool and Campsie to find Acceptable rents. Ultimo is the only suburb within a 15km radius of the CBD to offer Acceptable rents. Since the last release Redfern has become Moderately Unaffordable.

Since the last release Newcastle has returned to having Acceptable rents.

Sydney's top 5 least affordable postcodes are listed in Table 17.¹⁴

Rest of NSW

The median rental household in regional NSW has a gross income of \$69,800 per annum.

With a RAI score of 122, the average household seeking to rent in regional NSW would face rent levels at 25 per cent of its total income. Rents remain Acceptable to Affordable across regional NSW.

TABLE 17. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER SYDNEY (JUNE QUARTER, 2019)

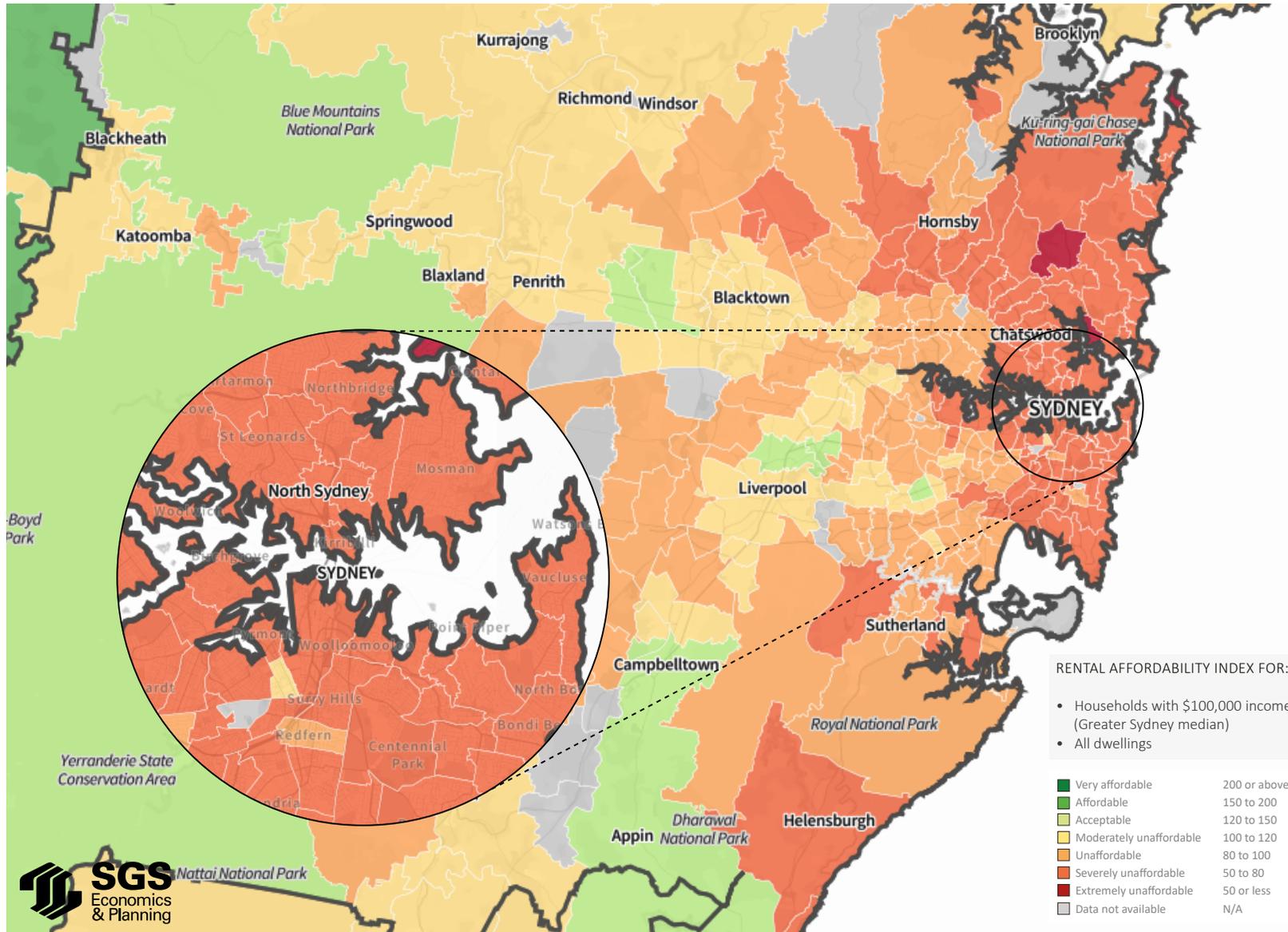
Rank	Postcode	Suburbs	RAI score	Rent as share of median hhld income
1	2028	Double Bay	72	42%
2	2094	Fairlight	72	42%
3	2061	Kirribilli, Milsons Point	74	41%
4	2025	Woollahra	74	41%
5	2027	Darling Point, Edgecliff, HMAS Rushcutters, Point Piper	75	40%

Source: SGS Economics and Planning (2019)

Note: RAI has been calculated using a rounded gross income of \$100,000. Only postcodes with greater than 80 records are considered for the top 5 list. Data for all dwellings now available for NSW.

¹⁴The availability of data which can be used to calculate a RAI for all dwellings has resulted in a significantly different top 5 than the prior index release (which measured the affordability for 3 bedroom dwellings)

FIGURE 23. INNER AND MIDDLE SYDNEY, JUNE QUARTER, 2019



4.2 Victoria

Greater Melbourne

The median rental household in Greater Melbourne has a gross income of \$93,500 per annum.

With a RAI score of 128 in the June quarter of 2019, Greater Melbourne has seen only minor fluctuations in rental affordability over the past three years. Overall, it has declined in affordability since 2013/14, when its RAI score reached 130 and above.

The median household seeking to rent in Greater Melbourne faces housing costs at around 23 per cent of its total income. This is considered Acceptable.

Spatially, however, it appears that rental unaffordability has not changed greatly since the previous release. This quarter continues to highlight the spread of unaffordability further outwards from the Melbourne city centre.

Many inner and middle suburbs throughout the north are Moderately Unaffordable. This is particularly apparent along the Sydney Road corridor out to Coburg North.

Melbourne's top 5 least affordable postcodes are listed in Table 18.

Rest of Victoria

The median rental household in regional Victoria has a gross income of \$66,700 per annum.

With a RAI score of 120, rental affordability in regional Victoria has further declined between 2017 and 2019 but rents remain Acceptable overall. The median household seeking to rent in regional Victoria faces rent levels at around 25 per cent of its total income.

With an update to household income data based on 2016 ABS Census results, regional Victoria appears to be performing better than previously estimated.

Fringe area commuter cities and towns in the Macedon ranges such as Woodend are now Moderately Unaffordable to Unaffordable. Torquay and Ocean Grove along the Surf Coast are also now Moderately Unaffordable to Unaffordable.

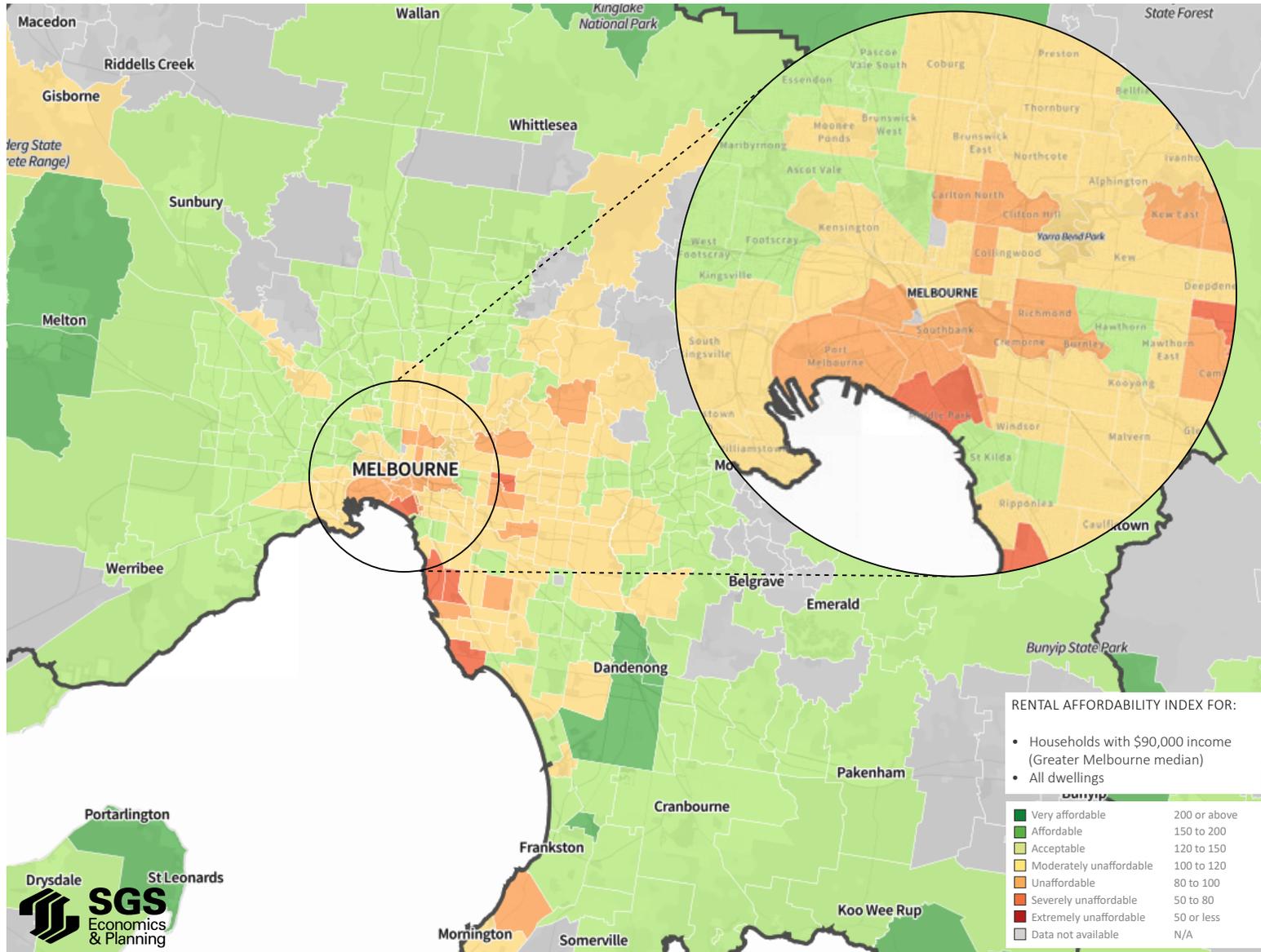
TABLE 18. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE QUARTER, 2019)

Rank	Postcode	Suburbs	RAI score	Rent as share of median hhld income
1	3206	Albert Part, Middle Park	71	42%
2	3193	Beaumaris, Cromer, Black Rock, Black Rock North	76	39%
3	3187	North Road, Brighton East	77	39%
4	3186	Brighton North, Brighton	79	38%
5	3207	Port Melbourne	83	36%

Source: SGS Economics and Planning (2019)

Note: RAI has been calculated using a rounded gross income of \$90,000
Only postcodes with greater than 80 records are considered for the top 5 list.

FIGURE 24. INNER AND MIDDLE MELBOURNE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Visit <https://www.sgsep.com.au/projects/rental-affordability-index> for the interactive map



4.3 Queensland

Greater Brisbane

The median rental household in Greater Brisbane has a gross income of \$86,700 per annum.

Affordability in Greater Brisbane continues to make gains. At 127, the RAI score for Brisbane is the highest recorded for the metropolitan area since the inception of the Index. Having increased from 111 in the March quarter of 2011, rents in Brisbane are now considered Acceptable.

The average household seeking to rent in Greater Brisbane would be facing rents at 24 per cent of its total income.

However, most postcodes in inner to middle Brisbane remain Moderately Unaffordable to Unaffordable. Since the last release, some inner to middle suburbs have shifted to Acceptable.

Rest of Queensland

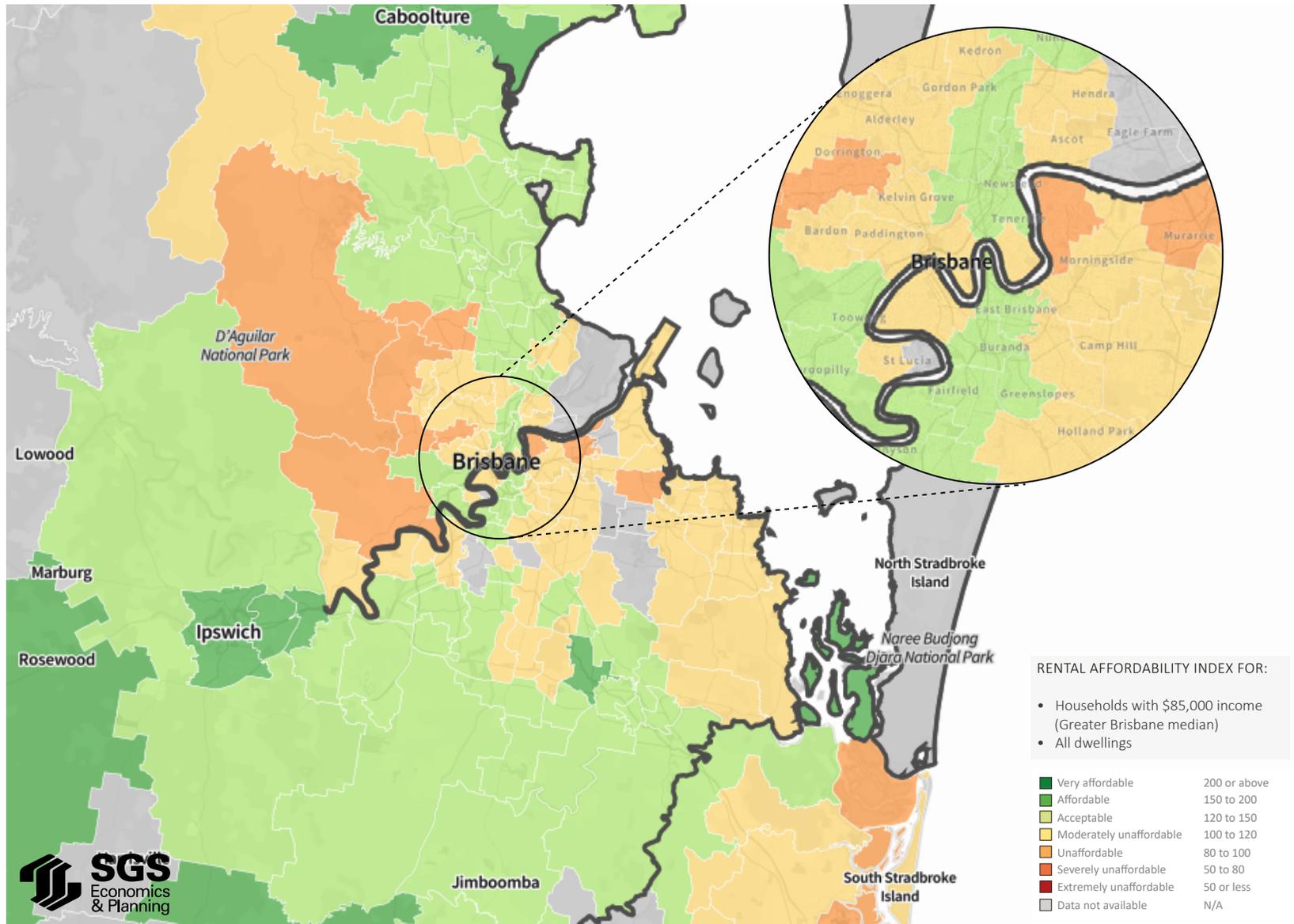
The median rental household in regional Queensland has a gross income of \$78,000 per annum.

Affordability has decreased in regional Queensland since the last release, though has remained relatively steady since the first quarter of 2016.

Regional Queensland has a RAI score of 120, a level of rental affordability less than its metropolitan counterpart. The average rental household seeking a dwelling face rents at 25 per cent of its total income.

Maroochydore, Caloundra, Coolum Beach and the Gold Coast, which are considered a part of regional Queensland in RAI analysis, are generally Moderately to Severely Unaffordable, even when applying Greater Brisbane incomes.

FIGURE 25. GREATER BRISBANE, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Visit <https://www.sgsep.com.au/projects/rental-affordability-index> for the interactive map



4.4 South Australia

Greater Adelaide

The median rental household in Greater Adelaide has a gross income of \$65,900 per annum.

With a RAI score of 112, the average household in Greater Adelaide seeking to rent faces rents at around 27 per cent of household income. While the RAI for Adelaide had remained stable over 2016 to 2018, the last four quarters have seen a notable decline.

Greater Adelaide has now overtaken Greater Sydney as the second least affordable capital city. This is largely due to the slow-income growth compared to other capital cities and rising rents.

The geographic spread of affordability in Greater Adelaide has increased, with almost all of the inner and middle suburbs and foothills now Moderately Unaffordable to Unaffordable.

Many of the north eastern suburbs, such as Salisbury Heights and Golden Grove are now Moderately Unaffordable.

Rest of SA

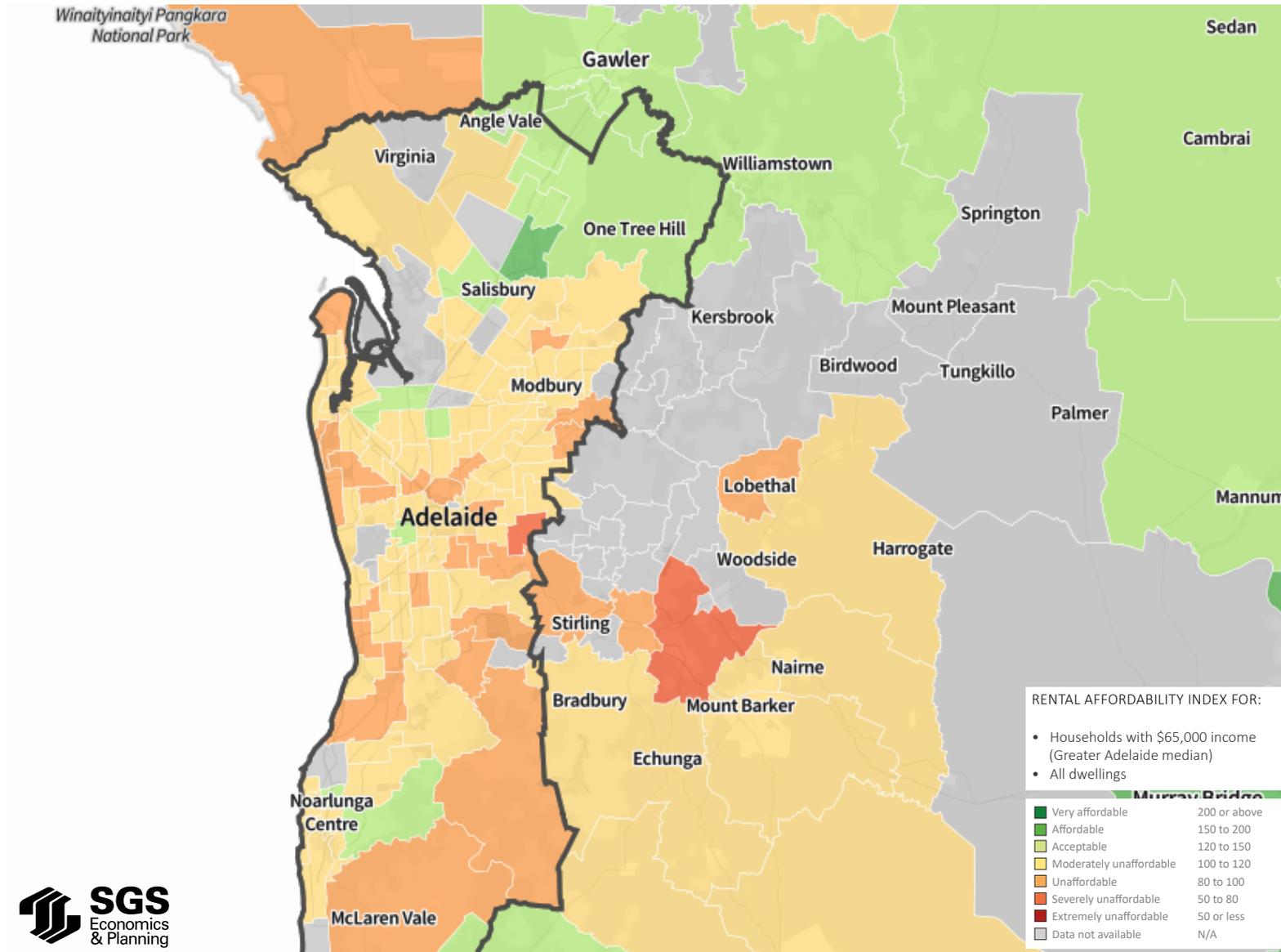
The median rental household in regional South Australia has a gross income of \$60,300 per annum.

With a RAI score of 134, regional SA continues to sit at its affordable since early 2016, the average household seeking to rent faces rents at around 22 per cent of household income.

Fast growing outer areas such as Mt Barker, Lobethal and Strathalbyn continue to have Moderately Unaffordable rents, verging on the threshold of Unaffordable.

Since the previous release, over 40km north of the city centre from Two Wells to Dublin and Wildhorse Plains, are seeing Unaffordable rents.

FIGURE 26. GREATER ADELAIDE, JUNE QUARTER, 2019





4.5 Tasmania

Greater Hobart

The median rental household in Greater Hobart has a gross income of \$64,500 per annum.

High rents, relative to household incomes, mean that Greater Hobart is the least affordable metropolitan area in Australia. Affordability has nosedived further since the last release. For the first time ever, rental affordability has dropped below the critical threshold of 100. At 93, its RAI score indicates that even an average income household in Hobart would be placed in rental stress if paying the current median rent.

The average rental household in Greater Hobart now faces rents at around 32 per cent of its total income.

Areas such as Hobart, Sandy Bay, North Hobart and Kingston remain unaffordable, with some parts of central Hobart, South Hobart and Taroona Severely Unaffordable. This is also true of suburbs on the Eastern Shore, including Geilston Bay, Risdon and Lindisfarne.

Low-incomes and an inadequate supply of rental housing continue to drive this decline in rental affordability in Hobart. As evidenced in the consistent unavailability of bond lodgement data in many areas of Hobart (shown as grey in the RAI map), there have been few new rentals in these areas over recent quarters.

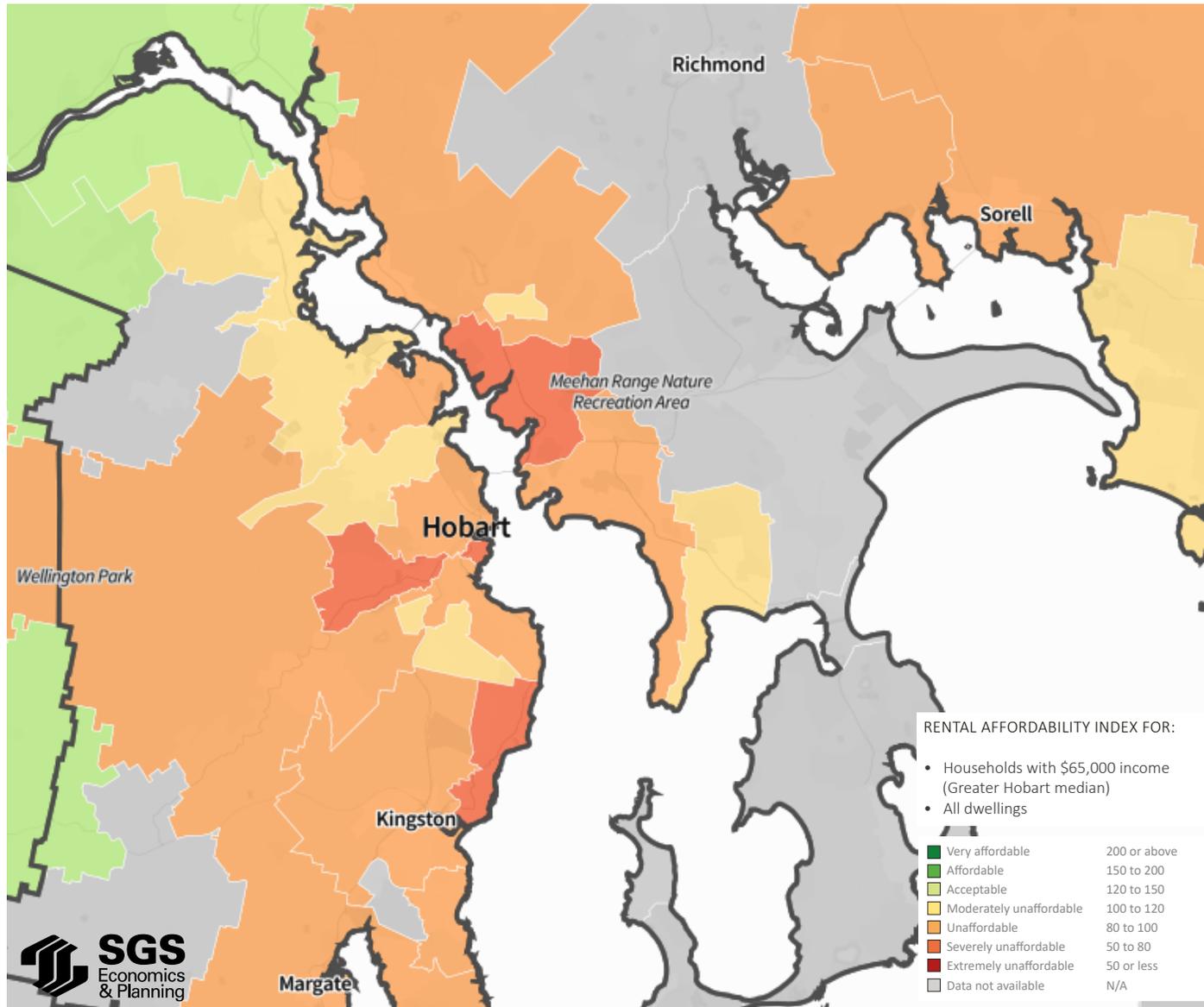
Rest of Tasmania

The median rental household in regional Tasmania has a gross income of \$56,300 per annum.

Regional Tasmania has a RAI score of 116. The average household seeking to rent would be facing rent levels at around 26 per cent of its income.

Since the last release, towns in northern and eastern Tasmania, including Devonport, have shifted from Moderately Unaffordable back to Acceptable rents. However, Launceston has shifted from Acceptable to Moderately Unaffordable.

FIGURE 27. GREATER HOBART, JUNE QUARTER, 2019





4.6 Western Australia

Greater Perth

The median rental household in Greater Perth has a gross income of \$85,900 per annum.

With a RAI score of 143, rental affordability in Greater Perth has remained stable. The average rental household in Greater Perth face rents at around 21 per cent of its total income. Despite this, the situation is much less affordable for lower income households.

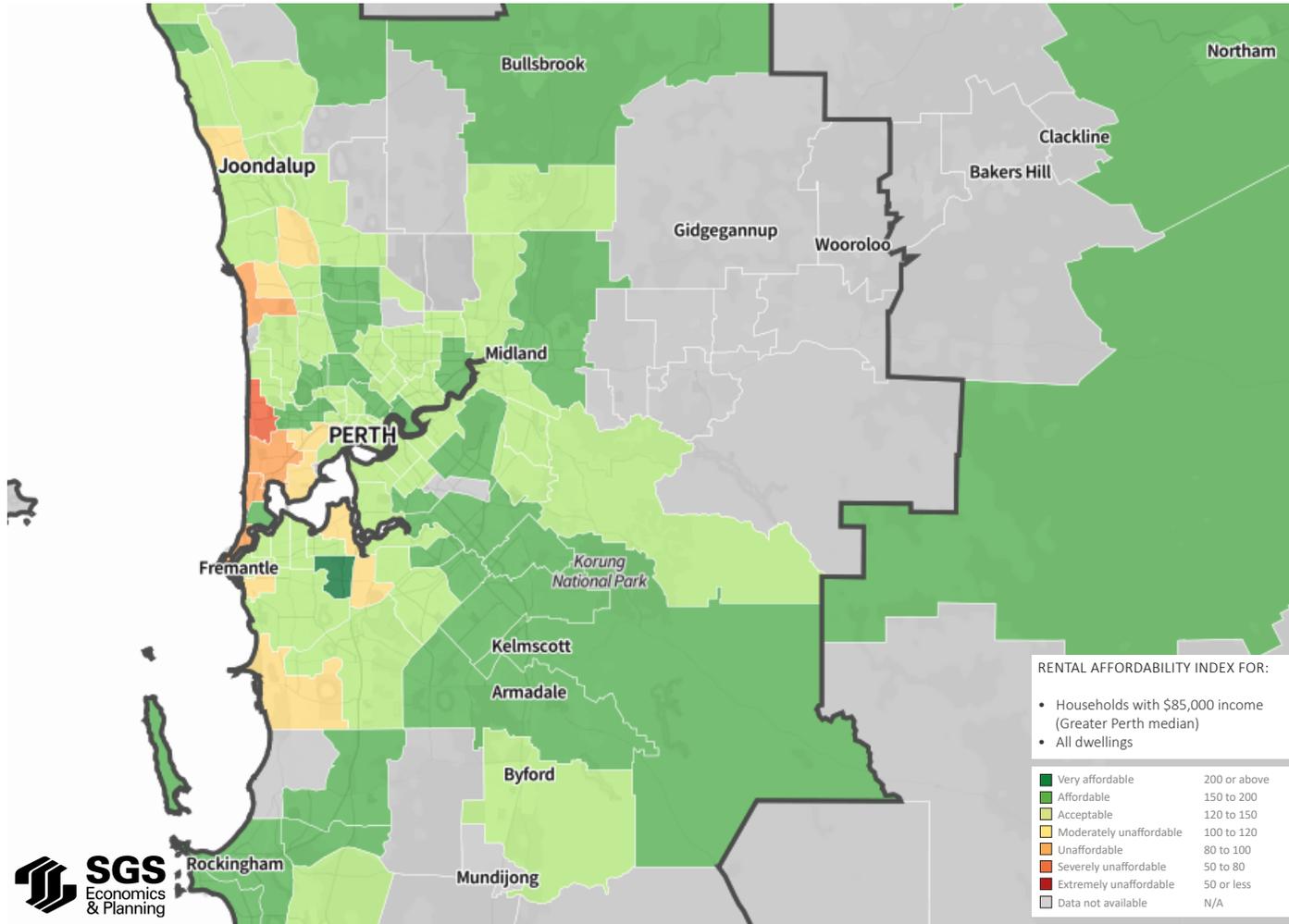
The geographic spread of affordability across greater Perth is uneven, with some areas along the coast ranging from Moderately Unaffordable to Severely Unaffordable. The geographic spread of affordability remains relatively unchanged since the last release.

Rest of WA

The median rental household in regional Western Australia has a gross income of \$91,800 per annum.

Regional WA has a RAI score of 157 and the average rental household faces rent around 19 per cent of its total income. While the region has seen steady growth in affordability over recent years, the fluctuations across the 2017 – 2019 period suggest that this growth has plateaued.

FIGURE 28. GREATER PERTH, JUNE QUARTER, 2019





4.7 ACT

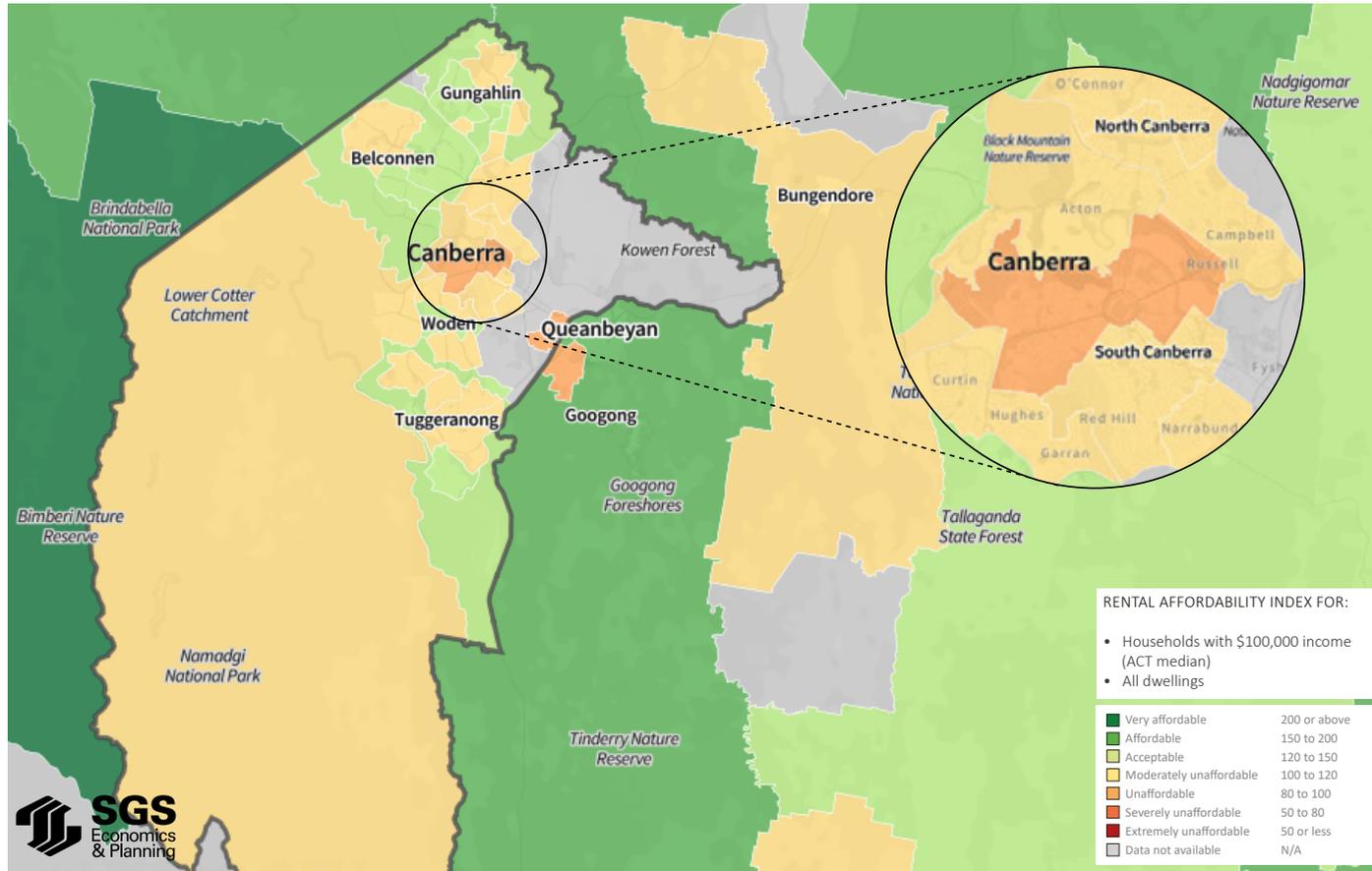
The median rental household in the Australian Capital Territory has a gross income of \$100,600 per annum.

With a RAI score of 129, the ACT remains Acceptable in rental affordability. However, a marginal but consistent decline in rental affordability can be seen in the Australian Capital Territory from the December quarter of 2016 to the close of the second quarter of 2019.

Many areas across the central city and inner suburbs have moved from Moderately Unaffordable to Unaffordable since the last release. The spread of suburbs that have shifted from Acceptable to Moderately Unaffordable is particularly apparent in the north and south, including throughout Tuggeranong.

The high overall RAI score of the ACT is driven by the relatively high income of the ACT's average rental household. Low-income households in the ACT face particularly unaffordable rents, however, as rents are pushed up by the overall high income earning workforce.

FIGURE 29. ACT, JUNE QUARTER, 2019



Source: SGS Economics and Planning, 2019

Visit <https://www.sgsep.com.au/projects/rental-affordability-index> for the interactive map

Appendix 1

The following provides information on state and territory specific methodological considerations, including exclusion parameters used to exclude outliers and erroneous data. Across all states, where no valid data was available, a RAI score was not calculated.¹⁵

Metropolitan and rest of state analysis

Australian Capital Territory

- Metro and regional rents are calculated as true medians as unit records are available.
- The overall RAI uses the median of all 1-10 bedroom dwellings.
- All observations with fewer than ten listings were excluded from the analysis.

New South Wales

- Metro and regional rents are calculated as true medians as unit records are available.
- The overall RAI uses the median of all 1-10 bedroom dwellings.
- All observations with fewer than ten listings were excluded from the analysis.

Northern Territory

- At this stage, adequate rental data has not been sourced to develop indices for the Northern Territory.

Queensland

- At this stage, rental data has been unavailable for all of Queensland. As a result, indices for Queensland incorporate the following regions only:
 - Greater Brisbane (Brisbane City, Moreton Bay Regional, Logan City, Redland City and Ipswich City Councils);
 - Sunshine Coast (Sunshine Coast Regional Council);
 - Gold Coast (Gold Coast City and Scenic Rim Regional Councils);
 - Darling Downs (Toowoomba Regional, Goondiwindi Regional, Western Downs Regional and Southern Downs Regional Councils);
 - Central Queensland (Gympie Regional, Fraser Coast Regional, Bundaberg Regional, Gladstone Regional, Rockhampton Regional, Livingstone Shire and Central Highlands Regional Councils); and
 - North Queensland (Cairns Regional, Douglas Shire, Townsville City, Mackay Regional, Isaac regional, Whitsunday Regional, Mareeba Shire, Tablelands Regional, Burdekin Shire Councils).
- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories. E.g. the median rent of a three bedroom dwelling is estimated as the weighted average of the rents of three bedroom flats, three bedroom townhouses and three bedroom houses.
- The median rental price of ‘all dwellings’ is calculated as the weighted average of all 1-3 bedroom categories (this applies for overall RAI).

¹⁵Where a RAI could not be calculated, an ‘n/a’ is shown on the online map.

- Metro and regional median rents are not included in available data. They are calculated as the weighted average of postcode medians.
- Observations were excluded if there were fewer than ten listings for that postcode.

South Australia

- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories.
- Metro and regional median rents reflect true medians as they were supplied in the available data.
- As available data was separated into dwelling types, these medians were aggregated (using weighted averages) to estimate median rents for two and three bedroom dwellings.
- In the calculation of the RAI for average households across the state (i.e. all dwellings), observations with fewer than ten listings were excluded from the analysis.

Tasmania

- Metro and regional rents are calculated as true medians as unit records are available.
- The overall RAI uses the median of all 1-10 bedroom dwellings.
- All observations with fewer than ten listings were excluded from the analysis.

Victoria

- Metro and regional rents are calculated as true medians as unit records are available.
- The overall RAI uses the median of all dwellings.
- All observations with fewer than ten listings were excluded from the analysis.

Western Australia

- Data was not reported if the median was based on fewer than ten listings.
- Metro and regional median rents are not included in available data. They are calculated as the weighted average of postcode medians.
- Data only includes median prices of 'all dwellings' by postcode (i.e. bedroom breakdown isn't available).

Appendix 2 - reference list

Reference list for household profiles

Australian Bureau of Statistics (ABS) (2016a). 6306.0 Employee Earnings and Hours, Australia, May 2016.

Available online: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6306.0Main+Features1May%202016?OpenDocument>

Australian Bureau of Statistics (ABS) (2016b), Census of Population and Housing. INCP Total Personal Income (weekly), Counting Persons, Place of Usual Residence.

Australian Government Department of Social Services, Age Pension (2018). Available online: <https://www.dss.gov.au/seniors/benefits-payments/age-pension>

Centrelink, Australian Government Department of Human Services (2018). Available online: <https://www.humanservices.gov.au/customer/dhs/centrelink>

Fair Work (2018). Available online: <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/minimum-workplace-entitlements/minimum-wages>

Australian Bureau of Statistics (ABS) (2016) ABS Gender Indicators, Australia. Table 2.14: Persons, proportion living in low-income household in rental stress, by selected relationship in household type, 15 years and over, 2005 – 06 to 2015 – 16.

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