

Rental Affordability Index

November 2021 Key Findings





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1. Executive Summary

1.1 Background and aim

National Shelter, The Brotherhood of St Laurence, and SGS Economics and Planning have released the Rental Affordability Index (RAI) on a biannual basis since 2015. Since 2019, the RAI has been released annually. This year we add Beyond Bank as a supporter of the RAI. The RAI is a price index for housing rental markets. It is a clear and concise indicator of rental affordability relative to household incomes, applied to geographic areas across Australia.

This report has been prepared as part of the tenth RAI release. To illustrate the situation for vulnerable groups, the report continues to assess the rental affordability situation for various Australian household types, focusing on cohorts at risk of rental stress. This release also examines the following aspects:

- The impacts of the COVID-19 pandemic on affordability in Australia's regions
- The affordability impacts of temporary COVID-19 support payments in 2020, such as the coronavirus supplement.

1.2 Publication information

The RAI covers all states with available data¹. The RAI tracks rental affordability relative to income for all households and 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 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 viewed at this website:

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

This report presents the findings of the November 2021 release of the RAI. It provides an update of the November 2020 RAI report by analysing data from the four most recent available quarters (September and December 2020, March and June 2021). The report relies on rental bond data up to and including the June quarter of 2021.

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, Western Australia
- Residential Tenancies Authority, Queensland.

¹ The 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-income² household's gross income, the household is experiencing housing stress (30/40 rule)³. 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:

RAI = (Income/qualifying income⁴)*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 below 50, implying that households spend 60 per cent of their income or more on rent payments alone.

Scores between 80 and 100 reflect unaffordable rents, while 100-120 indicates a situation of moderate unaffordability with rental households 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, which is considered acceptable. In areas with a score above 150, households seeking to rent would pay less than 15 per cent of their income, which is considered affordable.

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
50-80	38-60%	Severely unaffordable
80-100	30-38%	Unaffordable rents
100-120	25-30%	Moderately unaffordable
120-150	20-25%	Acceptable
>150	15% or less	Affordable

² Lowest 40 per cent of households across all income bands

³ Australian Institute of Health and Welfare (2020) Housing Affordability. Available at: <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

⁴ Qualifying income refers to the income required to pay rent where rent is 30 per cent 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.

Household incomes are estimated using 2016 ABS census data combined with the ABS time series of Average Weekly Earnings (Cat 6302.0) (a measure of personal weekly income), which is used to index weekly household incomes for the quarters between the 2011 and 2016 censuses, and post-2016. These 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 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 the 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 overleaf.

During the 2019-20-year, Coronavirus supplement payments were established for the Single person on Newstart, Students on Austudy, and Single part-time worker parent on benefits households. As supplement payments were established in March and April of 2020, the Q2 2020 RAI scores are calculated based on an annualised transformation of this income (i.e. the annualised income is greater than that household would have earned over a year in reality, but it is their effective income for that quarter).

Other households to receive support during COVID-19 have been in one-off payments rather than an ongoing amount, and one-off payments are excluded from calculations.

The interactive online RAI map provides the function to select income and bedroom combinations to examine the rental affordability situation for different household types (see link under 'publication information' above) based on these incomes.

To calculate RAI scores for each household type at a regional level (i.e. each metropolitan and rest of state areas), 2016 ABS Census data is used to adjust incomes to reflect variation 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 BY STATE 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.

TABLE 2: LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES, 2021

Household Type	Indicative gross annual income	Indicative dwelling size
Single pensioner	\$33,100	1 bdr
Pensioner couple	\$52,600	2 bdr
Single person on Newstart*	\$19,800	1 bdr
Single part-time worker on benefits	\$42,100	2 bdr
Single full-time working parent	\$99,400	2 bdr
Single income couple with children	\$99,400	3 bdr
Dual income couple with children	\$198,000	3 bdr
Student sharehouse	\$81,500	3 bdr
Minimum wage couple	\$80,400	2 bdr
Hospitality worker	\$59,300	1 bdr

2. 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 highlights the recently declining affordability in regional areas, as a large number of city-dwellers relocated to the regions in a short space of time, while the normal relocation of people from regions to cities ceased during the COVID pandemic. However, it should be noted that the long-term nature of this trend remains unknown.

The report also continues to highlight the poor rental affordability for single persons on JobSeeker payments (previously Newstart Allowance), even during the period

during which payments were increased by the COVID supplement. This issue has generally not improved over time, with some capital cities becoming significantly less affordable as the Newstart allowance was continually outpaced by rising rents.

Low-income households are particularly at risk. In 2017-18, 43 per cent of all low-income households were in rental stress (housing costs, including rent and other payments, greater than 30 per cent of income), compared to 35 per cent in 2008. This rises to 57 per cent when considering households in the bottom income quintile⁵.

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 (JobSeeker)
- Single part-time worker parent on benefits
- 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.

⁵ Australian Bureau of Statistics. Housing Occupancy and Costs 2017-18. [Table 21]

⁶ Note: The household profiles found on the RAI interactive map found at <https://www.sgsep.com.au/maps/rai/australia-rental-affordability-index-nov21-embargoed/?embedded=1> use Australia-wide average incomes for each household type.



It must be noted that the household types and their typical income level and dwelling size are indicative. They do not represent 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.

Household costs during COVID-19 are expected to have been impacted by the level of restrictions. For some households, travel restrictions may have reduced travel costs. However, households staying home for longer periods of time are expected to have increased energy costs. Childcare and school accessibility has varied across the country during COVID-19 with remote learning taking time away from potential paid work and access to family care, such as grandparents and extended family, limited.

Income support levels are based on the Australian Government Department of Human Services payment rates as of October 2021. Total household income estimates are based on gross income, including Commonwealth Rent Assistance. As the RAI considers the private rental market, 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 Employee Earnings and Hours data⁷, adjusted by 2016 ABS Census data to reflect variation in earnings by region (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 Western Australia (WA) should be interpreted with care, as rental data is not available by dwelling type (by no of bedrooms).

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

⁷ ABS cat. 6306.0, Table 13

Single person on JobSeeker payment

Household Profile

22 years old or older with no children and seeks to rent a one bedroom dwelling

Affordability

Severely Unaffordable to Extremely Unaffordable rents across all states in both metropolitan and regional areas

Economic Profile

This person is unemployed, with assets below DSS thresholds and receives income support in the form of a Jobseeker payment and rent assistance, but no additional income

Annual income

The estimated gross annual income for this household is \$19,802 p.a.



2.2 Single person on JobSeeker Payment

In 2021, there has been a decrease in JobSeeker payments and the discontinuation of the temporary Coronavirus Supplement. This reduced the annual income of recipients from \$32,638 to \$19,802, which has worsened affordability considerably for this cohort.

Table 3 highlights this, with affordability becoming Extremely to Severely Unaffordable in all metropolitan and regional areas having a RAI score below 65. This means that median rents represent between 47 and 111 per cent of the total income available to this cohort. While, by definition, 50 per cent of rentals are available at a lower rate than the median, there is no matching mechanism to ensure that they are made available to lower income households (beyond self-selection through characteristics such as poor dwelling quality).

The ACT, Greater Sydney, Greater Perth* and Greater Brisbane remain the most unaffordable of all capital cities with RAI scores of 27 (Extremely Unaffordable). This household, solely reliant on JobSeeker payments and rental assistance, would require an income nearly triple the current level to move into the Acceptable affordability band.

Rental stress pushes single persons on JobSeeker to the outer fringes of our cities, well away from opportunities to get them back into employment. The regional areas offer scarce alternatives for the single person on benefits, where rents for this household are generally Extremely to Severely Unaffordable.

Figure 1 presents a time series of affordability for a person on Newstart/JobSeeker in capital cities over the past nine years. The temporarily increased JobSeeker payments in 2020 alleviated rental stress dramatically for this group. However, after the payments were back to the previous level, almost all capital cities have reverted

to their prior level of (un)affordability. The exception is Melbourne, where rents remain lower than historical levels. This is likely due to the extended lockdowns and lack of international students in the city. Over the longer term, all cities have been Extremely Unaffordable, with Sydney being the worst and changing little between 2011 – 2019.

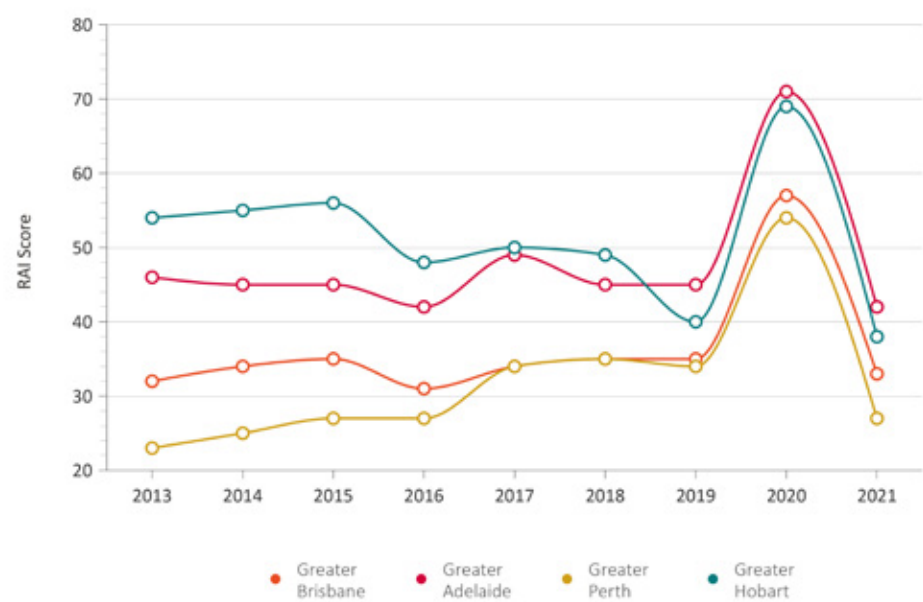
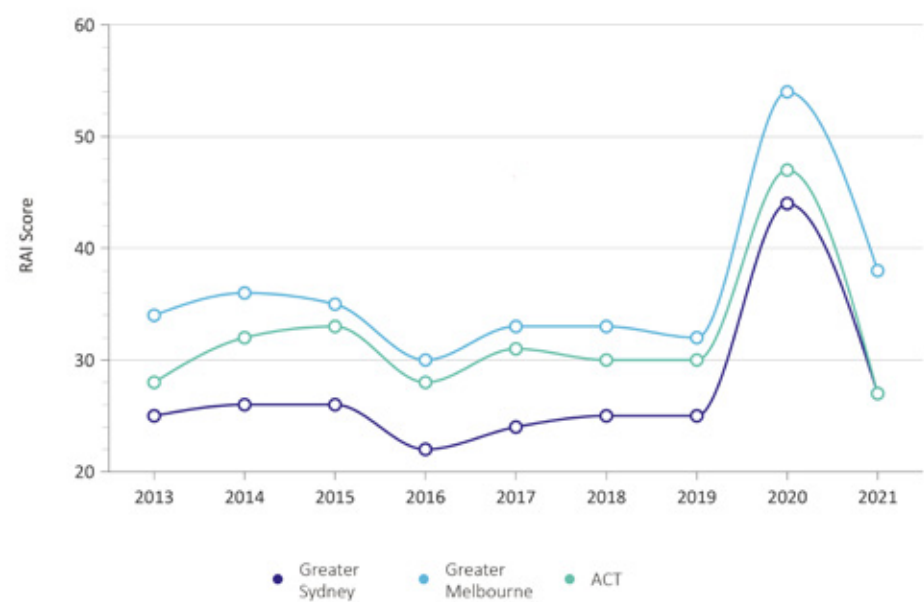
TABLE 3: RAI FOR SINGLE PERSON ON JOBSEEKER

	RAI Score	Rent as a share of income
Greater Sydney	27	110%
Rest of NSW	48	63%
Greater Melbourne	38	79%
Rest of VIC	52	58%
Greater Brisbane	33	92%
Rest of QLD	36	84%
Greater Adelaide	42	71%
Rest of SA	65	46%
Greater Perth*	27	110%
Rest of WA*	31	98%
Greater Hobart	38	79%
Rest of TAS	52	58%
ACT	27	113%

Source: SGS Economics and Planning, 2021

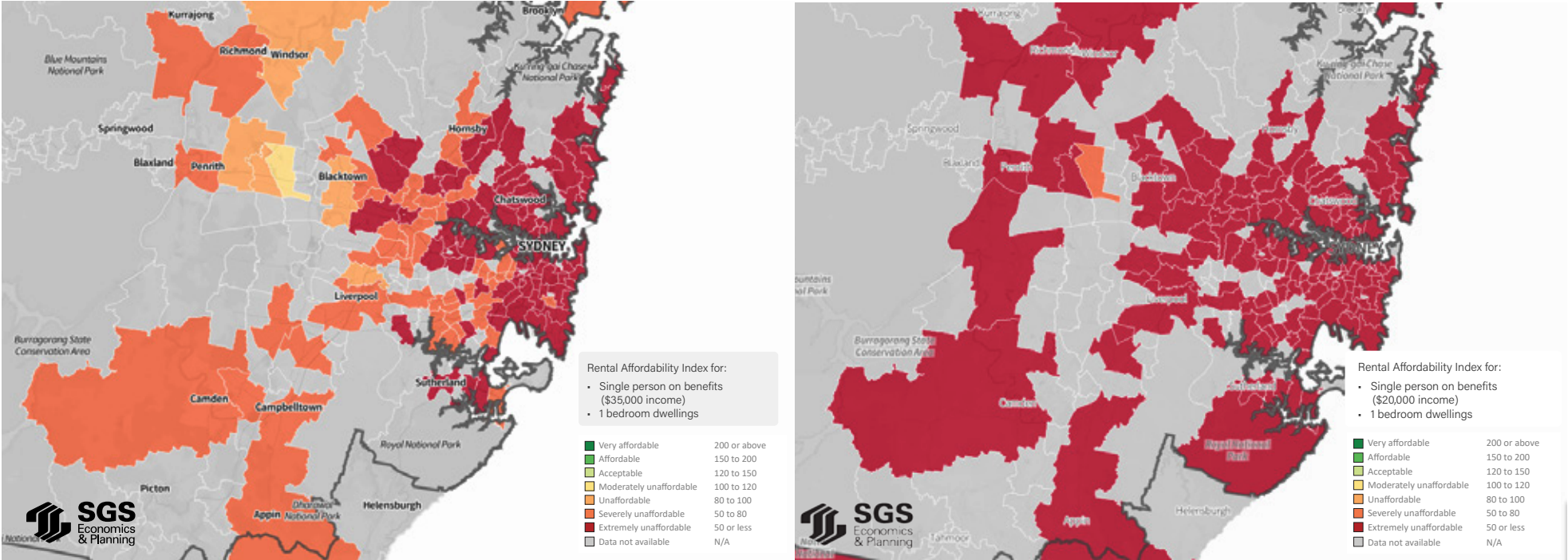
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 1: RAI SCORES FOR A PERSON ON JOBSSEEKER PAYMENTS, CAPITAL CITIES, 2013 - 2021



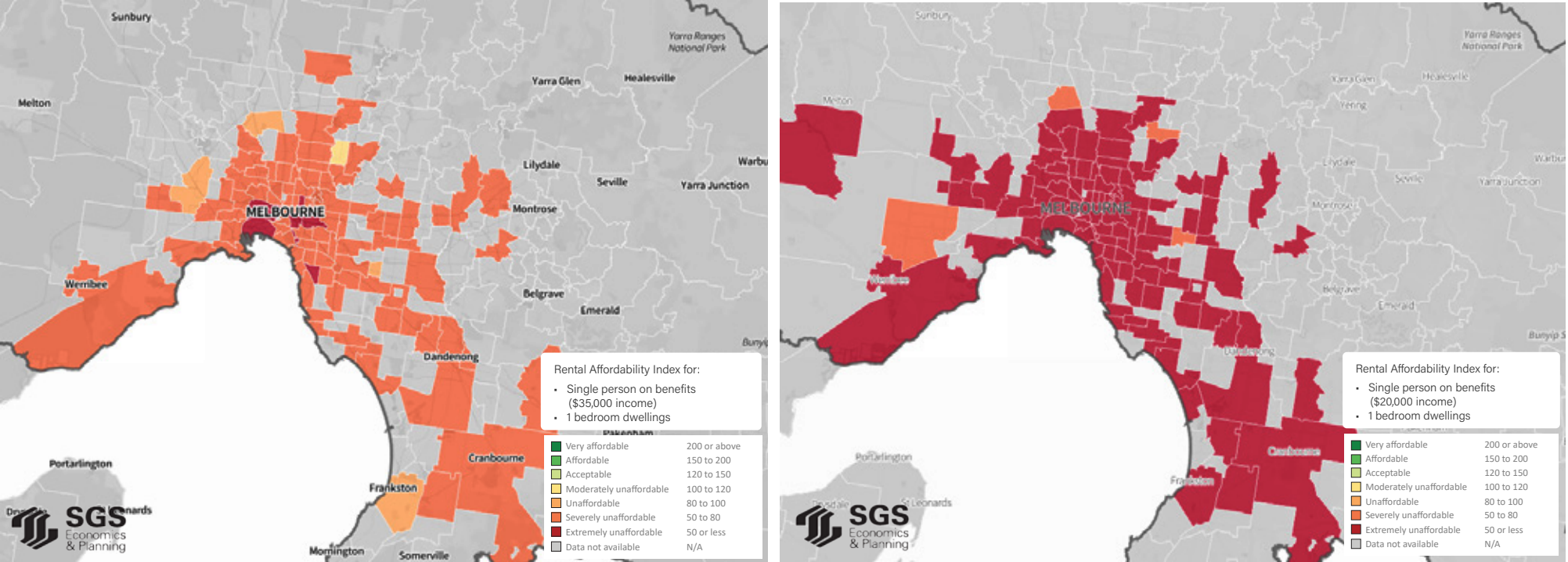
Source: SGS Economics and Planning, 2021

FIGURE 2: GREATER SYDNEY, JUNE QUARTER, 2020 AND 2021



Source: SGS Economics and Planning, 2021

FIGURE 3: GREATER MELBOURNE, JUNE QUARTER, 2020 AND 2021



Single pensioner

Household Profile

65 years or older and seeks to rent a one-bedroom dwelling

Affordability

Extremely Unaffordable to Moderately Unaffordable rents in metropolitan areas across all states

Economic Profile

Lives on the age pension for older Australians with income or assets below certain limits, with consideration for super, investments and earnings.

Annual income

The estimated gross annual income for this household is \$33,111 p.a., assuming no additional income from paid work.



2.3 Single pensioner

Annual income for pensioners has increased by \$4,930 since the last release. However, this has resulted in a marginal increase in rental affordability for single pensioners. Across the nation, the single pensioner household faces Moderately Unaffordable, 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 around 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, 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 Moderately Unaffordable to Severely Unaffordable, with each state's RAI scores below the Moderately Unaffordable threshold. Regional areas in South Australia are the most affordable, with a RAI score of 108.

For the single pensioner, Greater Sydney and ACT remain the least affordable locations to rent of all Australian capital cities. This household has RAI scores of 45 and 44, respectively, indicating rents are Extremely Unaffordable. Renting at the median rate would require 66 to 68 per cent of total income.

While still Severely Unaffordable, Greater Adelaide and Greater Hobart remain marginally more affordable for single pensioners compared with all other Australian cities. Greater Hobart is now equal to Greater Melbourne in affordability, as rents have increased strongly in Hobart and remain lower in Melbourne in the wake of the COVID-19 pandemic and associated restrictions.

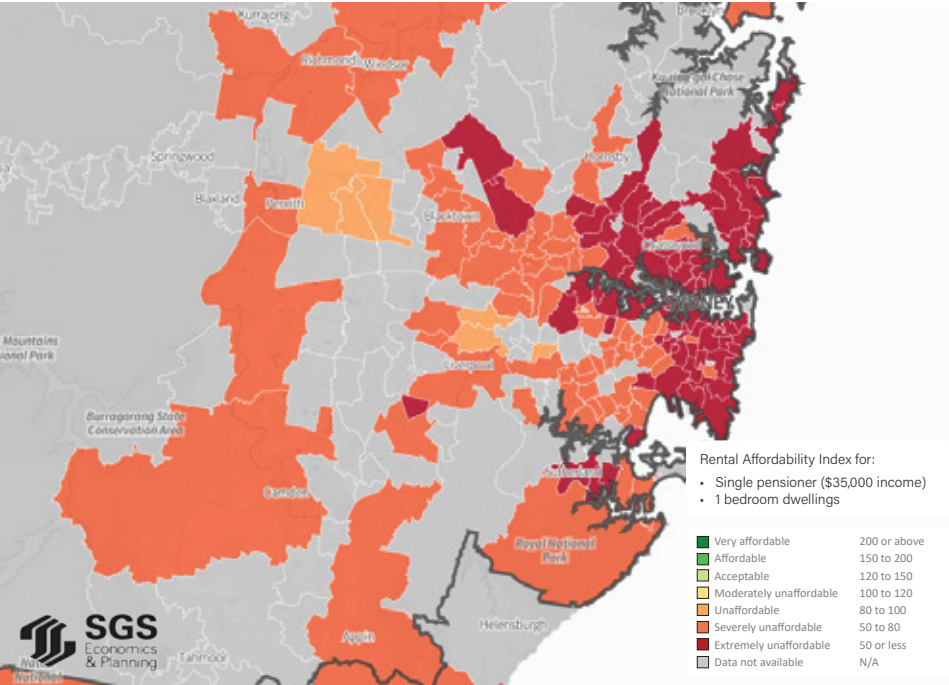
TABLE 4: RAI FOR SINGLE PENSIONER HOUSEHOLD

	RAI Score	Rent as a share of income
Greater Sydney	45	66%
Rest of NSW	80	38%
Greater Melbourne	64	47%
Rest of VIC	87	35%
Greater Brisbane	55	55%
Rest of QLD	59	51%
Greater Adelaide	70	43%
Rest of SA	108	28%
Greater Perth*	46	66%
Rest of WA*	51	59%
Greater Hobart	64	47%
Rest of TAS	87	35%
ACT	44	68%

Source: SGS Economics and Planning, 2021

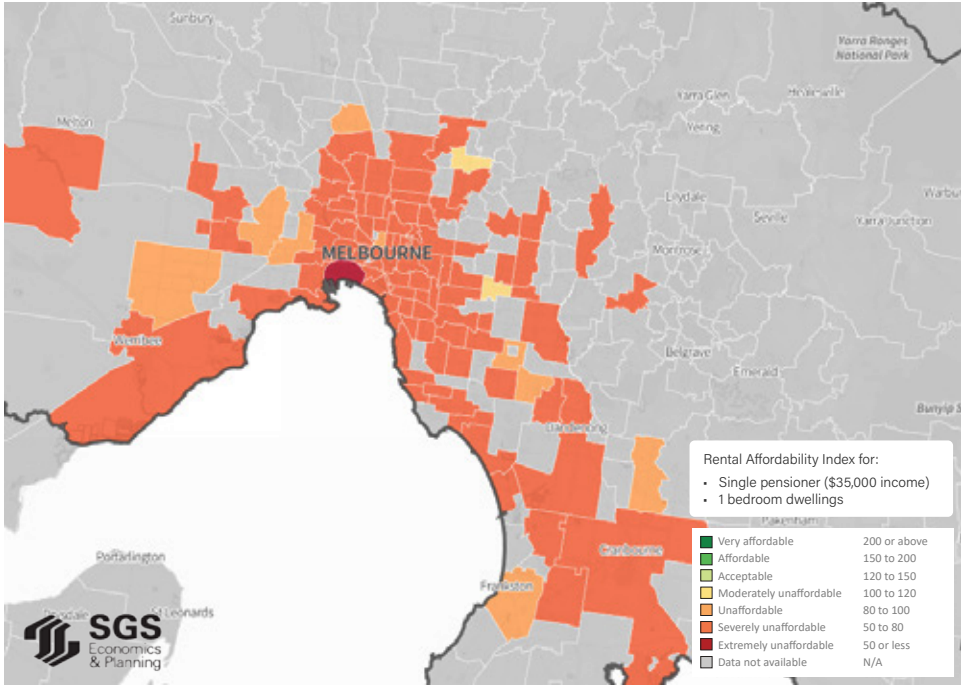
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 4: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 5: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

Pensioner couple

Household Profile

Comprise of a couple that is 65 years or older seeking to rent a two bedroom dwelling.

Affordability

Acceptable to Severely Unaffordable rents across all states in both metropolitan and regional areas

Economic Profile

One member of the household is assumed to still be active in casual or part-time employment, earning \$300 per fortnight

Annual income

The additional income combined with the household's pensioner payments totals an estimated gross annual income of \$52,567 p.a.



2.4 Pensioner couple

The pensioner couple’s annual income has increased by \$4,124 since the last release. While faring better than the single pensioner household, the couple pensioner household generally faces Severely Unaffordable rents in metropolitan areas. Only regional areas in SA offer some Acceptable rents, while the remainder of non-metro areas in Australia have Moderately to Severely Unaffordable rents.

Most areas within a 10 kilometre radius of the Sydney CBD and some of the inner areas of Melbourne are Severely Unaffordable to the pensioner couple, who would need to pay 39 to 48 per cent of their total income if renting at the median rate. 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, 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, where there are very limited areas in Australia that would be affordable for the pensioner couple and as all Acceptable or Affordable areas are located outside metropolitan areas.

Like the single pensioner household, over the last quarters, this household type may have experienced increased household costs due to COVID and related restrictions over the period with more time at home resulting in increased cost of utilities and restrictions possibly limiting access to support networks.

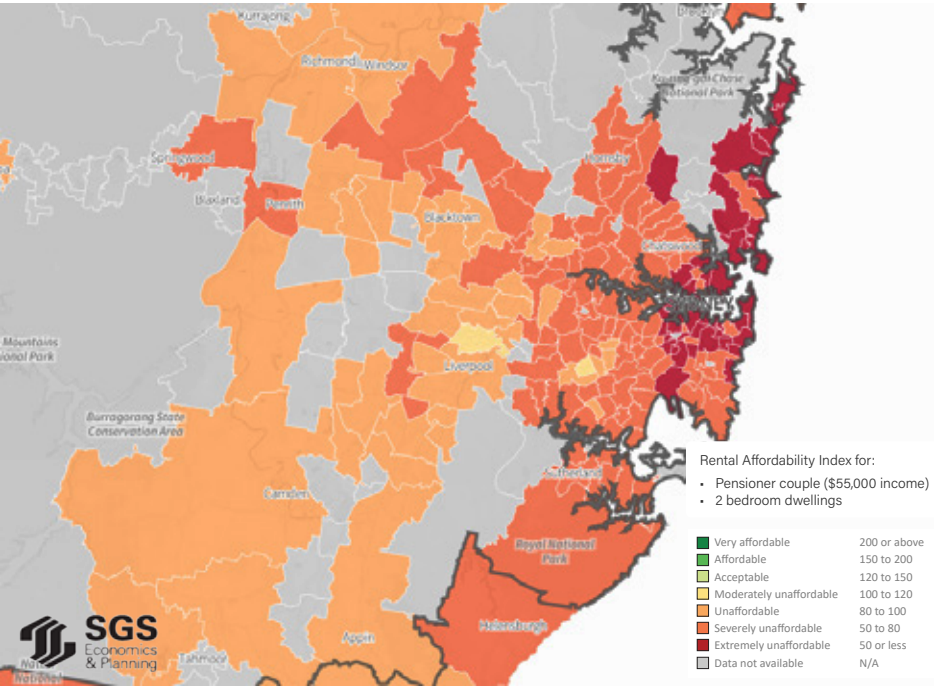
For the pensioner couple household looking to locate in ACT and Greater Sydney, rents are the least affordable, with an average RAI score of 59 to 63. Greater Brisbane and Greater Perth have RAI scores of 72, making them the second least affordable cities.

TABLE 5: RAI FOR PENSIONER COUPLE HOUSEHOLD

	RAI Score	Rent as a share of income
Greater Sydney	63	48%
Rest of NSW	95	32%
Greater Melbourne	77	39%
Rest of VIC	101	30%
Greater Brisbane	72	42%
Rest of QLD	78	38%
Greater Adelaide	88	34%
Rest of SA	129	23%
Greater Perth*	72	42%
Rest of WA*	81	37%
Greater Hobart	76	40%
Rest of TAS	101	30%
ACT	59	51%

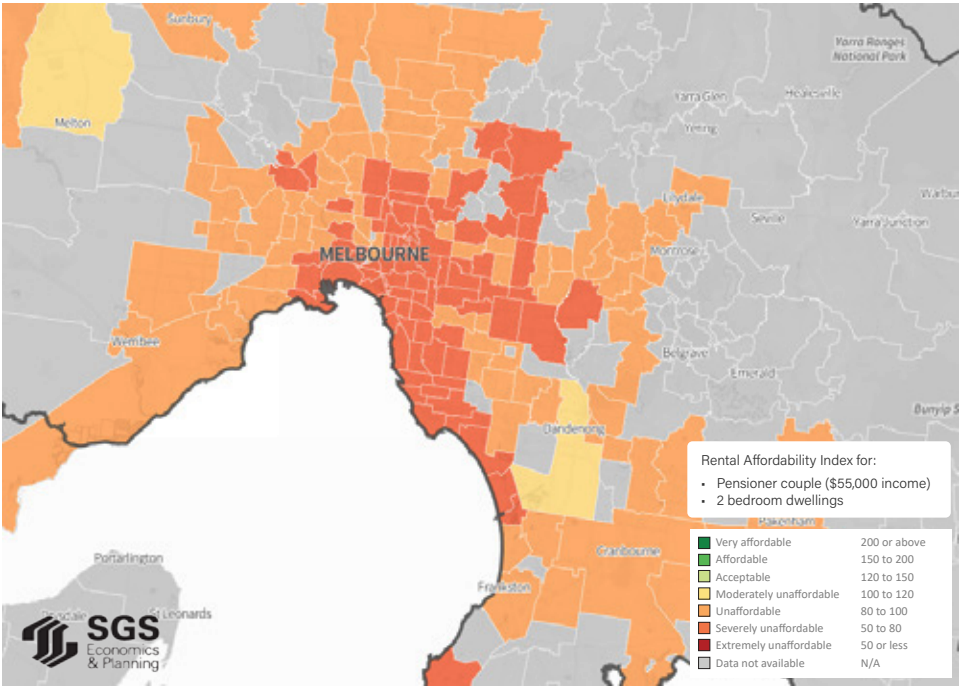
Source: SGS Economics and Planning, 2021
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 6: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 7: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

Single part-time worker parent on benefits

Household Profile

A parent and one child under five and is seeking to rent a two-bedroom rental dwelling

Affordability

Severely Unaffordable to Unaffordable rents across most metropolitan and regional areas

Economic Profile

Receives income support in the form of a parenting payment, supplemented by casual or part time paid employment

Annual income

The household an estimated annual income of \$42,143 p.a.



2.5 Single part-time worker parent on benefits

Income for this cohort has decreased by \$12,754 as the \$550 Coronavirus supplement provided in 2020 was withdrawn. After a temporary uplift, affordability for this household type has worsened consequently.

Rents are Unaffordable to Severely Unaffordable across all metropolitan and regional areas where data is available for the single part-time worker parent on benefits household.

This group often experiences additional cost pressures. Childcare and healthcare costs may compound the financial stress on this rental household.

Over the last quarters, this household type may have experienced increased financial stress due to COVID-19 restrictions in some states requiring schooling from home for school age children and limiting access to childcare.

Childminding commitments may have limited single parents' ability to work, potentially resulting in lost income. Especially in areas with extended lockdowns, most notably Greater Melbourne, the supplementary incomes from part-time jobs may have fallen away as cafes, restaurants, tourism and arts and culture came to a grinding halt. As such, the index for this household type may not fully reflect the severity of housing stress for this cohort.

The single part-time worker parent on benefits faces Severely Unaffordable rents in ACT, often paying 63 per cent of income on rent if they would enter a rental agreement now. This is followed closely by metropolitan Sydney as the second least affordable location for this household, often paying 59 per cent of income on rent. These are clearly untenable levels of housing stress.

In Greater Melbourne, these households pay around 49 per cent of income on rent, indicating that this household would be required to pay 49 per cent of their income on rent. The single part-time worker parent household also faces Severely Unaffordable rents in the metropolitan areas of Brisbane, Perth, and Hobart.

Affordability is less of an issue in regional South Australia, where rents equalling 29 per cent of income are very close to the affordability threshold of 30 per cent.

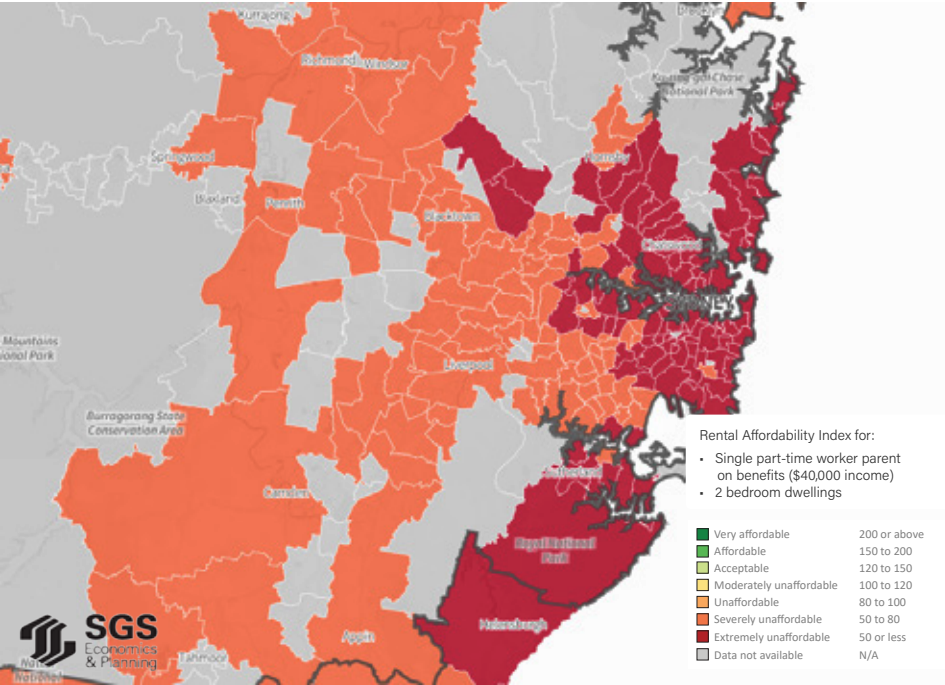
TABLE 6: RAI FOR SINGLE PART-TIME WORKER ON BENEFITS

	RAI Score	Rent as a share of income
Greater Sydney	51	59%
Rest of NSW	76	40%
Greater Melbourne	62	49%
Rest of VIC	81	37%
Greater Brisbane	58	52%
Rest of QLD	63	48%
Greater Adelaide	70	43%
Rest of SA	103	29%
Greater Perth*	58	52%
Rest of WA*	65	46%
Greater Hobart	61	49%
Rest of TAS	81	37%
ACT	48	63%

Source: SGS Economics and Planning, 2021

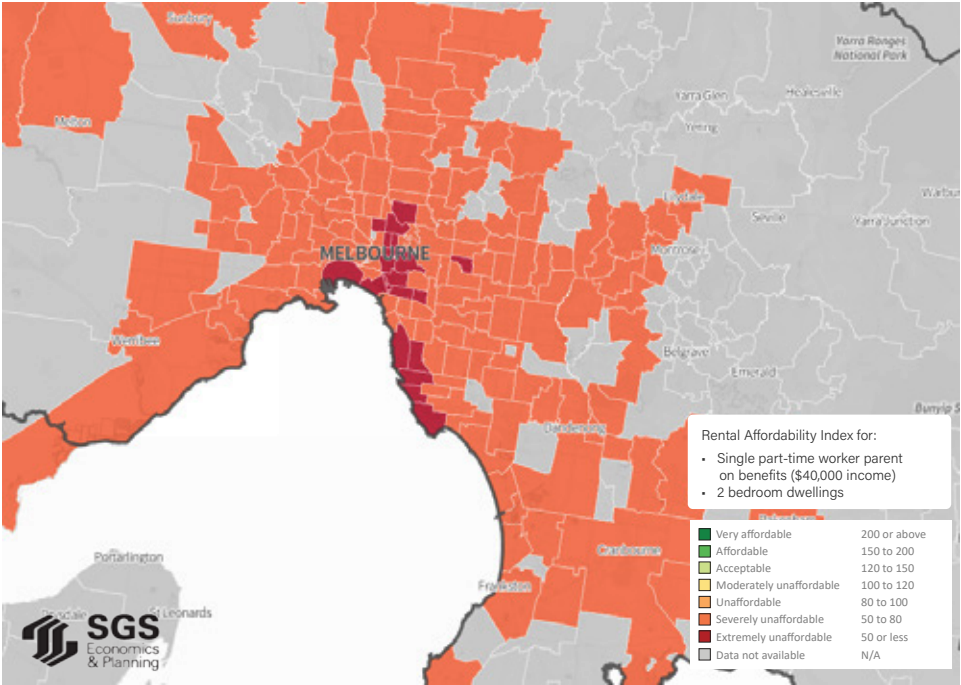
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 8: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 9: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

Single full-time working parent

Household Profile

Comprised of a single parent and a child under five and is seeking to rent a two-bedroom dwelling

Affordability

Acceptable to Affordable rents in metropolitan and regional areas

Economic Profile

A full time worker

Annual income

As a full-time teacher, the key worker parent earns and estimated \$95,437⁸ p.a.



⁸ For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.

2.6 Single full-time working parent

The income and dwelling requirements of the single full-time working parent household fall in the Acceptable range for most regions, including the capital cities of Sydney, Melbourne, Brisbane, Perth and Canberra (with Adelaide being Affordable). Regional areas are generally more affordable, where in regional South Australia these households may only spend 12% of their income on rent if they would enter a new rental agreement now.

The nature of being a lone carer makes it likely that a considerable proportion of earnings go towards childcare and after school care costs for this household, placing additional demands on the income of this household. This will compound the financial pressures of primary needs such as power, transport, and education for children.

Like the single part-time worker parent on benefits, this household type may have experienced increased financial stress since the onset of COVID-19, with restrictions in some states requiring schooling from home and limiting access to childcare. Childminding commitments may have placed limits on single parent's ability to work, resulting in lost income.

Affordability for this household type has improved slightly since the last release in both Greater Sydney and Greater Melbourne, which reflects a longer term trend of relative growth rates in incomes relative to rents. Many inner suburban locations are now considered Acceptable, rather than Moderately Unaffordable. However, Greater Sydney remains the least affordable location for single full-time worker parents (RAI score of 122), who would spend around 24 per cent of their income if renting at the median rate.

Other metropolitan and regional areas have seen a decrease in affordability. This is largely due to the downward pressure on rents during the 2020, which has since reversed. The exceptions are Hobart, which has experienced a prolonged period of rapidly rising rents, and Perth, where rents have risen significantly since 2020.

Although affordability has declined across all regional areas, it remains Affordable to Very Affordable for this household.

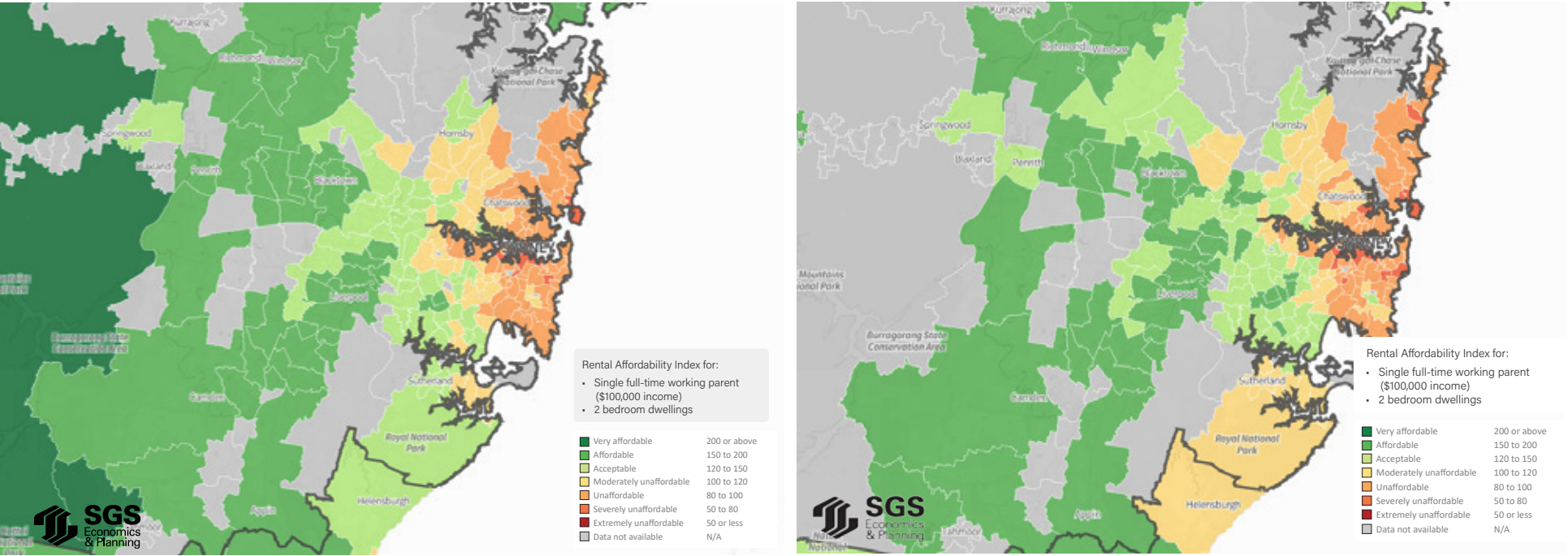
TABLE 7: RAI FOR SINGLE FULL-TIME WORKING PARENT

	RAI Score	Rent as a share of income
Greater Sydney	122	24%
Rest of NSW	183	16%
Greater Melbourne	137	22%
Rest of VIC	180	16%
Greater Brisbane	134	22%
Rest of QLD	145	20%
Greater Adelaide	168	18%
Rest of SA	247	12%
Greater Perth*	148	20%
Rest of WA*	168	18%
Greater Hobart	143	21%
Rest of TAS	186	16%
ACT	124	24%

Source: SGS Economics and Planning, 2021

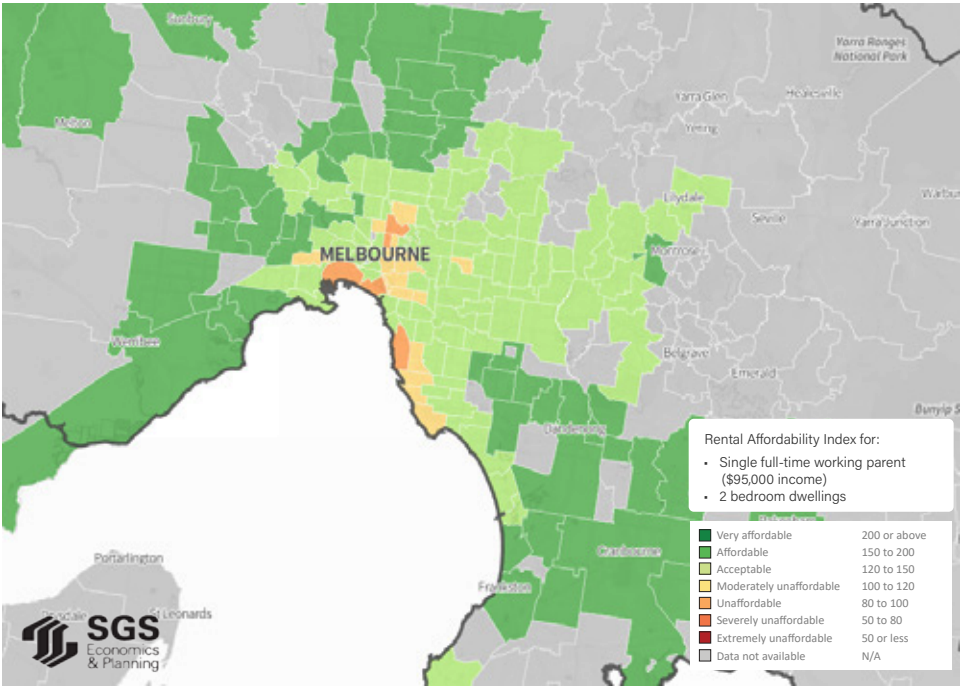
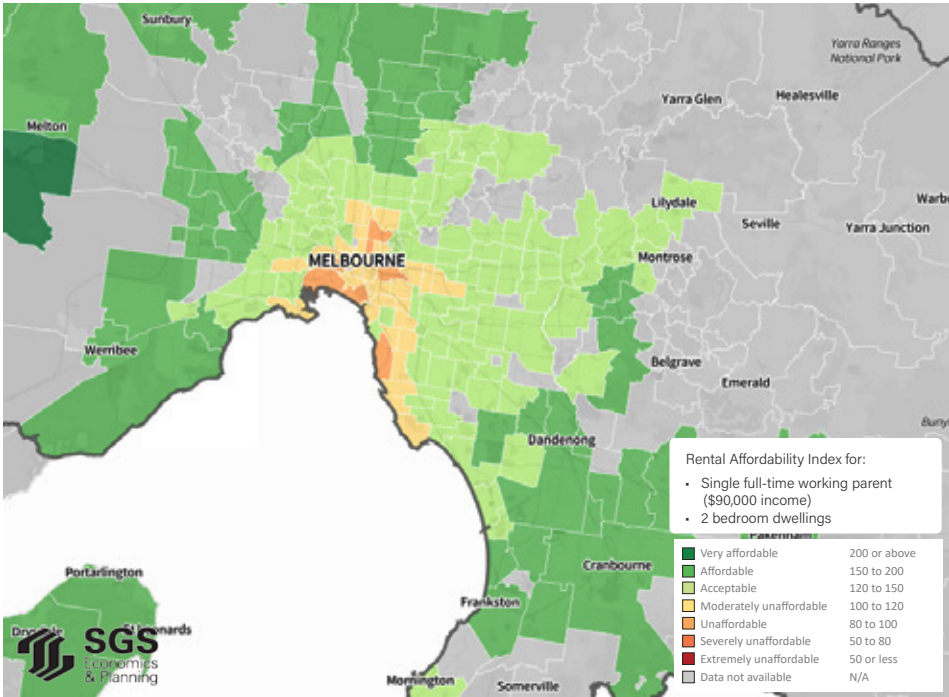
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 10: GREATER SYDNEY, JUNE QUARTER, 2020 AND 2021



Source: SGS Economics and Planning, 2021

FIGURE 11: GREATER MELBOURNE, JUNE QUARTER, 2020 AND 2021



Source: SGS Economics and Planning, 2021

Single income couple with children

Household Profile

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 dwelling

Affordability

Acceptable to Moderately Unaffordable rents across most metropolitan and regional areas⁹

Economic Profile

One key worker

Annual income

Lives on a single key worker income of \$99,437¹⁰ p.a.



2.7 Single income couple with children

This household faces Severely Unaffordable rents across most inner metropolitan areas, with some locations in Sydney being Extremely unaffordable. Affordability has consistently been falling for these households in Greater Hobart. In most metropolitan areas, Acceptable rents can only be found in outer suburbs (as illustrated in Figure 12 and Figure 13), which are typically less advantaged in terms of access to work and other opportunities. Given the size of this family, there is considerable additional financial pressure from day-to-day living costs.

The single income couple with children household has seen decreased affordability across all metropolitan and regional areas since the last release. However, although rents in Sydney and Melbourne have fallen on average, they have risen (to approximately historic peaks) for three bedroom dwellings, which are required by this household type.

The most unaffordable regions include Greater Sydney and ACT, with RAI scores of 106 and 109 (Moderately Unaffordable), and 28 per cent of income spent towards rent. All other areas are Acceptable or Affordable, with the highest score of 198 recorded for Rest of SA.

Like other household types with children, this household type may have experienced increased financial stress over due to COVID-19 restrictions. In some states, children have been schooled at home and access to childcare has been disrupted. Childminding commitments may have placed limits on the ability to work, resulting in lost income.

TABLE 8: RAI FOR SINGLE INCOME COUPLE WITH CHILDREN

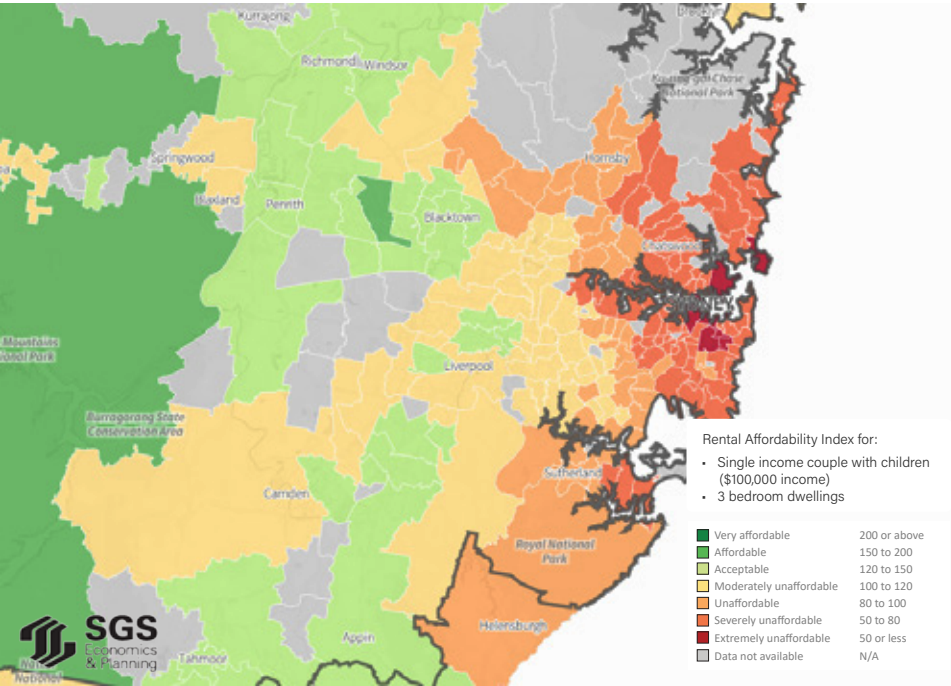
	RAI Score	Rent as a share of income
Greater Sydney	106	28%
Rest of NSW	150	20%
Greater Melbourne	126	24%
Rest of VIC	146	21%
Greater Brisbane	128	24%
Rest of QLD	127	24%
Greater Adelaide	144	21%
Rest of SA	198	15%
Greater Perth*	148	20%
Rest of WA*	168	18%
Greater Hobart	117	26%
Rest of TAS	155	19%
ACT	109	28%

Source: SGS Economics and Planning, 2021
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

⁹ Note 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

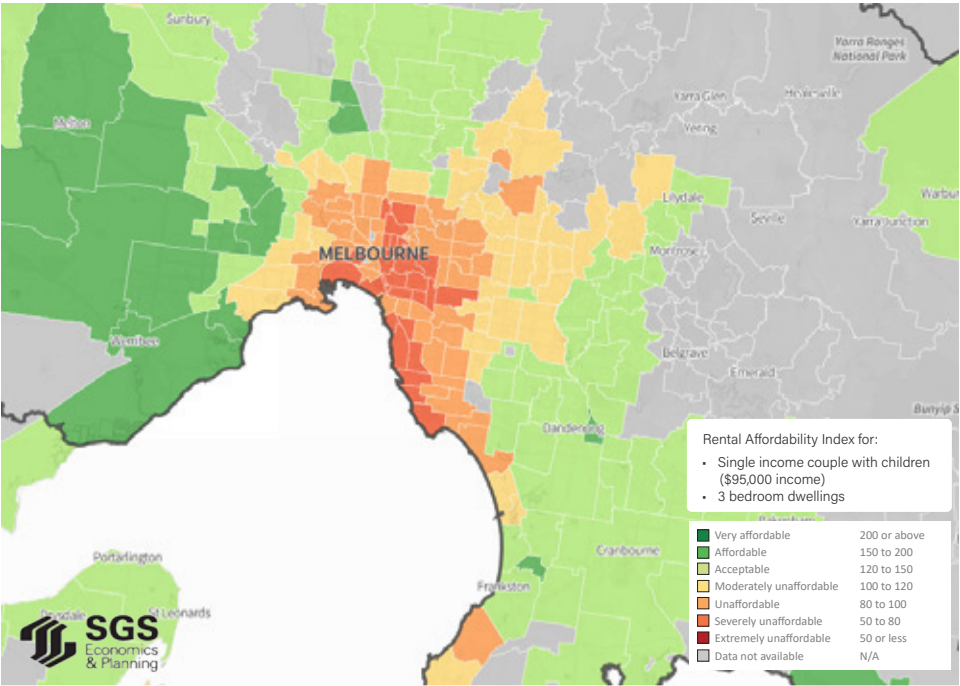
¹⁰ For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia

FIGURE 12: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 13: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

Dual income couple with children

Household Profile

Full-time key worker couple has two children under ten and seeks to rent a three bedroom dwelling

Affordability

Affordable to Very Affordable rents across states

Economic Profile

This household lives on two full time teachers' wages

Annual income

A combined annual income of \$198,875 p.a.¹¹

¹¹ For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.



2.8 Dual income couple with children

The dual income couple with children household can generally access Affordable to Very Affordable rents across most metropolitan and regional areas. The RAI scores have slightly decreased since the last release across all metropolitan and regional areas, reflecting the increased rents for 3 bedroom dwellings. Regional areas in particular offer Very Affordable rents for this household.

Like other household types which children, this household may also have come under some financial pressure during COVID-19 with restrictions in some states requiring schooling from home for school age children and limiting access to childcare. Childminding commitments may have placed limits on dual parent's ability to work, resulting in lost income.

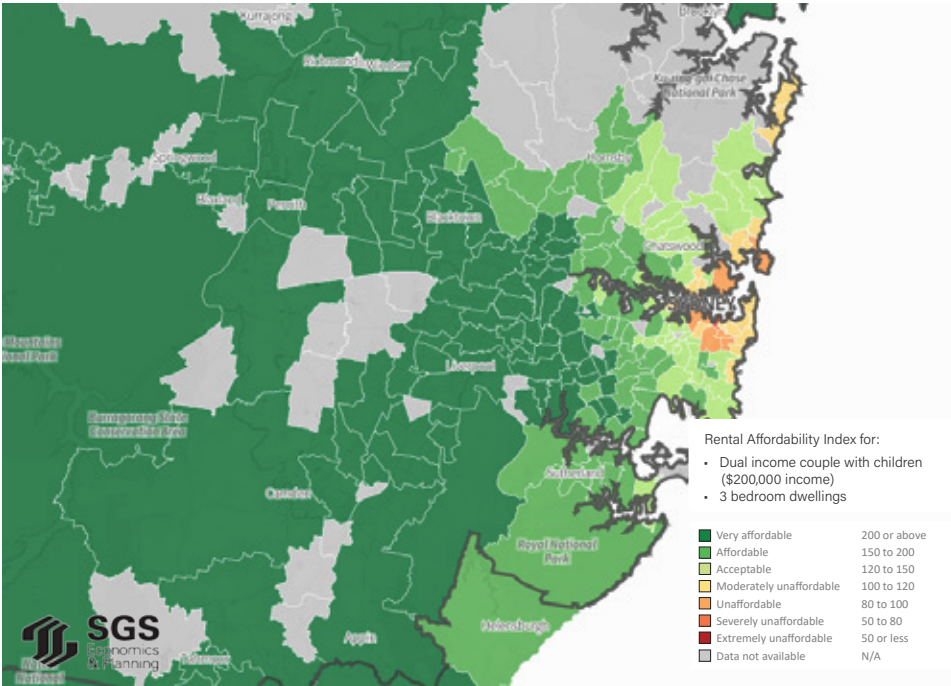
TABLE 9: RAI FOR DUAL INCOME COUPLE WITH CHILDREN

	RAI Score	Rent as a share of income
Greater Sydney	213	14%
Rest of NSW	301	10%
Greater Melbourne	252	12%
Rest of VIC	292	10%
Greater Brisbane	256	12%
Rest of QLD	253	12%
Greater Adelaide	289	10%
Rest of SA	396	8%
Greater Perth*	297	10%
Rest of WA*	336	9%
Greater Hobart	234	13%
Rest of TAS	309	10%
ACT	218	14%

Source: SGS Economics and Planning, 2021

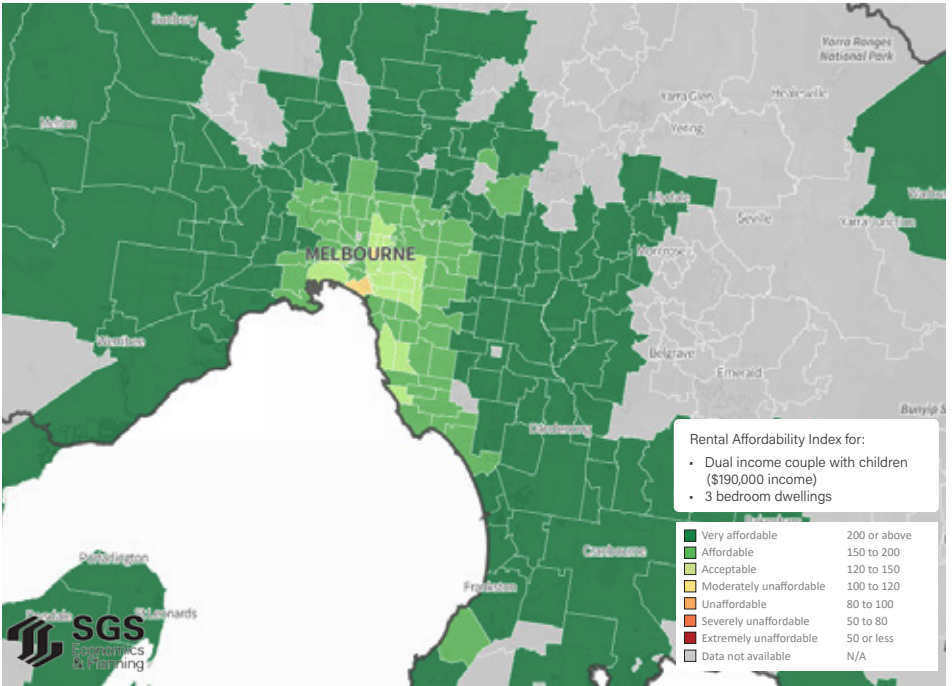
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 14: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 15: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

Student sharehouse

Household Profile

Three students between the ages of 18 and 35, seeking to rent a shared three bedroom dwelling.

Affordability

Unaffordable to Acceptable rents across metropolitan and regional areas

Economic Profile

Youth Allowance or Austudy income support payment. In addition, each student earns the maximum additional income allowable before income support payments are affected

Annual income

The estimated gross annual income for this household is \$81,471 p.a., or \$27,157 p.a. per student



2.9 Student sharehouse

The student sharehouse has experienced significant decreases in income and rental affordability over the past year, due to the withdrawal of the coronavirus supplement payment.

Rental affordability ranges from Unaffordable to Acceptable, and is most unaffordable in Greater Sydney, ACT and Greater Hobart. They are Acceptable in regional areas, and regional South Australia has Affordable rents. This forces members of this household to choose between rental stress or having to locate in areas with poorer access to inner-city tertiary institutions and part-time work.

The ACT, Greater Melbourne and Greater Hobart are the least affordable locations for this household, with RAI scores of 81, 85 and 96, requiring over 31 per cent of income to be spent on rent. Across most inner and middle suburbs of metropolitan cities, rents are Unaffordable to Moderately Unaffordable for the student sharehouse household.

The student sharehouse is 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 factors add to the real experience of rental stress.

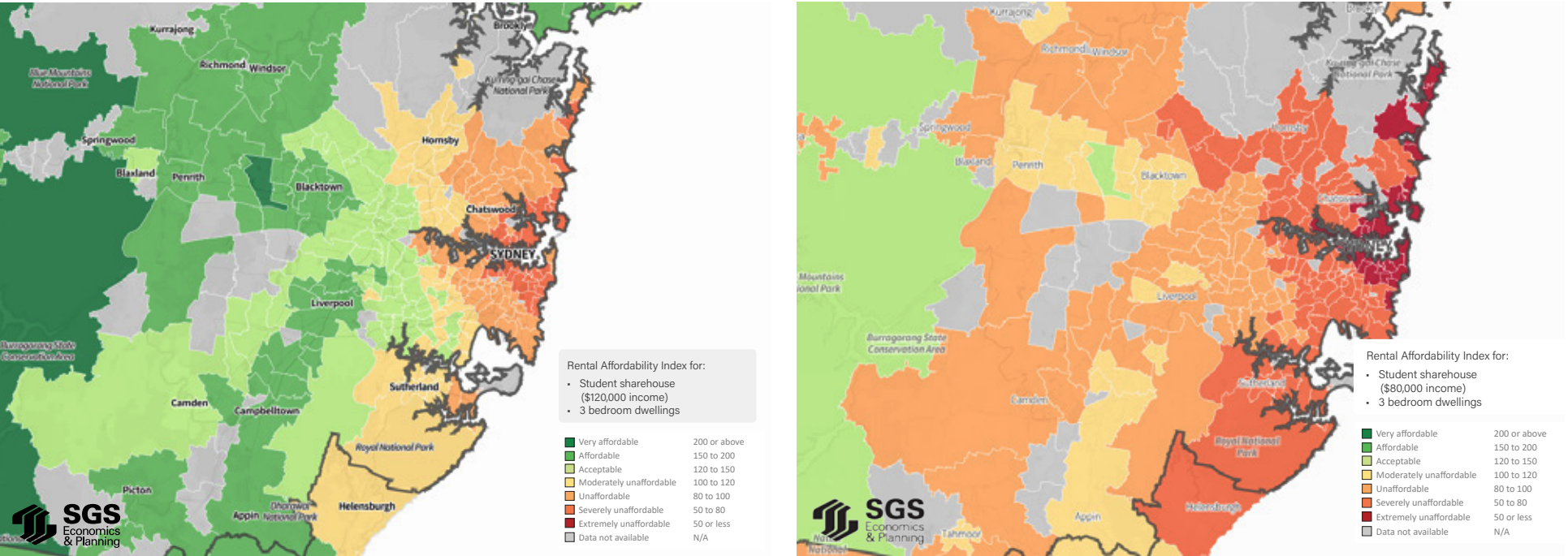
TABLE 10: RAI FOR STUDENT SHAREHOUSE

	RAI Score	Rent as a share of income
Greater Sydney	85	35%
Rest of NSW	121	25%
Greater Melbourne	109	28%
Rest of VIC	127	24%
Greater Brisbane	107	28%
Rest of QLD	106	29%
Greater Adelaide	117	26%
Rest of SA	160	19%
Greater Perth*	112	27%
Rest of WA*	126	24%
Greater Hobart	96	31%
Rest of TAS	131	23%
ACT	81	37%

Source: SGS Economics and Planning, 2021

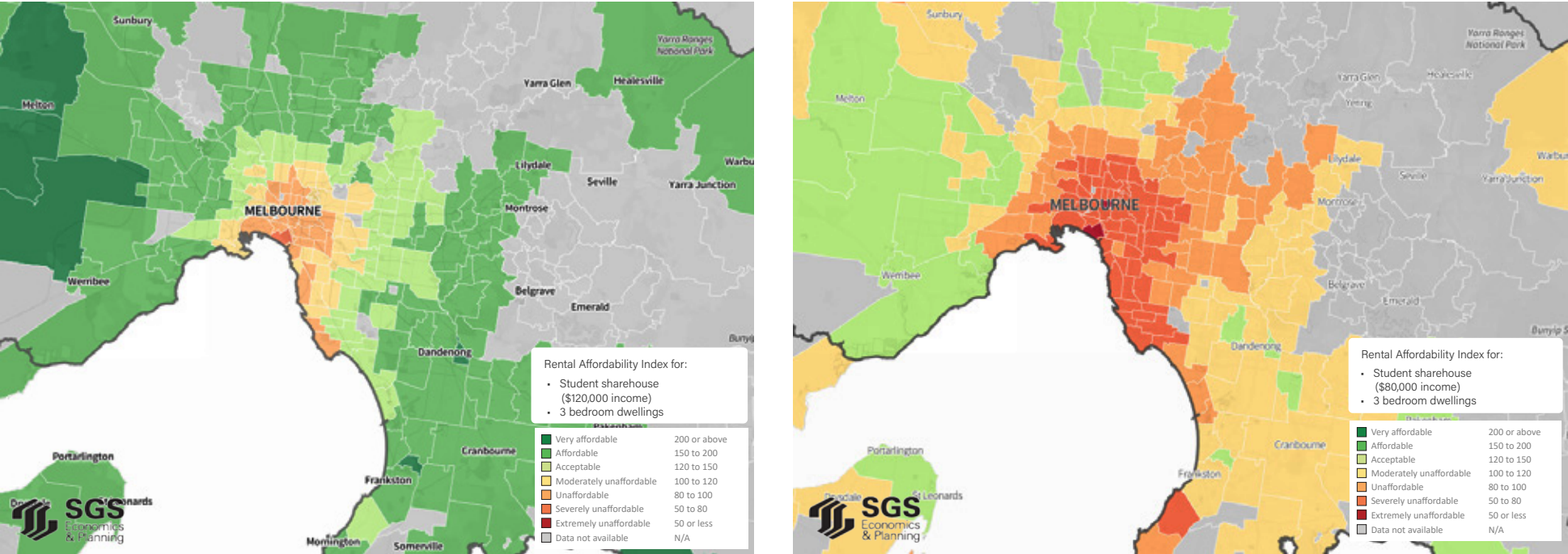
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 16: GREATER SYDNEY, JUNE QUARTER, 2020 AND 2021



Source: SGS Economics and Planning, 2021

FIGURE 17: GREATER MELBOURNE, JUNE QUARTER, 2020 AND 2021



Minimum wage couple

Household Profile

Comprised of a full-time working couple, both earning the national minimum wage. The household seeks to rent a two-bedroom dwelling

Affordability

Unaffordable to Acceptable across most metropolitan and regional areas

Economic Profile

The household does not receive any income or rental support

Annual income

The estimated gross annual income for this household is \$80,350 p.a.



2.10 Minimum wage couple

The minimum wage couple faces Unaffordable to Acceptable rents across most areas in Australia. Greater Sydney and ACT are the least affordable overall with RAI scores of 91 and 97. This implies that over 31 per cent of total income would be required to rent at the median rate. Contrary to this, affordability in Melbourne has improved over the past two years, driven by decreasing rents for 2 bedroom dwellings, and is now considered Acceptable.

Regional areas offer greater affordability, particularly in Victoria and South Australia, where rents are Affordable. The Rest of QLD is the least affordable region with Acceptable rents.

In Greater Sydney, rents are Unaffordable to Severely Unaffordable for this household in inner and middle suburbs. Severely Unaffordable areas are much wider spread in Sydney compared to Melbourne.

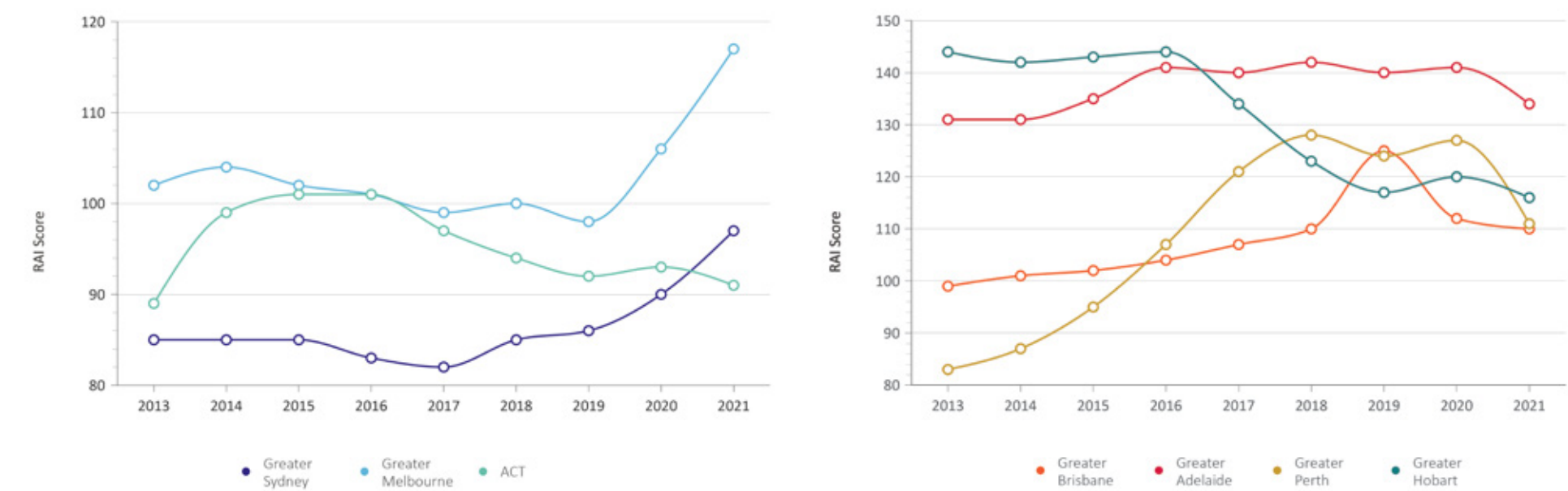
It should be noted that minimum wage workers are often employed on a casual basis. This is associated with lower income certainty, which can place these households under additional stress (as rent paid will not change in periods of lower income).

TABLE 11: RAI FOR MINIMUM WAGE HOUSEHOLD

	RAI Score	Rent as a share of income
Greater Sydney	97	31%
Rest of NSW	145	21%
Greater Melbourne	117	26%
Rest of VIC	155	19%
Greater Brisbane	110	27%
Rest of QLD	120	25%
Greater Adelaide	134	22%
Rest of SA	197	15%
Greater Perth*	111	27%
Rest of WA*	124	24%
Greater Hobart	116	26%
Rest of TAS	155	19%
ACT	91	33%

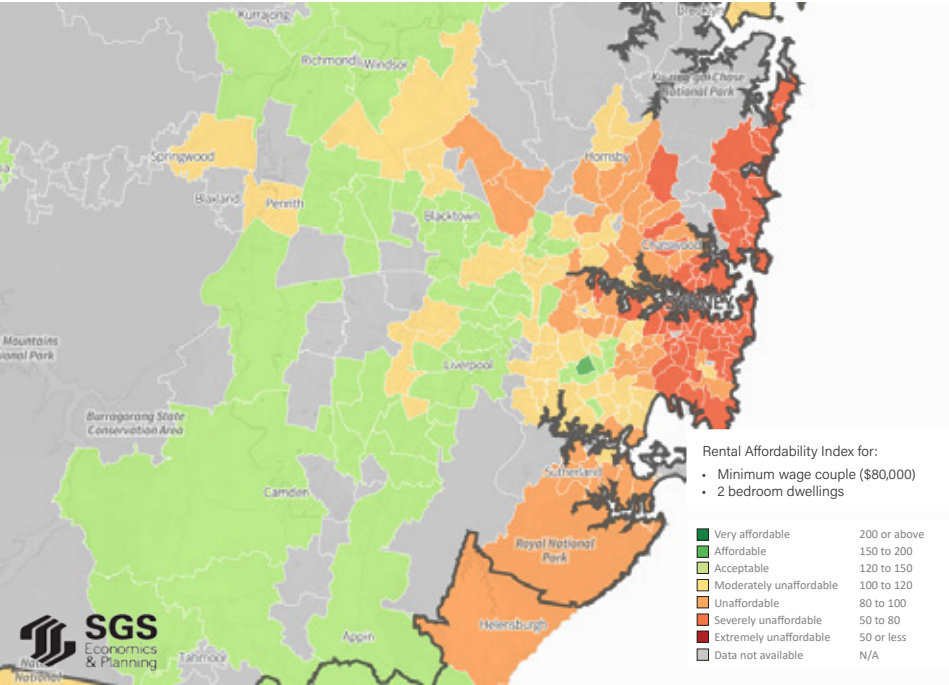
Source: SGS Economics and Planning, 2021
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 18: RAI SCORES FOR A MINIMUM WAGE COUPLE, CAPITAL CITIES, 2013 - 2021



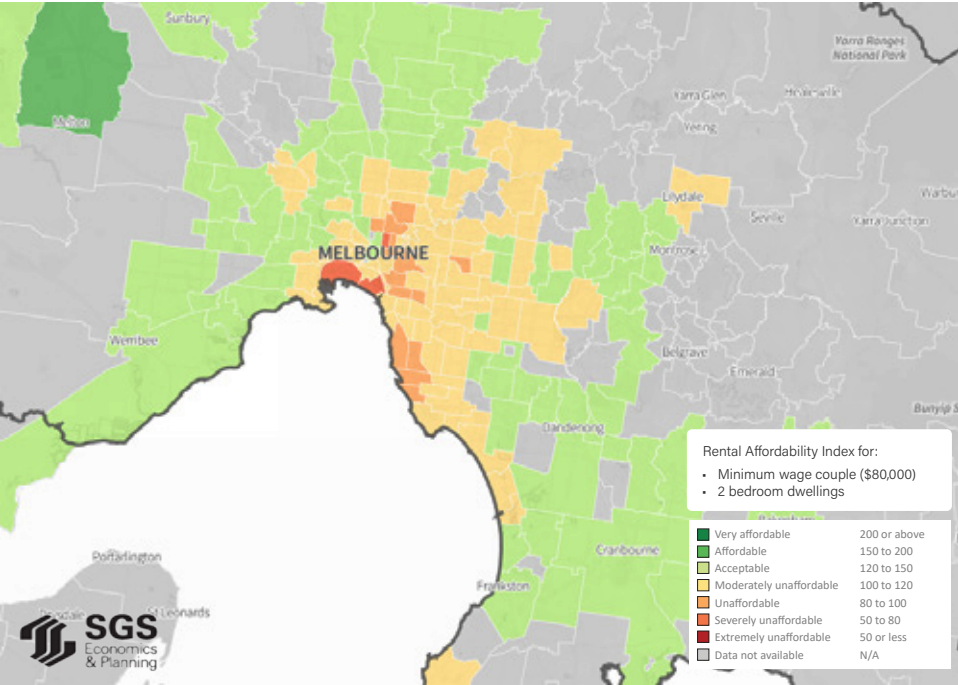
Source: SGS Economics and Planning, 2021

FIGURE 19: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 20: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

Hospitality worker

Household Profile

A lone person household seeking to rent a one bedroom dwelling

Affordability

Moderately Unaffordable to Severely Unaffordable across most metropolitan and regional areas

Economic Profile

The worker lives on a single hospitality worker income

Annual income

The estimated gross annual income for this household is \$59,344 p.a.¹²

¹² For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.



2.11 Hospitality worker

Across the nation’s metropolitan areas, rents for the hospitality worker household are Moderately Unaffordable to Severely Unaffordable. With a RAI score of 75, ACT is the least affordable city for the hospitality worker, requiring households to pay around 40 per cent of their income if renting at the median rate (a 3 per cent increase from the last release). Inner areas of Canberra are Severely unaffordable, with outer areas Unaffordable to Moderately Unaffordable.

Greater Sydney remains the second least affordable city for hospitality workers with a RAI score of 87, requiring 34 per cent of income to be spent on rent. Inner and middle areas of Sydney are Severely unaffordable. This is followed by Brisbane, with a RAI score of 93.

Greater Melbourne has considerably increased affordability, with a RAI score increasing from 96 to 113, becoming Moderately Unaffordable. All other areas have seen decreases in RAI scores. Regional areas have better affordability, with regional South Australia being the most affordable.

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 or late hours of work for this household type, the inadequacy of Acceptable rents constrains opportunities and liveability outcomes.

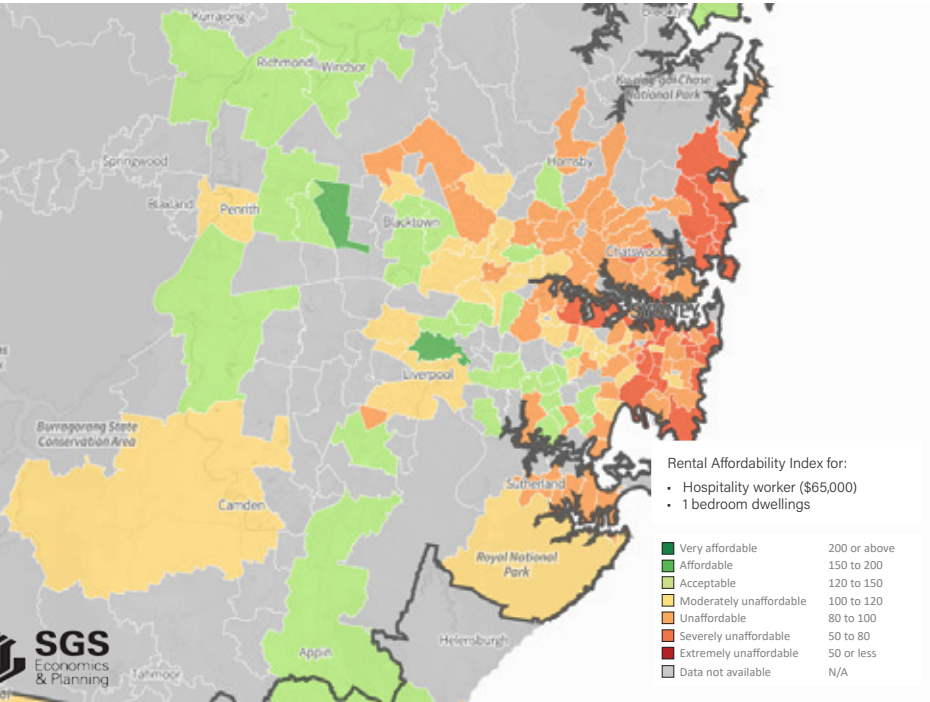
COVID-19 has disproportionately affected hospitality and service industry workers. The hospitality sector faces a recovery period with the additional costs of remaining COVID-safe as well as lower revenue driven by a slower economy and lack of tourism.

TABLE 11: RAI FOR MINIMUM WAGE HOUSEHOLD

	RAI Score	Rent as a share of income
Greater Sydney	87	34%
Rest of NSW	138	22%
Greater Melbourne	113	27%
Rest of VIC	139	22%
Greater Brisbane	93	32%
Rest of QLD	110	27%
Greater Adelaide	117	26%
Rest of SA	186	16%
Greater Perth*	83	36%
Rest of WA*	104	29%
Greater Hobart	113	27%
Rest of TAS	153	20%
ACT	75	40%

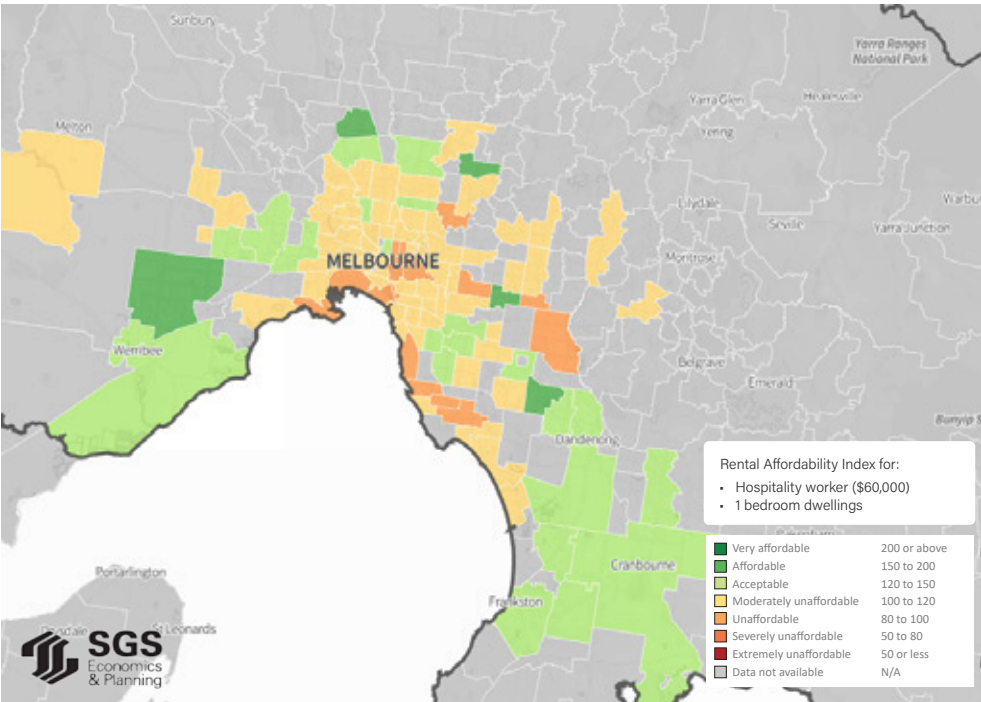
Source: SGS Economics and Planning, 2021
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 21: GREATER SYDNEY, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

FIGURE 22: GREATER MELBOURNE, JUNE QUARTER 2021



Source: SGS Economics and Planning, 2021

3. National Trends

3.1 Background

Nationwide, the proportion of households renting is on the rise, having increased from 27 per cent to 32 per cent between 1997 and 2018¹³. Over the same period, the proportion of public housing tenants halved, from 6 per cent to 3 per cent¹⁴. 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 cent. AHURI estimates that 1.3 million households need additional housing assistance¹⁵.

In Australia, this shift towards renting and increased rental costs, is driven by a range of factors. The introduction of the capital gains discount in 1999, combined with negative gearing has dramatically increased the number of investors who compete with home owners for available property, and also kept more

households out of home ownership and trapping them in the rental market. Recent interest rate conditions and widening income inequality reinforce 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 driving up rents. Additionally, higher income households seek more affordable rents to increase their ability to save a deposit to move into ownership, which further displaces lower income households from lower cost rentals and increases their level of housing stress.

There is less social and affordable housing stock available than there was a decade ago. As a result, more (very) low-income Australians are pushed into the private rental

market and forced to 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 .

While not a main driver of rental affordability in general, in some inner city areas, there are many apartments sitting vacant as an investment. This reduces the availability of rental properties to households. 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.

¹³ Australian Bureau of Statistics. (2019). Housing Occupancy and Costs, 2017-18

¹⁴ Australian Bureau of Statistics. (2019). Housing Occupancy and Costs, 2017-18

¹⁵ Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) Modelling housing need in Australia to 2025, AHURI Final Report No. 287, Australian Housing and Urban Research Institute Limited, Melbourne.

¹⁶ ABS 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 for the average rental households of each city. The improvement in affordability during the second quarter of 2020 was short lived, and rents have continued to rise rapidly, pushing affordability to a historic low point.

Over the past five years, the RAI score of Greater Hobart has decreased by over 5 per cent per annum, leaving it as the only capital city in Australia where rental affordability for the average rental household is below the critical threshold of 100. With a RAI score of 87 in June 2021, the average rental household would pay 34 per cent of their income if renting at the median rate.

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 four years, with little sign of abating. A comparison of RAI scores in Greater Hobart and Greater Sydney over recent years (see Figure 24) 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 since 2017.

There has been a stark contrast in affordability trends across mainland capital cities. Both **Greater Sydney** and **Greater Melbourne** have improved in affordability, both during the COVID-19 pandemic and over the longer term. The RAI scores of the two cities (126 and 148) have increased by 3 and 7 per cent since 2019, respectively, and are the highest observed in the nine years measured by the Rental Affordability Index. The trend of declining affordability in the **ACT** has also ceased over this period. While incomes have increased, these improvements have been primarily driven by static rents, followed by steep declines due to the effects of the COVID-19 pandemic on Australia's two largest cities (see Figure 23).

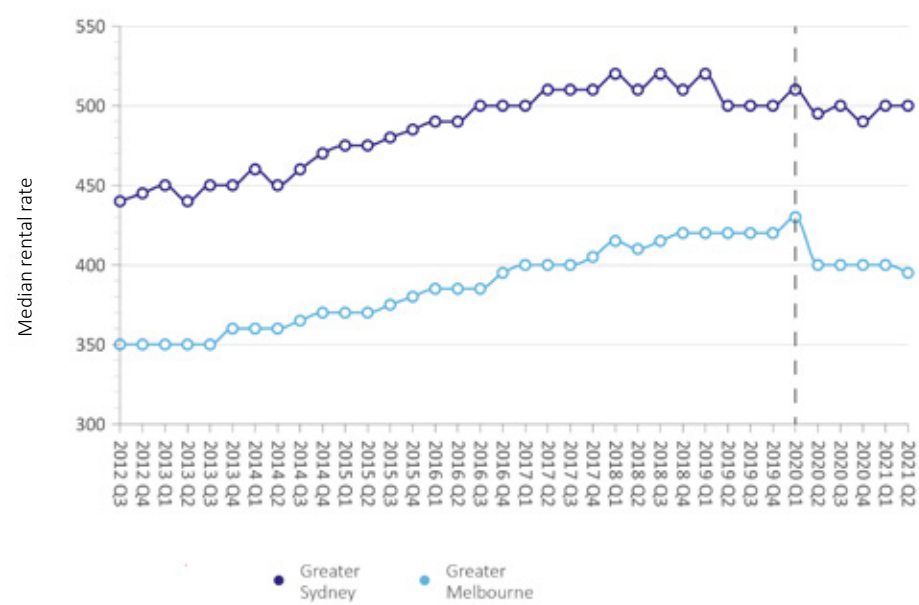
The collapse of international tourism and student demand has meant that rental rates for one bedroom and two bedroom dwellings have experienced the greatest decline, leading to the greatest improvement in affordability for households who require these forms of housing such as singles, couples without children, or small families. However, this has coincided with rising rents for larger dwellings, intensifying pressure on family households who require dwellings of 3 bedrooms or larger.

Conversely, the recent trends observed in **Greater Brisbane**, **Greater Adelaide**, and **Greater Perth** are less favourable for renting households. Following temporary improvements in affordability during 2020 for those cities, at the height of COVID-19 restrictions, affordability declined significantly even relative to pre-pandemic levels. Most striking has been Perth, where the RAI score has decreased by 14 per cent over the past year, meaning that it is now less affordable than Sydney and Melbourne (having been the most affordable capital previously).

With a RAI score of 110, Greater Adelaide is the second least affordable capital city, as incomes in Greater Adelaide fail to keep pace with rising rents. This means that an average income household would now pay 27 per cent of their income if renting at the median rate.

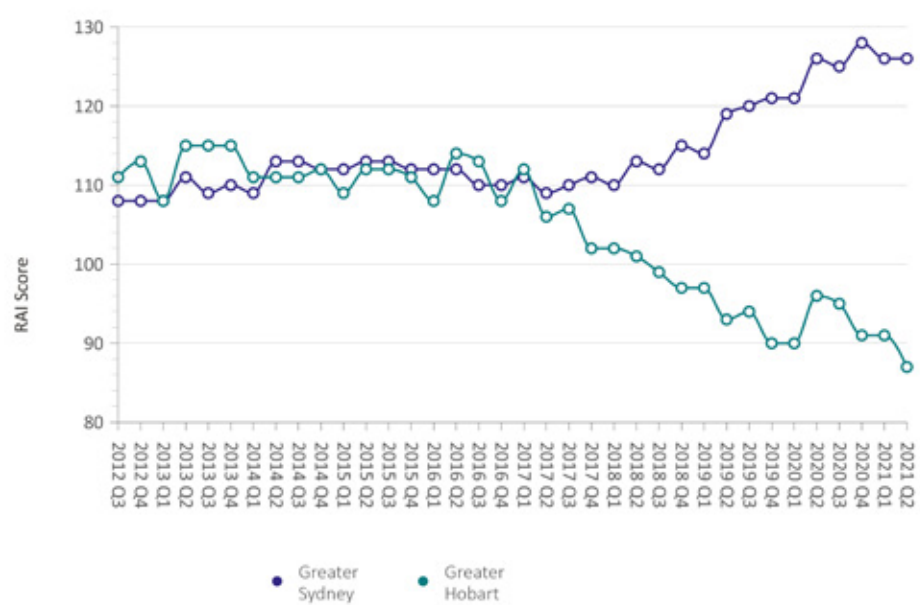
Even in cities with improved affordability, the tangible improvement for very low-income households is negligible, as they still face severely unaffordable rents in most metropolitan areas.

FIGURE 23: MEDIAN RENTAL RATES IN SYDNEY AND MELBOURNE (2012 - 2021)



Source: SGS Economics and Planning, 2021

FIGURE 24: RAI COMPARISON - SYDNEY AND HOBART (2012 - 2021)



Source: SGS Economics and Planning, 2021

**TABLE 13: NATIONAL RAI TRENDS -
METROPOLITAN AREAS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	1-year CAGR	2-year CAGR	3-year CAGR
Greater Sydney	108	111	113	113	112	109	113	119	126	126	0%	3%	4%
Greater Melbourne	127	130	130	127	127	127	127	129	143	148	3%	7%	5%
Greater Brisbane	113	118	119	117	117	120	123	128	130	121	-6%	-2%	0
Greater Adelaide	109	112	114	113	118	117	114	112	114	110	-4%	-1%	-1%
Greater Perth	105	103	106	115	127	139	144	143	145	125	-14%	-7%	-5%
Greater Hobart	111	115	111	112	114	106	101	93	96	87	-9%	-3%	-5%
ACT	118	121	131	133	128	128	122	118	119	119	0%	1%	-1%

Source: SGS Economics and Planning, 2021

**TABLE 14: NATIONAL RAI TRENDS -
METROPOLITAN AREAS (JUNE 2021)**

Region	RAI	Share of income spent on rent	Relative Unaffordability
Greater Sydney	126	24%	Acceptable
Greater Melbourne	148	20%	Acceptable
Greater Brisbane	121	25%	Acceptable
Greater Adelaide	110	27%	Moderately unaffordable
Greater Perth	125	24%	Acceptable
Greater Hobart	87	34%	Unaffordable
ACT	119	25%	Moderately unaffordable

Source: SGS Economics and Planning, 2021

3.3 Rest of state areas

Since the onset of the COVID-19 pandemic, there have been several associated restrictions that have largely affected capital cities. While Australia's regions have been spared the worst of pandemic response measures, there has been concern regarding the impacts of outward-migrating city residents on housing, and rental, affordability.

This phenomenon is observed in the most recent data, which shows that affordability has worsened in the regional areas of every state. The worst affected states have been Victoria, NSW, and Queensland, reflecting the relative severity of restrictions in their capital cities up to June 2021. The regional areas of these states are now at their most unaffordable in the period measured by the RAI.

The areas most significantly affected tend to be coastal areas, such as Byron Bay (NSW), Ocean Grove (VIC), and the Gold Coast and Sunshine Coast (QLD). However, inland towns such as Orange and Bendigo also became far less affordable to the average rental household over the last year.

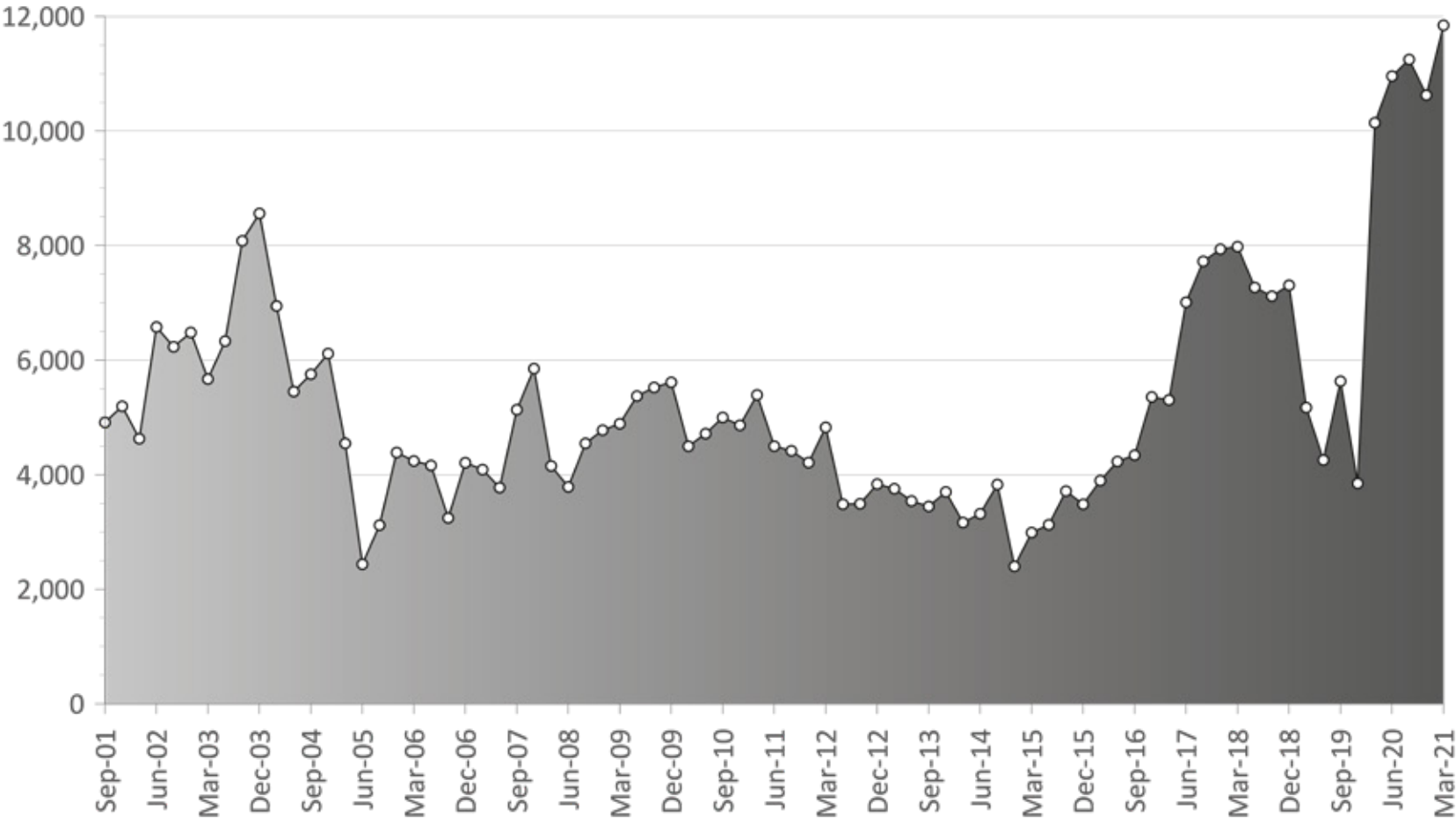
Other key rest of state area trends include:

- Regional TAS has further declined in affordability over the past year, particularly in the cities of Launceston and Burnie, and remains the least affordable of the rest of the state areas studied.
- Regional WA also recorded a slight decrease in affordability, moving from a score of 155 to 138.
- Regional SA had the smallest decline in affordability over the last year.

Figure 25 shows that net internal migration to the regions was, in March 2021, approximately 50 per cent higher than the historical peak. While this is still small relative to the size of capital city populations, it can still significantly impact affordability in regional towns, as the movement occurred in a very short space of time and was coupled with pandemic-induced inefficiencies in residential development.

The persistence of these trends remains to be seen as Australia transitions to a living-with-COVID state.

FIGURE 25: NET INTERNAL MIGRATION
(POPULATION) TO ALL REST OF STATE AREAS



Source: ABS Regional internal migration estimates, August 2021

**TABLE 15: NATIONAL RAI TRENDS -
REST OF STATE AREAS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	1-year CAGR	2-year CAGR	3-year CAGR
Rest of NSW	119	120	124	125	124	121	122	122	124	113	-9%	-4%	-2%
Rest of Vic.	121	125	123	124	125	125	124	120	124	116	-6%	-2%	-2%
Rest of QLD	110	116	121	122	123	123	123	120	123	110	-11%	-4%	-4%
Rest of SA	127	129	130	129	134	138	133	134	136	133	-2%	-1%	0%
Rest of WA	97	107	99	134	149	153	157	157	155	138	-11%	-6%	-4%
Rest of Tas.	118	123	119	126	120	122	121	116	114	103	-9%	-6%	-4%

Source: SGS Economics and Planning, 2021

**TABLE 16: NATIONAL RAI TRENDS -
REST OF STATE AREAS (JUNE 2021)**

Region	RAI	Share of income spent on rent	Relative Unaffordability
Rest of NSW	113	26%	Moderately unaffordable
Rest of Vic.	116	26%	Moderately unaffordable
Rest of QLD	110	27%	Moderately unaffordable
Rest of SA	133	23%	Acceptable
Rest of WA	138	22%	Acceptable
Rest of Tas.	103	29%	Moderately unaffordable

Source: SGS Economics and Planning, 2021

4. State trends

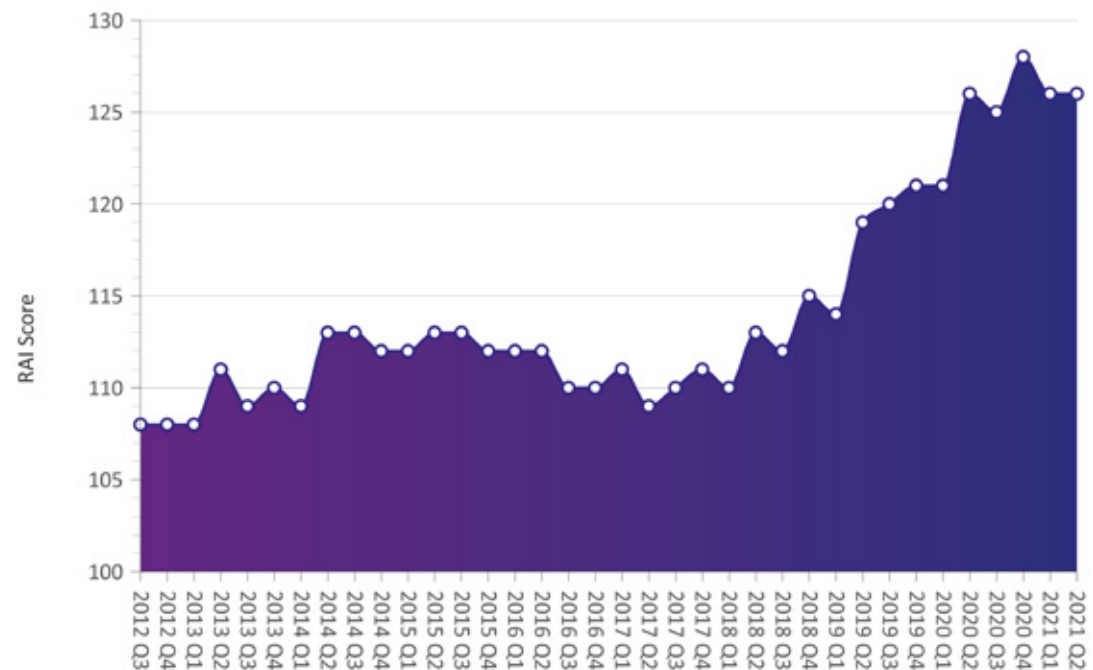
4.1 New South Wales

GREATER SYDNEY

The average rental household in Greater Sydney, at June 2021, has a gross income of \$109,200 per annum.

With a RAI score of 126, rental affordability across Greater Sydney has remained stable over the past year, following a period of improvement since 2019, particularly after the onset of the COVID-19 pandemic.

FIGURE 26: RENTAL AFFORDABILITY INDEX, GREATER SYDNEY



Source: SGS Economics and Planning, 2021

However, the difference this makes for very low-income households is negligible, and Sydney remains critically unaffordable to significant proportions of the renting population. While the average rental household in Greater Sydney spends around 24 per cent of its total income on rent at the median rental rate, this share is much higher for lower-income households.

Sydney’s harbour, northern, and coastal suburbs represent the least affordable locations. The average rental household generally must travel at least 15km from the CBD, to areas such as Marickville or Ryde, to find Acceptable rents in primarily smaller dwellings

(2 bedrooms). For slightly larger dwellings (3 bedrooms), this distance rises to up to 40km in areas such as Parramatta, Blacktown, and Liverpool.

The 12 months from June 2020 to June 2021 reflect many of the impacts of the COVID-19 pandemic. Following an improvement in affordability in late 2020 (RAI score of 209), stemming from falling rents, the Sydney CBD (postcode 2000) has reverted to its Unaffordable pre-pandemic level (RAI score of 95).

However, this is not the case for many other inner suburban locations such as Redfern, Paddington, Darlington, and Newtown, which have remained significantly more affordable to June 2021. Conversely, affordability has worsened in many outer suburbs, such as Camden, Hornsby and Brooklyn, Wyong, and Katoomba.

Sydney’s 5 least affordable postcodes (with at least 80 new rentals in the most recent quarter) are listed in the table below.

TABLE 17: TOP 5 LEAST AFFORDABLE POSTCODES IN SYDNEY (JUNE QUARTER, 2021)

Rank	Postcode	Suburbs	RAI Score	Rent as share of average household income
1	2027	Darling Pointm Edgecliff, Point Piper	79	38%
2	2095	Manly, Manly East	79	38%
3	2094	Fairlight	85	35%
4	2075	St Ives, St Ives Chase	85	35%
5	2028	Double Bay	88	34%

Source: SGS Economics and Planning, 2021
 Note: RAI has been calculated using a rounded gross income of \$110,000
 Only postcodes with greater than 80 records are considered for the top 5 list

REST OF NSW

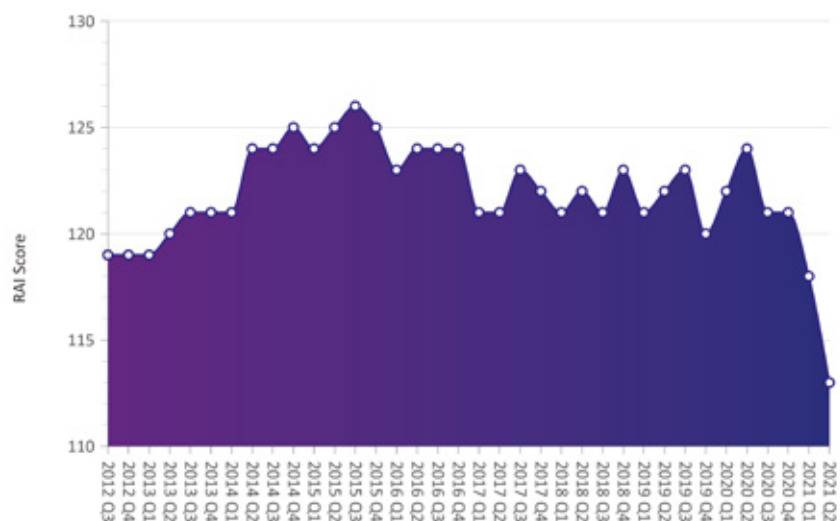
The average rental household in regional NSW has a gross income of \$73,700 per annum.

With a RAI score of 113, reflecting Moderately Unaffordable rents, the average rental household in regional NSW would face paying 26 per cent of its total income on rent.

This represents a significant worsening in affordability over the past 12 months, which is consistent across all regional NSW postcodes. The greatest worsening of affordability is evident in the coastal areas of regional NSW (e.g., Tweed Heads, Woolgoolga, Port Macquarie, Kiama) and inland areas such as Wellington, Cooma,

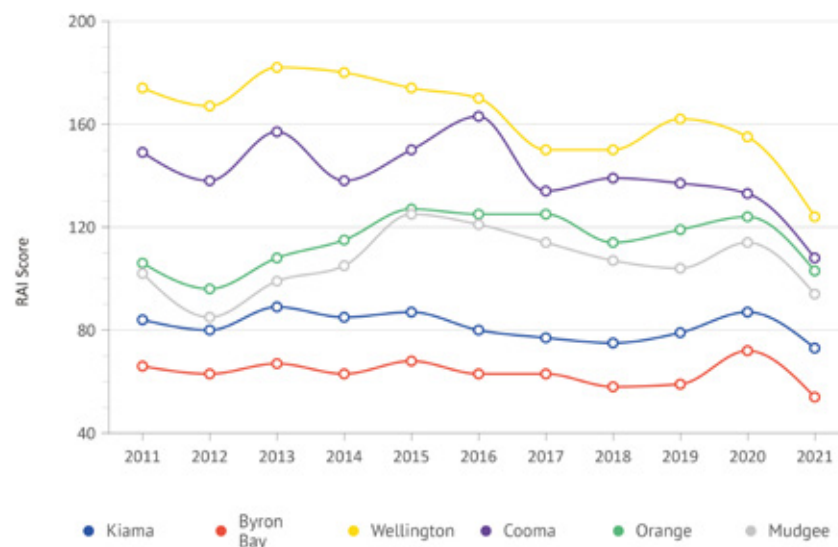
Orange, and Mudgee. These changes from Affordable to Unaffordable are a reflection of shifting housing preferences during the COVID-19 pandemic, although their persistence remains to be seen.

FIGURE 27: RENTAL AFFORDABILITY INDEX, REGIONAL NSW



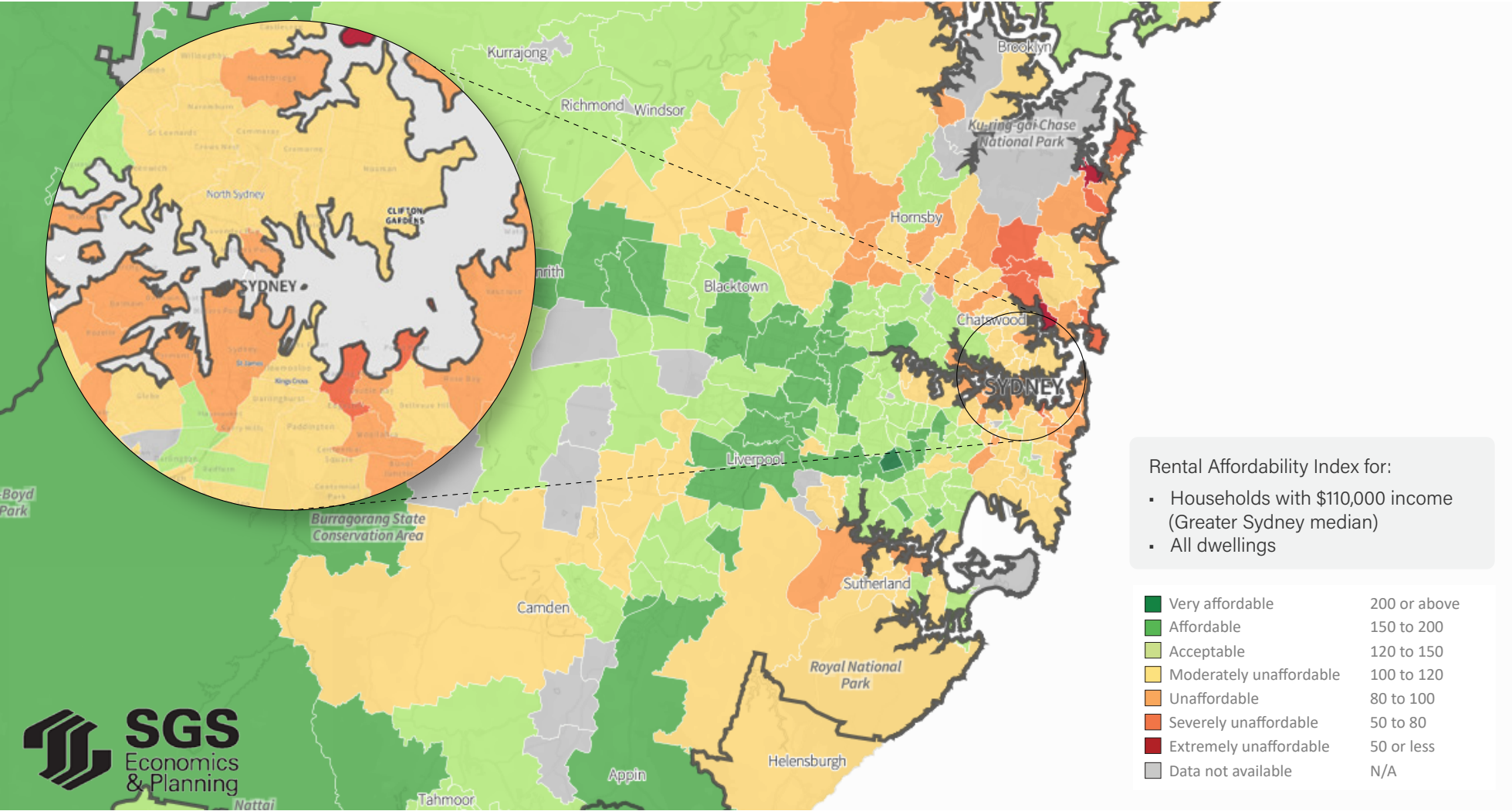
Source: SGS Economics and Planning, 2021

FIGURE 28: RENTAL AFFORDABILITY INDEX, POSTCODES IN REGIONAL NSW



Source: SGS Economics and Planning, 2021

FIGURE 29: INNER AND MIDDLE SYDNEY, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

4.2 Victoria

GREATER MELBOURNE

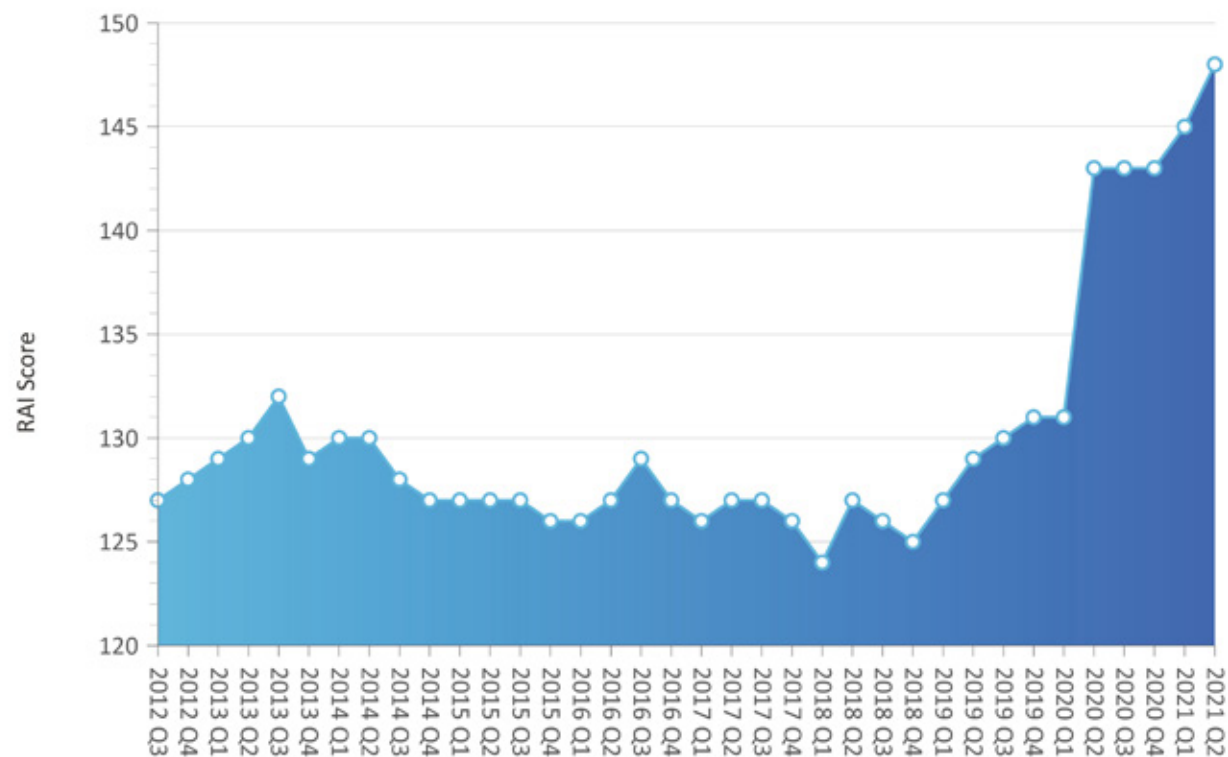
The average rental household in Greater Melbourne has a gross income of \$101,300 per annum.

With a RAI score of 148 in the June quarter of 2021, Greater Melbourne is the most affordable it has been in the period measured by the RAI (post-2012). The 3.4 per cent increase in RAI score over the past 12 months, or 7.3 per cent (per annum) over 24 months, has almost entirely been driven by the decline in rents caused by the onset of the COVID-19 pandemic. Across all dwelling types, rents are at their lowest level since 2016 (or since 2014 and 2015 for 1 and 2 bedroom dwellings, respectively).

The average rental household seeking to rent in Greater Melbourne faces paying around 20 per cent of its total income if renting at the median rate. This is considered Acceptable, and approaching Affordable.

The COVID-19 pandemic, and associated public health responses, have resulted in significant changes to the spatial pattern of rental affordability across Melbourne. Over the past year, affordability has continued to improve in the inner city, inner north west, and in the north eastern suburbs.

FIGURE 30: RENTAL AFFORDABILITY INDEX, GREATER MELBOURNE



Source: SGS Economics and Planning, 2021

The Melbourne CBD (Postcode 3000) in particular has seen increasing affordability, with a RAI score of 115 (Moderately Unaffordable) in 2019 progressively increasing to 165 (Affordable) in 2021. Inner city suburbs (e.g., South Melbourne, Docklands, West Melbourne, North Melbourne, Brunswick West, and Abbotsford) have experienced similar trends. This pattern extends further east to Hawthorn, Malvern, and Glen Iris, as well as in Melbourne’s northeast in the suburbs from Clifton Hill to Warrandyte. Notably, Port Melbourne is an exception, with affordability returning to its pre-pandemic level (Unaffordable).

Tertiary education precincts, such as Carlton, Parkville, and Hawthorn, have also become significantly more affordable (15 to 30 per cent increase in RAI score). While inner city suburbs have improved, affordability has significantly worsened in coastal suburbs. Dromana and Mornington have seen the largest changes (of 26 per cent and 14 per cent over the last year), moving from being Acceptable to Moderately Unaffordable. Similarly, the RAI score for Mount Martha has decreased by 9 per cent, making it Unaffordable.

Coastal suburbs in Brighton, Brighton East, Hampton, and Beaumaris have remained Unaffordable to Severely Unaffordable.

Melbourne’s 5 least affordable postcodes are listed in the table below. Notable changes since the previous release of RAI are the inclusion of postcodes 3207 (Garden City, Port Melbourne) and the removal of Balwyn North and Hampton.

TABLE 18: TOP 5 LEAST AFFORDABLE POSTCODES IN MELBOURNE (JUNE QUARTER, 2021)

Rank	Postcode	Suburbs	RAI Score	Rent as share of average household income
1	3187	Brighton East, North Road	78	38%
2	3193	Beaumaris, Black Rock, Black Rock North, Cromer	86	35%
3	3206	Albert Park, Middle Park	87	34%
4	386	Brighton, Brighton North, Dendy, Were Street	89	34%
5	3207	Garden City, Port Melbourne	96	31%

Source: SGS Economics and Planning, 2021
 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

REST OF VICTORIA

The average rental household in regional Victoria has a gross income of \$72,240 per annum.

With a RAI score of 116, rental affordability in regional Victoria has decreased significantly following an initial improvement at the onset of the COVID-19 pandemic. For the first time since 2012, average affordability in regional areas has fallen from Affordable to Acceptable, and the average rental household seeking to rent in regional Victoria faces rent paying 26 per cent of its total income if renting at the median rental rate.

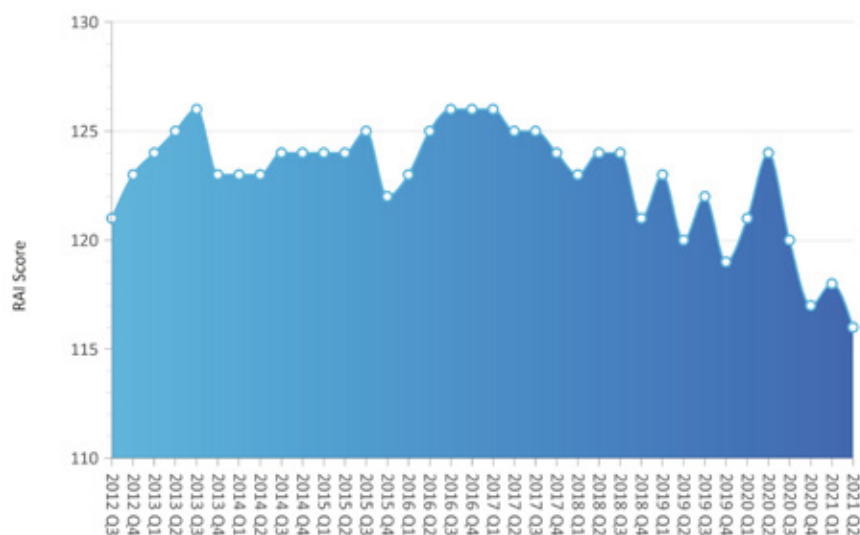
The trend of declining affordability is consistent across all parts of regional Victoria, albeit at different scales.

The Surf Coast and Geelong regions have experienced some of the largest decreases in affordability, with Ocean Grove and Torquay now considered Severely Unaffordable to the average regional Victorian rental household.

Regional cities such as Bendigo and Warnambool have moved from Acceptable to Moderately Unaffordable, while the RAI score in Wangaratta and Shepparton East have declined by over 13 per cent, making them now Unaffordable to Moderately Unaffordable.

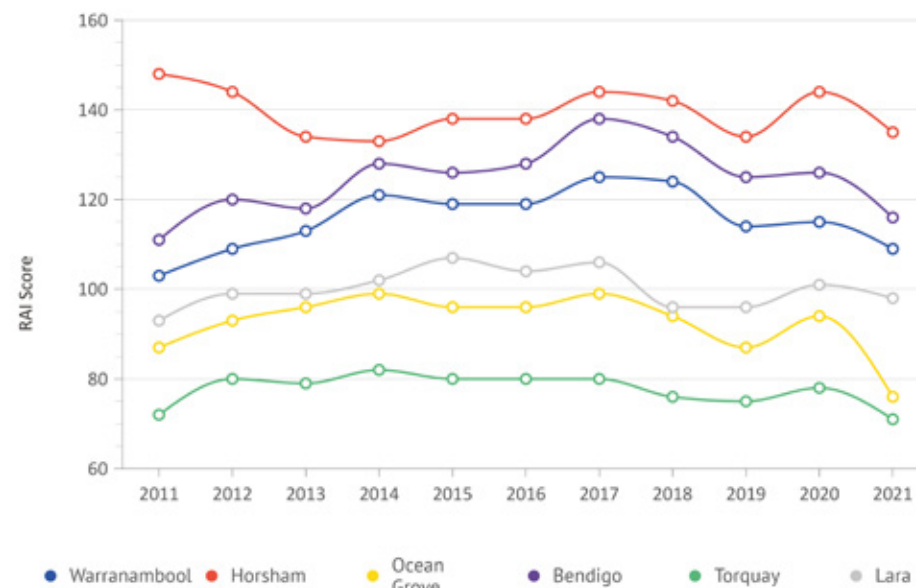
Fringe commuter areas such as Woodend have also become Unaffordable.

FIGURE 31: RENTAL AFFORDABILITY INDEX, REST OF VIC



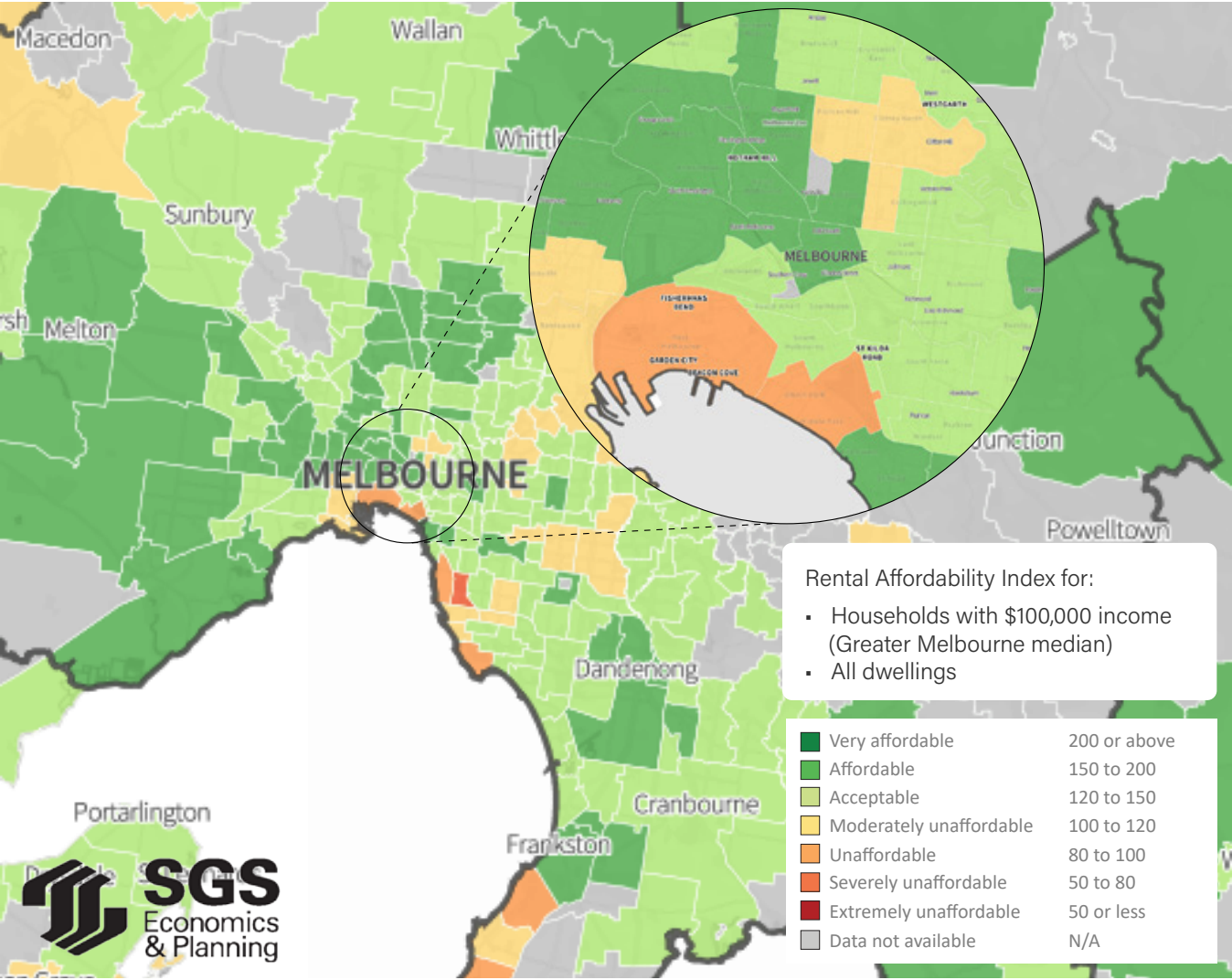
Source: SGS Economics and Planning, 2021

FIGURE 32: RENTAL AFFORDABILITY INDEX, SELECTED POSTCODES IN REGIONAL VIC



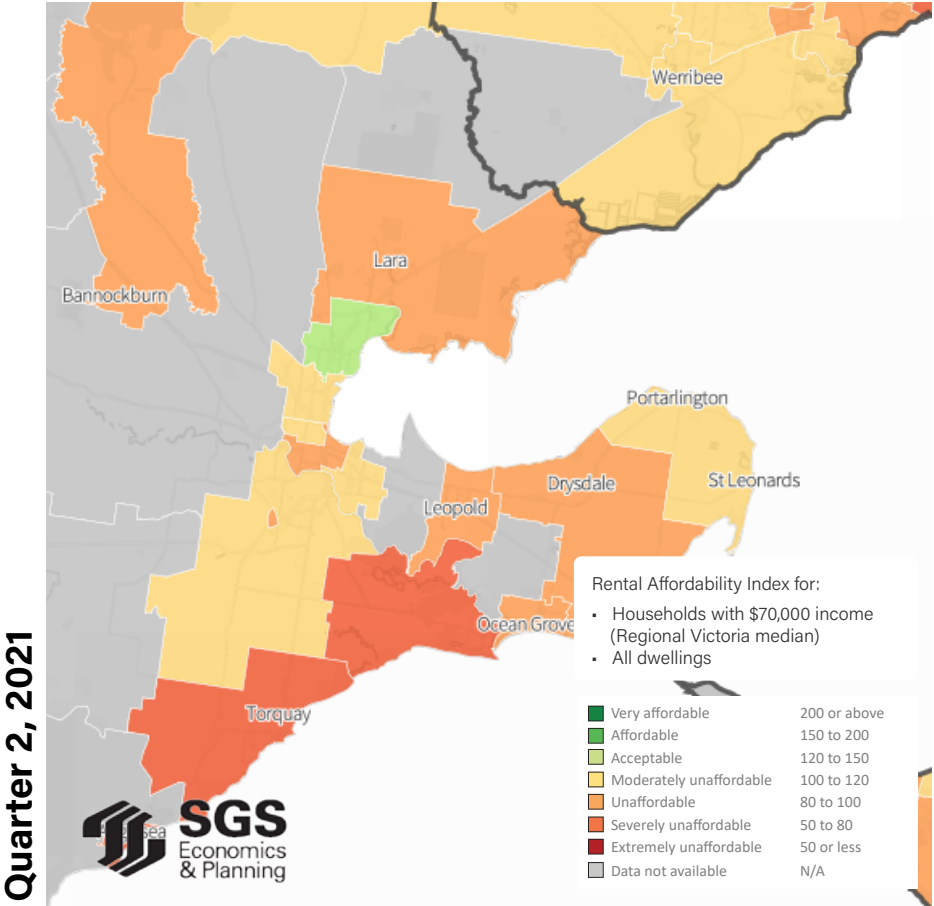
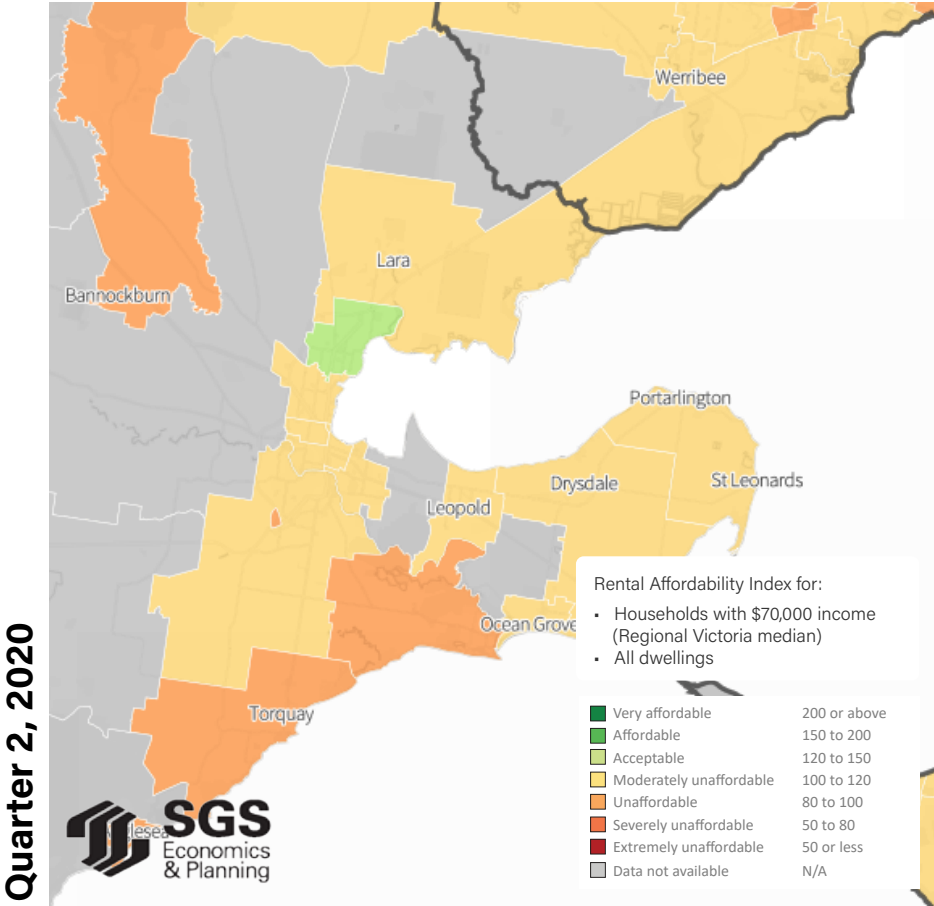
Source: SGS Economics and Planning, 2021

FIGURE 33: INNER AND MIDDLE MELBOURNE, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

FIGURE 34: GEELONG, JUNE 2020 AND JUNE 2021



Source: SGS Economics and Planning, 2021

4.3 Queensland

GREATER BRISBANE

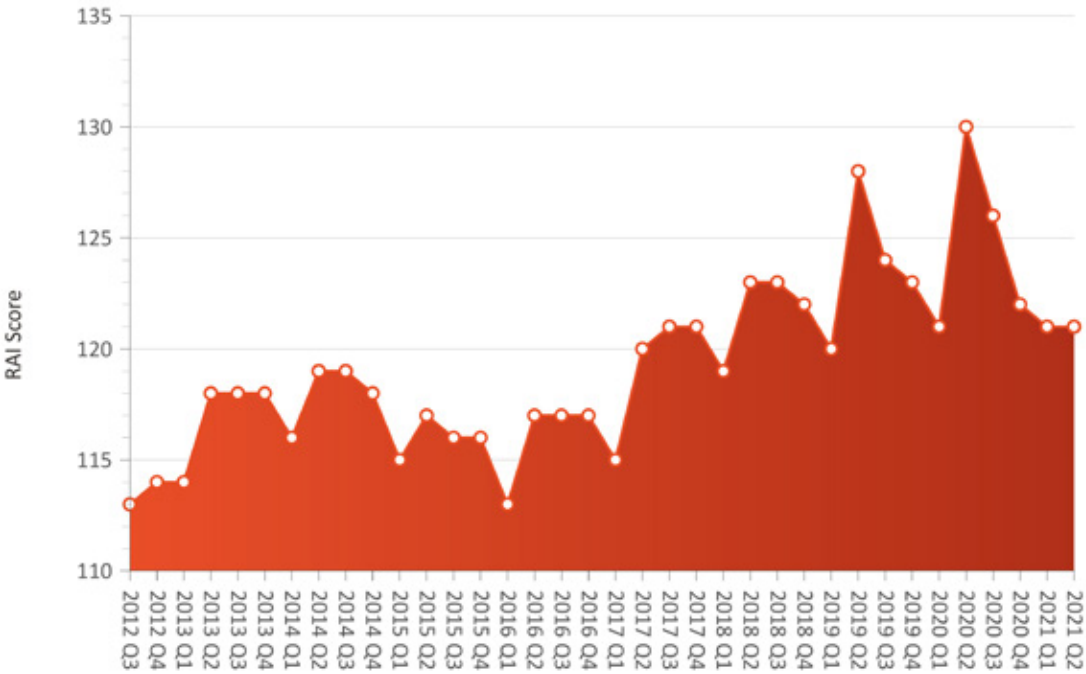
The average rental household in Greater Brisbane has a gross income of \$91,000 per annum.

After four years of improvement, rental affordability in Greater Brisbane has declined over the past 12 months, reaching a RAI score of 121 (which is still considered Acceptable). At this level, the average rental household seeking to rent in Greater Brisbane would be facing paying 25 per cent of its total income if renting at the median rate.

Many postcodes in inner to middle Brisbane remain Moderately Unaffordable to Unaffordable, and areas to the North West, around Samford Valley, continue to be among the most unaffordable in Queensland, being categorised as Severely Unaffordable.

Over the past year, areas to the north and south-east of Brisbane CBD have shifted from Acceptable to Moderately Unaffordable with other areas remaining Moderately Unaffordable or Unaffordable. Suburbs which have experienced a notable decline in affordability include Rochedale, Acacia Ridge to Drewvale, Alexandra Hills, Wellington Point, and Stafford to Fortitude Valley.

FIGURE 35: RENTAL AFFORDABILITY INDEX, GREATER BRISBANE



Source: SGS Economics and Planning, 2021

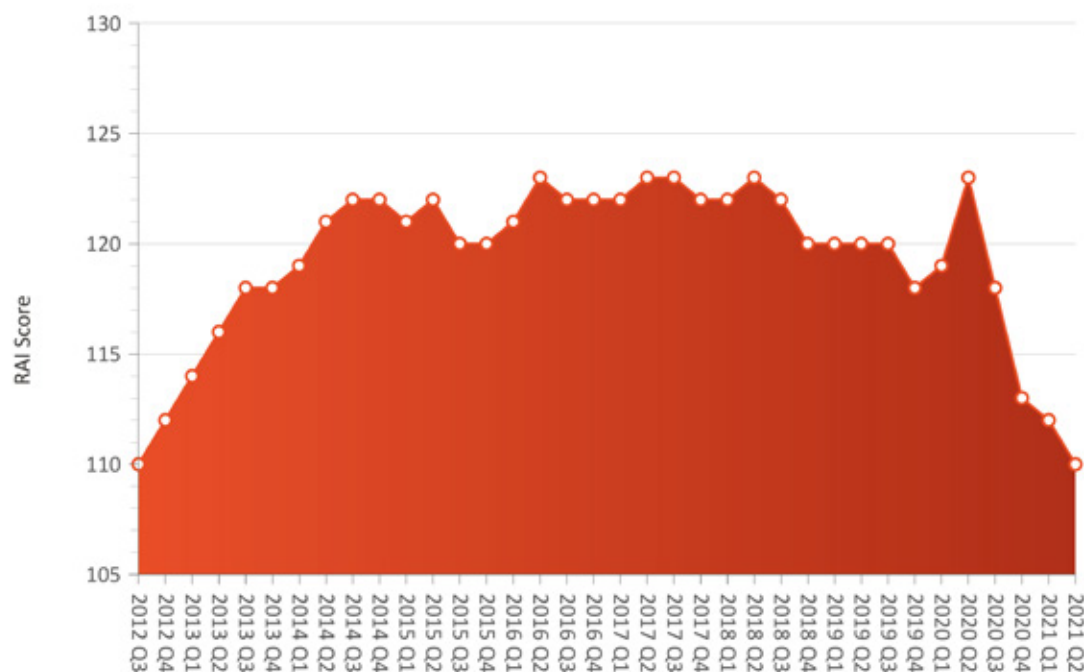
REST OF QUEENSLAND

The average rental household in regional Queensland has a gross income of \$82,000 per annum.

Rental affordability in regional QLD has followed a similar pattern to that of Greater Brisbane, decreasing significantly following a peak in June 2020. With a RAI score of 110, regional QLD is now considered Moderately Unaffordable (moving from Acceptable a year ago), and the average rental household seeking a dwelling face rents at 27 per cent of its total income.

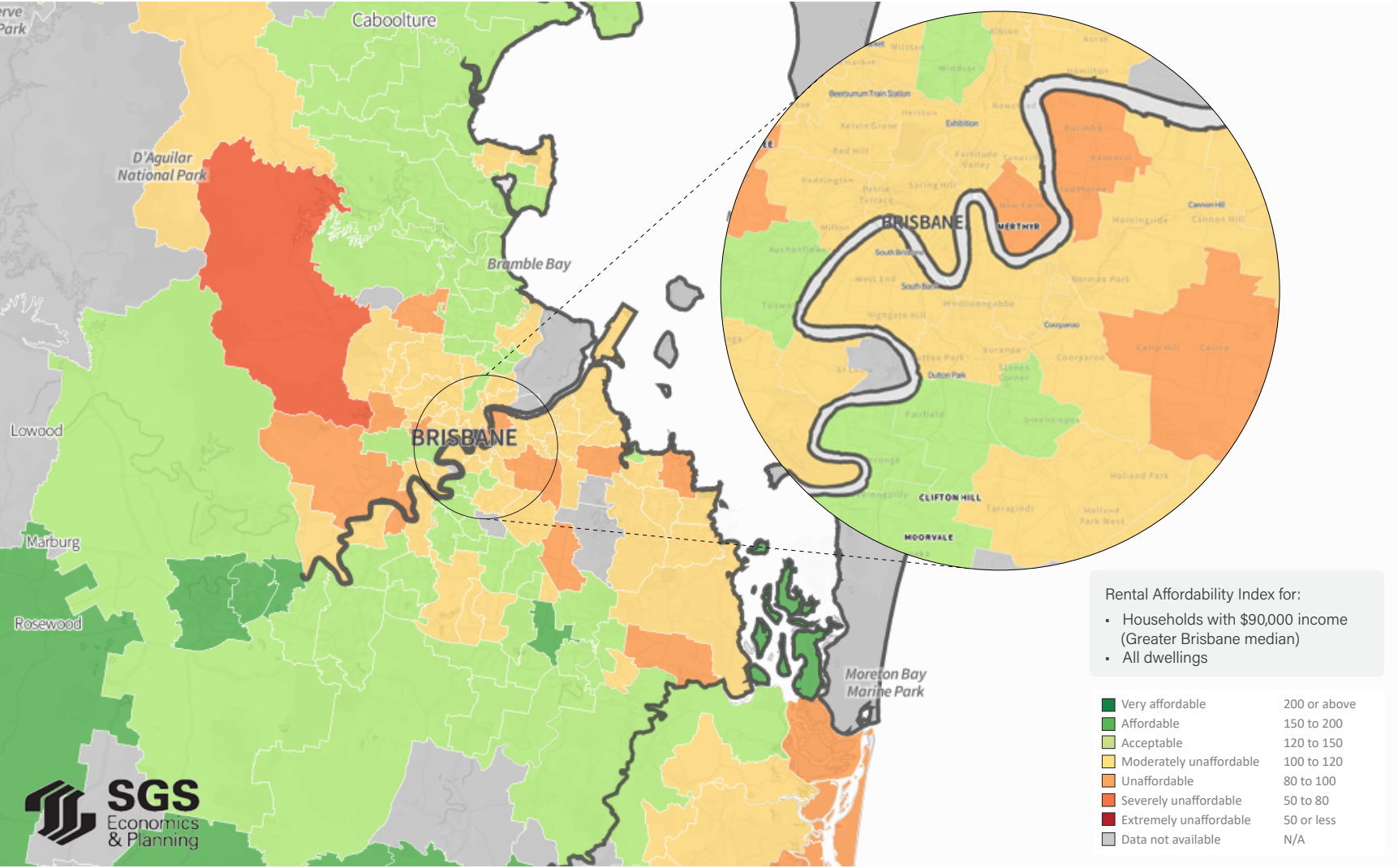
Affordability has significantly decreased in the Gold Coast, areas such as Helensvale, Broadbeach, and Robina now Severely Unaffordable. A similar trend is evident from Maroochydore to Noosa, which have shifted from Acceptable and Moderately Unaffordable to Unaffordable and Severely Unaffordable.

FIGURE 36: RENTAL AFFORDABILITY INDEX, REST OF QLD



Source: SGS Economics and Planning, 2021

FIGURE 37: GREATER BRISBANE, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

4.4 South Australia

GREATER ADELAIDE

The average rental household in Greater Adelaide has a gross income of \$70,200 per annum.

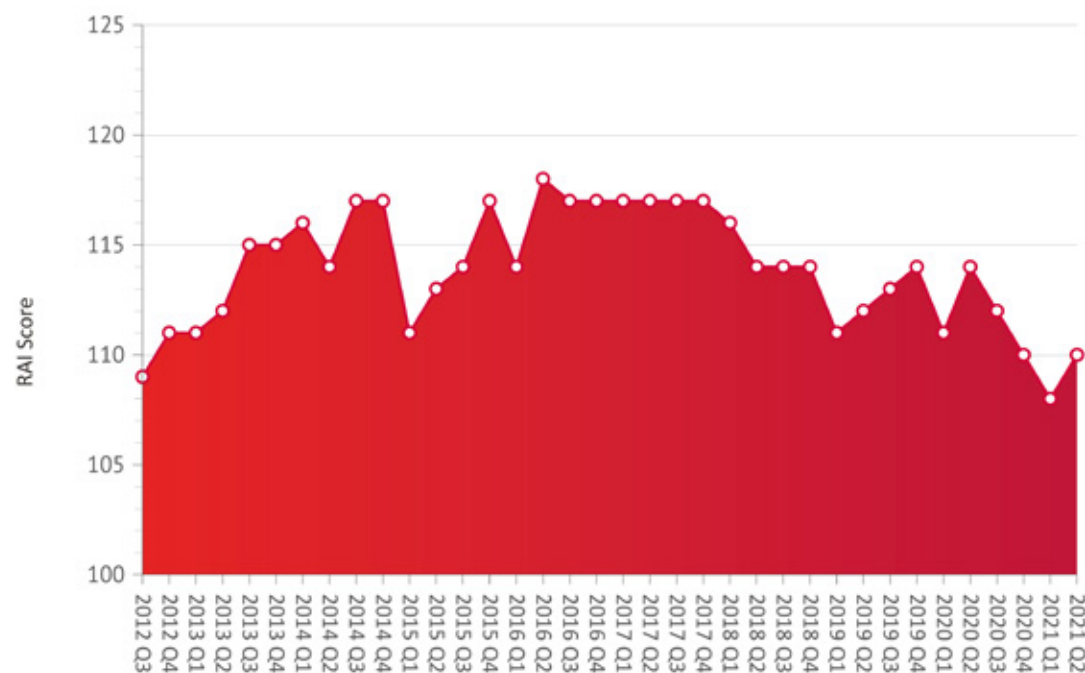
With a RAI score of 110, Greater Adelaide has remained the second least affordable capital city, as incomes in Greater Adelaide have failed to keep pace with rising rents. This means that the average rental household in Greater Adelaide faces paying 27 per cent of their total income if renting at the median rate.

Decreasing affordability is evident across most parts of Adelaide. Inner suburbs, particularly those of Mitcham, Torrens Park, and Springfield, have fared worst, with their RAI score decreasing by over 20 per cent, representing a shift from Acceptable to Unaffordable rents for the average rental household.

Southern suburbs, from Brighton to Blackwood and Hallett Cove to Aberfoyle Park, were previously Moderately Unaffordable and have now become Unaffordable (with RAI scores below 100). A similar trends extends further south, with the suburbs of Reynella to Huntfield Heights shifting now Moderately Unaffordable (compared to being Acceptable a year ago).

While only marginally below Acceptable, the northern suburbs of Gawler and its surrounds have experienced a declining trend in affordability in recent years.

FIGURE 38: RENTAL AFFORDABILITY INDEX, GREATER ADELAIDE



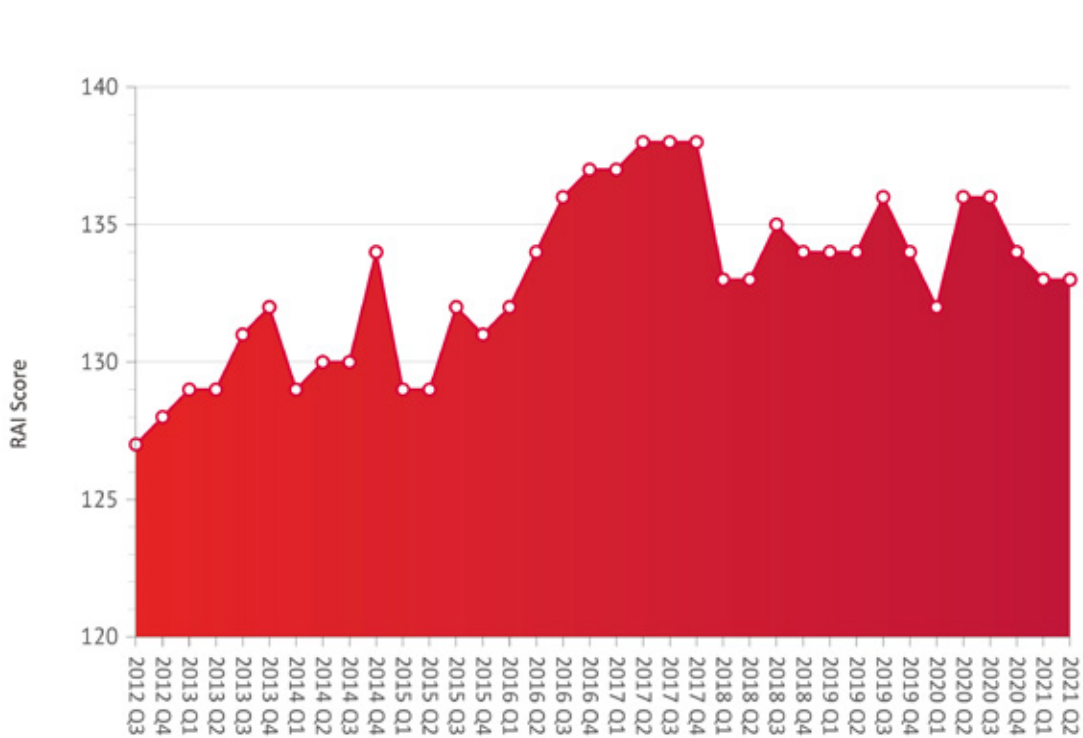
Source: SGS Economics and Planning, 2021

REST OF SA

The average rental household in regional South Australia has a gross income of \$64,400 per annum.

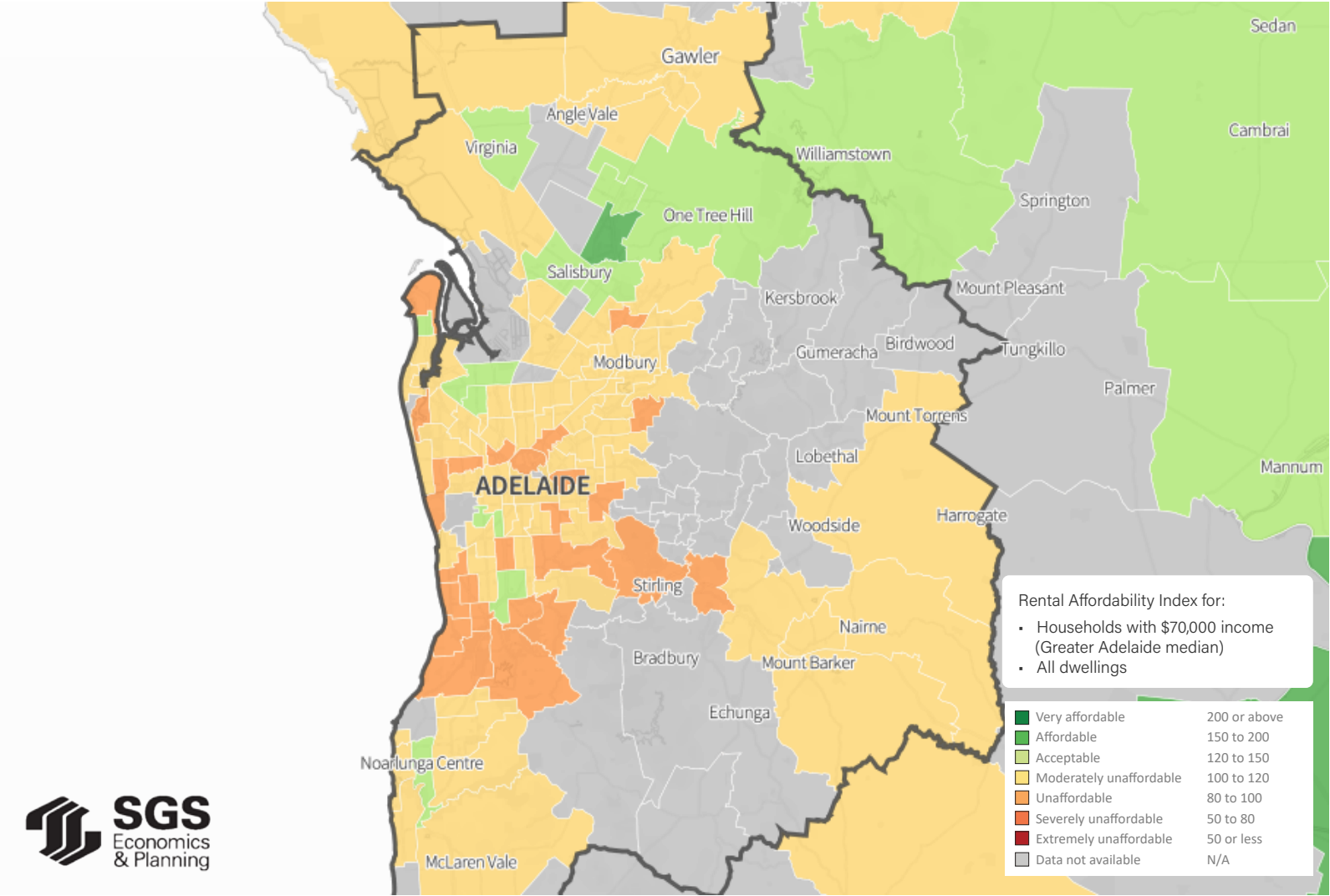
With a RAI score of 133, affordability in regional SA has remained Acceptable for average income households since early 2016. The average income household seeking to rent faces paying around 23 per cent of household income if renting at the median rate. While this is a decline in affordability over the past year, it is far less severe than that seen in regional areas of NSW, VIC, and QLD. Most areas outside Greater Adelaide or better rents. The exception is the west of South Australia, the area beyond Whyalla, which is Unaffordable. However, for household incomes at or below \$40,000 there is only one town, Peterborough, that has Acceptable affordability in regional SA.

FIGURE 39: RENTAL AFFORDABILITY INDEX, REST OF SA



Source: SGS Economics and Planning, 2021

FIGURE 40: GREATER ADELAIDE, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

4.5 Western Australia

GREATER PERTH

The average rental household in Greater Perth has a gross income of \$90,700 per annum.

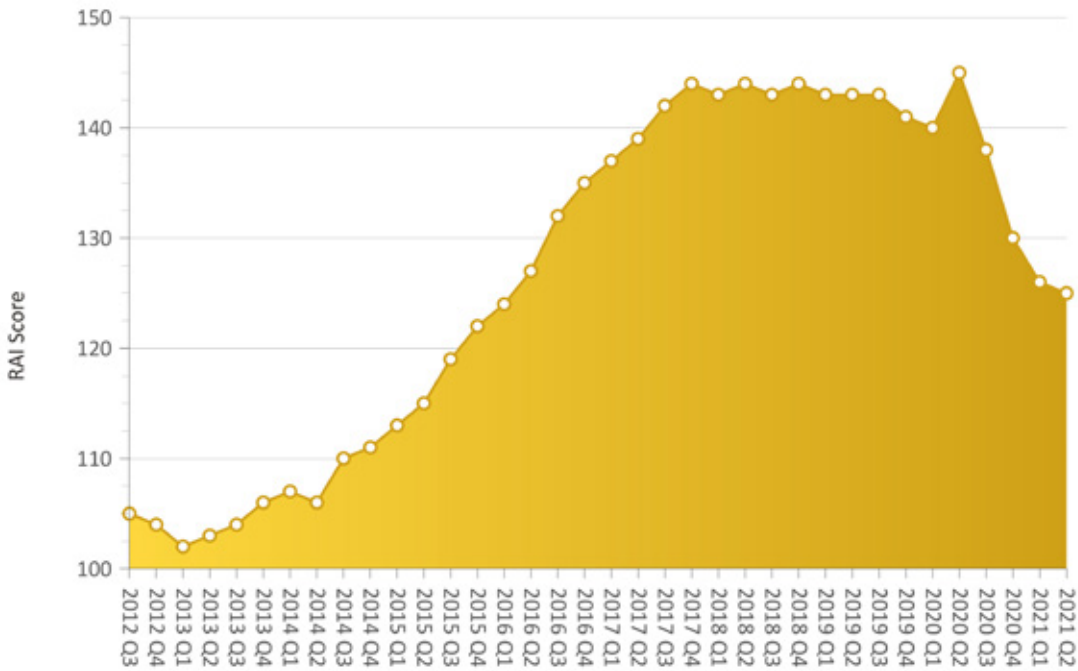
With a RAI score of 125, rental affordability in Greater Perth has fallen significantly over the past 12 months, to its lowest point since 2016. This reflects a sharp increase in rents since the onset of the COVID-19 pandemic, which incomes, while high, have not offset.

As a result, there has been a 14 per decrease in RAI score for Greater Perth over the past year, meaning that it is now less affordable than Sydney and Melbourne (having been the most affordable capital previously). This is the largest decrease in affordability across all capital cities over the last twelve months.

Despite this, Perth remains the third most affordable capital city, with the average rental household facing paying 24 per cent of its income if renting at the median rate. However, it should be noted that the situation is much less affordable for lower income households. In particular, the RAI shows that rental prices are unaffordable for pensioners, those receiving JobSeeker payments, and hospitality workers.

Rental affordability deteriorates in Greater Perth, particularly in the northern suburban corridor, the greater Fremantle area and some south-eastern suburbs.

FIGURE 41: RENTAL AFFORDABILITY INDEX, GREATER PERTH



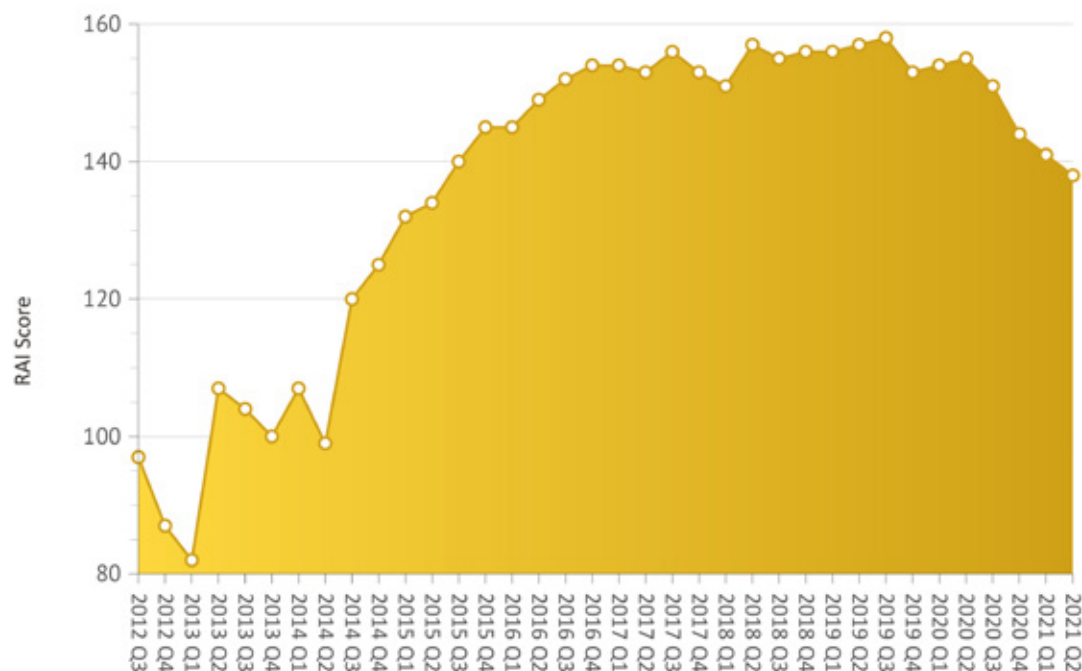
Source: SGS Economics and Planning, 2021

REST OF WA

The average rental household in regional Western Australia has a gross income of \$96,800 per annum. This is the only case in which regional incomes are greater than those in the capital city. The high incomes are reflective of the productivity in the resources industry.

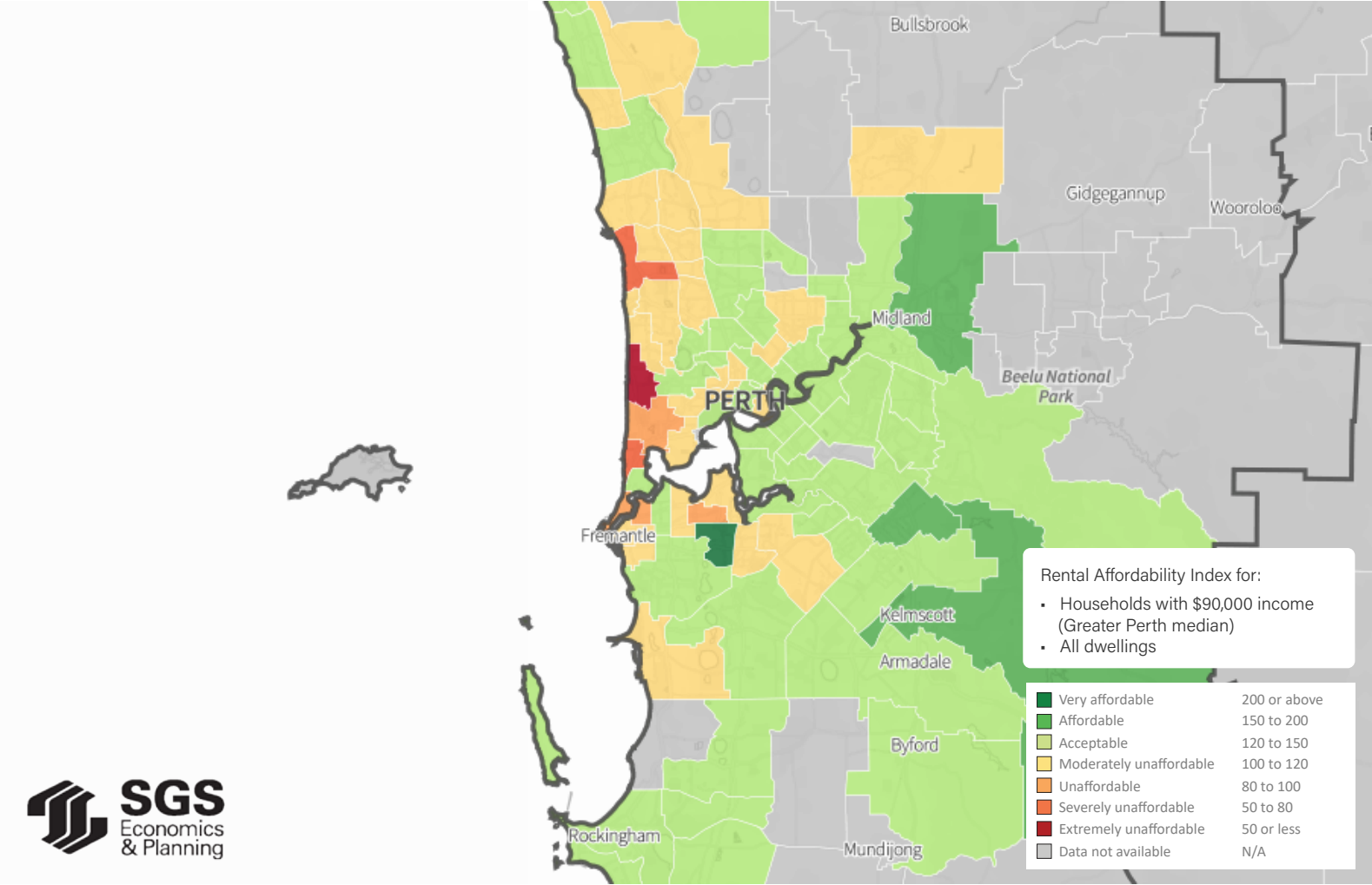
Regional WA has a RAI score of 138 and the average rental household faces rent of around 22 per cent of its total income. Following rapidly improving affordability between 2014 and 2017, the trend of the past four years suggest that affordability had stabilised, before declining during the COVID-19 pandemic period. Areas affected worst over the past year have been Busselton and Dunborough (and surrounds), Broome, and Karratha.

FIGURE 42: RENTAL AFFORDABILITY INDEX, REST OF WA



Source: SGS Economics and Planning, 2021

FIGURE 43: GREATER PERTH, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

4.6 Tasmania

GREATER HOBART

The average rental household in Greater Hobart has a gross income of \$67,900 per annum.

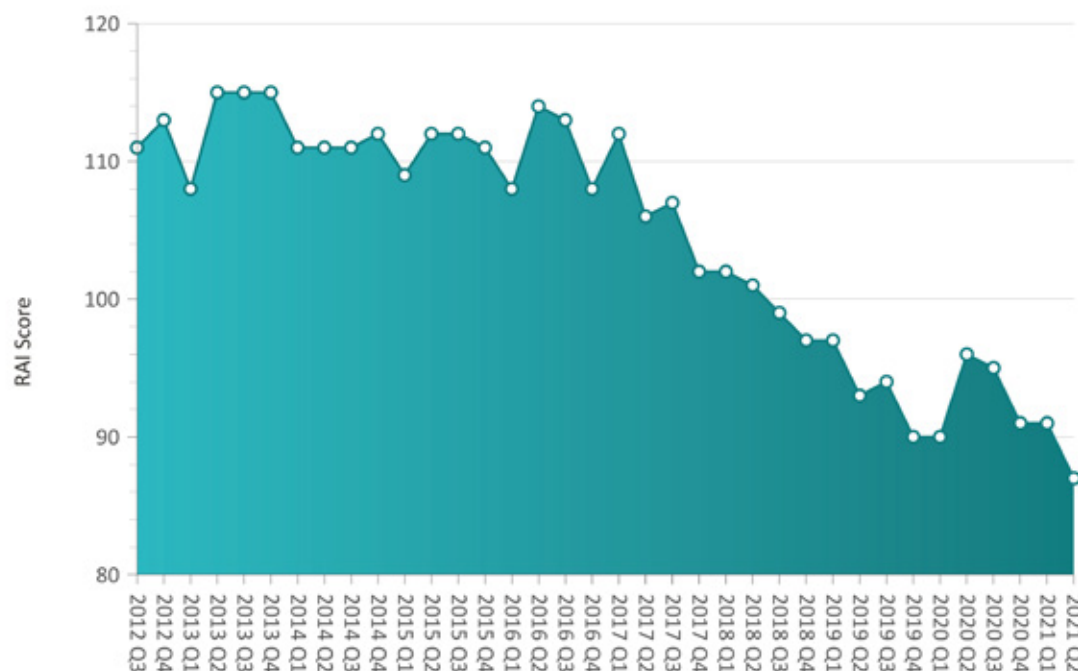
High rents, relative to household incomes, mean that Greater Hobart is the least affordable metropolitan area in Australia. Following a brief improvement during 2020, Hobart is now at its least affordable level across the period measured by the RAI. With a score of 87, Hobart is the only capital city where the average rental household would be considered in rental stress (below a RAI score of 100), paying over 30 per cent of their total income if renting at the median rate.

Since 2016, the median rental rate in Hobart has grown by 50 per cent (consistent across dwelling sizes). It is now higher than the Melbourne median at any point in the past, despite the average rental household income being 33 per cent lower. These rapidly growing rents are likely driven by an inadequate supply of rental housing, as evidenced by the consistent unavailability of

The onset of the COVID-19 pandemic resulted in significantly improved affordability in several parts of the city, from Central Hobart to Lindisfarne. However, these gains were short lived, and in June 2021 almost all parts of Greater Hobart were considered Unaffordable (with small pockets Moderately Unaffordable).

Affordability in Mount Nelson, Glenorchy, and New Town decreased significantly. However, some improvements in affordability have been observed in South Hobart, Taroona, and Lindisfarne. Broadly, there appears to be a fluctuating affordability trend across Hobart since 2017.

FIGURE 44: RENTAL AFFORDABILITY INDEX, GREATER HOBART



Source: SGS Economics and Planning, 2021

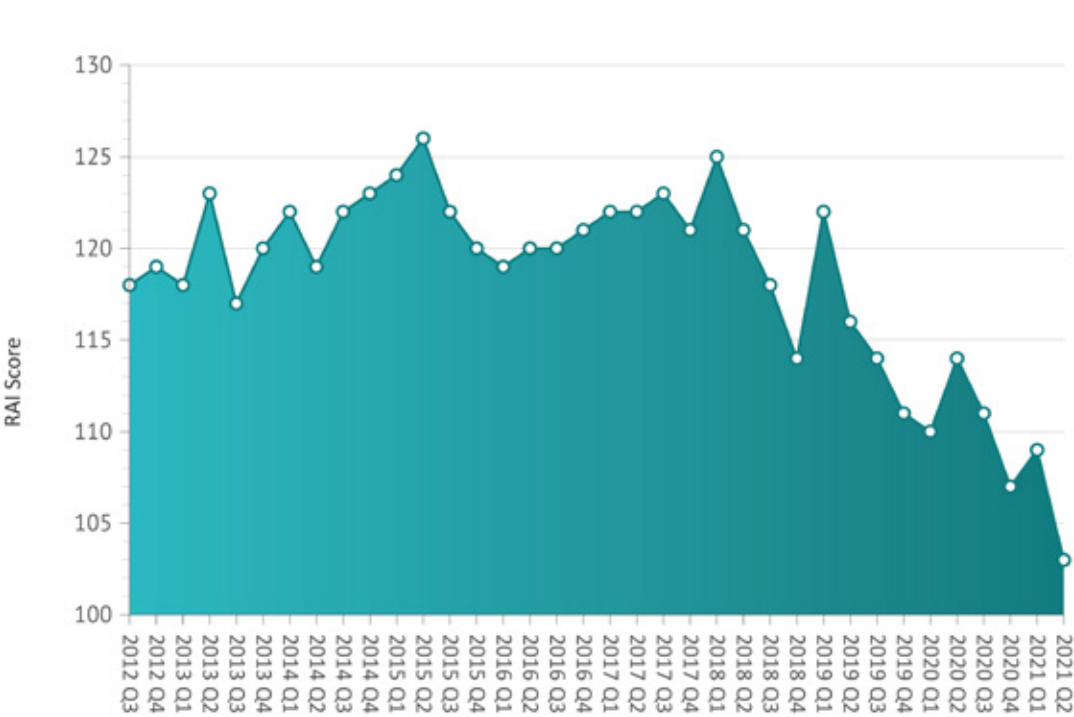
REST OF TASMANIA

The average rental household in regional Tasmania has a gross income of \$59,200 per annum.

Regional Tasmania has a RAI score of 103, which represents a significant decline in affordability over the last year (from a score of 114). The average rental household faces paying around 29 per cent of their income if renting a dwelling at the median rate, which is nearing the definition of rental stress.

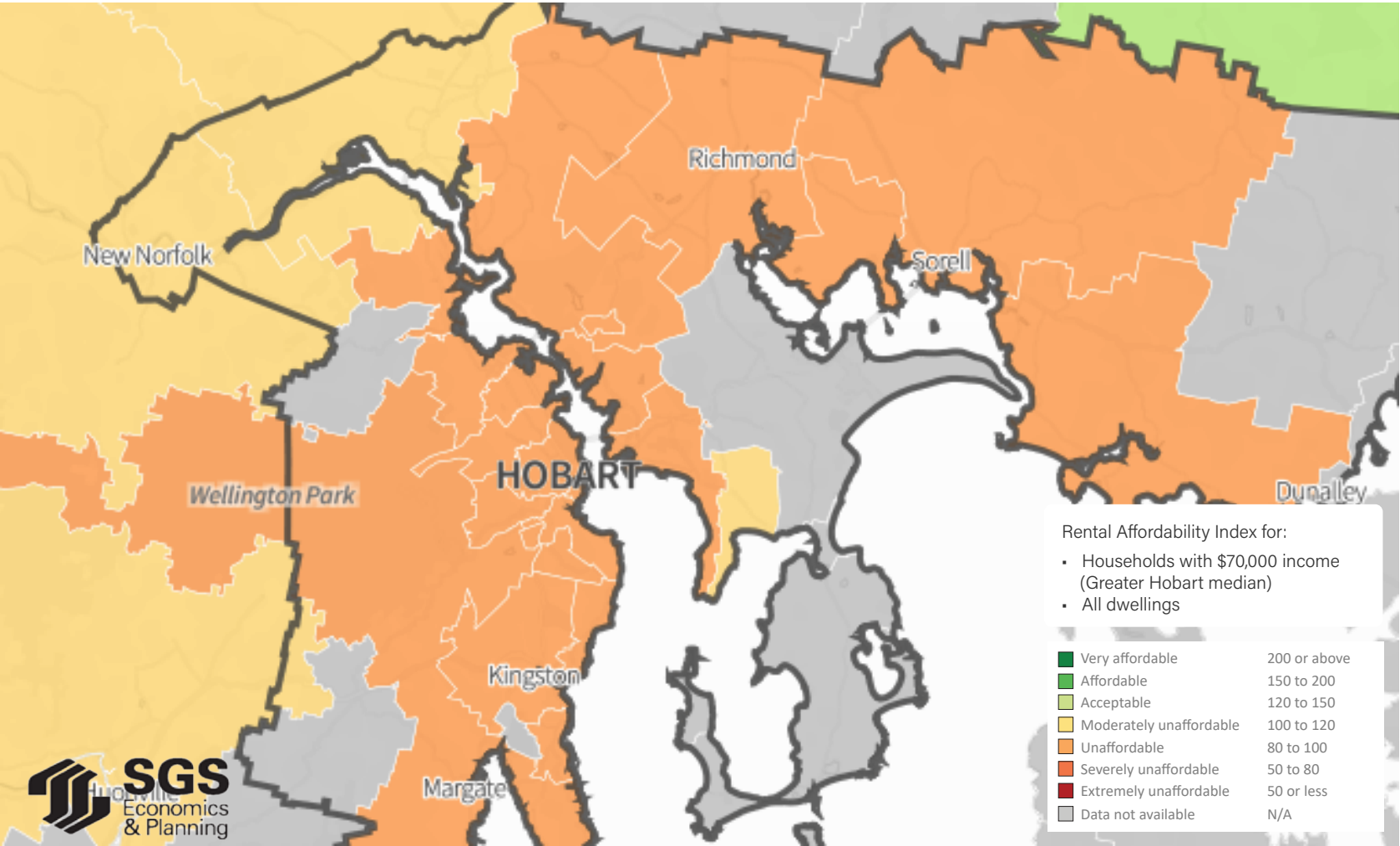
Despite rising incomes, affordability has worsened in most parts of regional Tasmania. Launceston and King Meadow, in particular, have declined significantly, now being considered Unaffordable with a RAI score below 100. Other regional towns such as Burnie, and the east coast from Triabunna to Swansea, have shifted from Acceptable to Moderately Unaffordable.

FIGURE 45: RENTAL AFFORDABILITY INDEX, REST OF TAS



Source: SGS Economics and Planning, 2021

FIGURE 46: GREATER HOBART, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

4.7 ACT

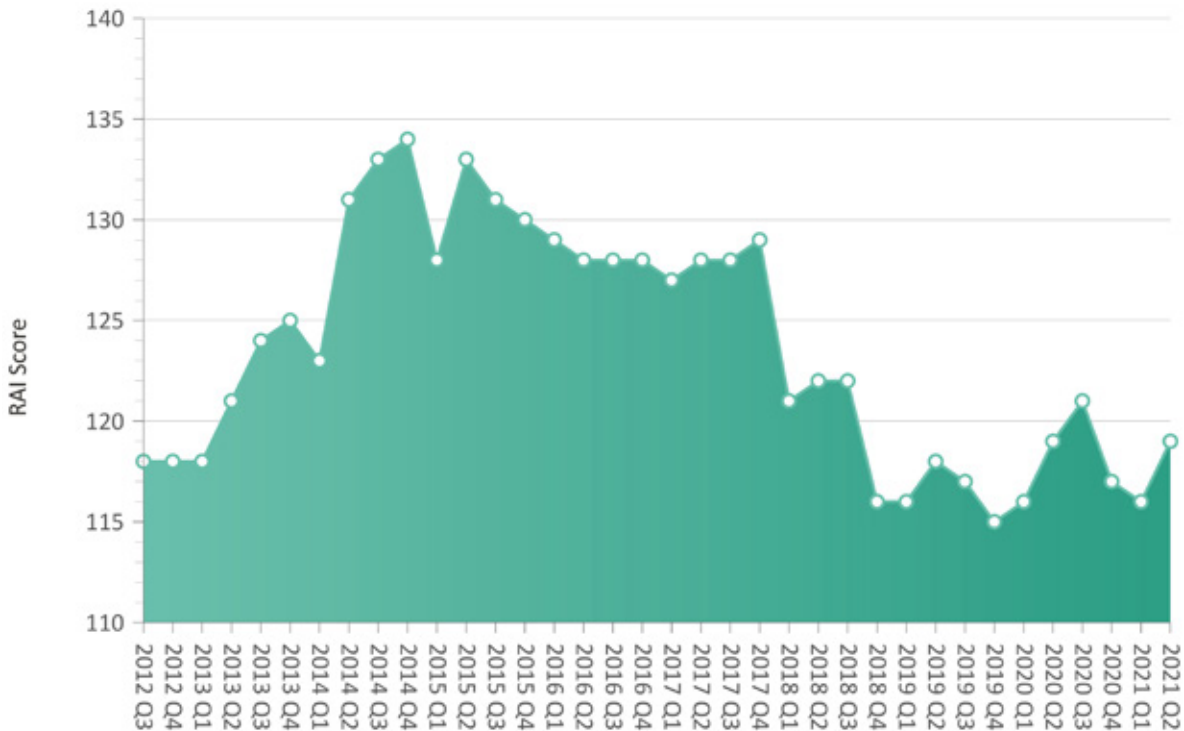
The average rental household in the Australian Capital Territory has a gross income of \$107,200 per annum.

With a RAI score of 119, the ACT is Moderately Unaffordable to the average ACT rental household, although bordering on Acceptable. Following a steep decline during 2018, affordability in recent quarters has remained stable or begun to improve across the Territory.

Contrary to other capital cities, overall affordability has remained largely unchanged during the COVID-19 pandemic period. However, at a more detailed spatial level, changes can be seen, with the suburban areas of Gungahlin, Belconnen, Molonglo Valley, Weston Creek, and Tuggeranong shifting from Acceptable to Moderately Unaffordable.

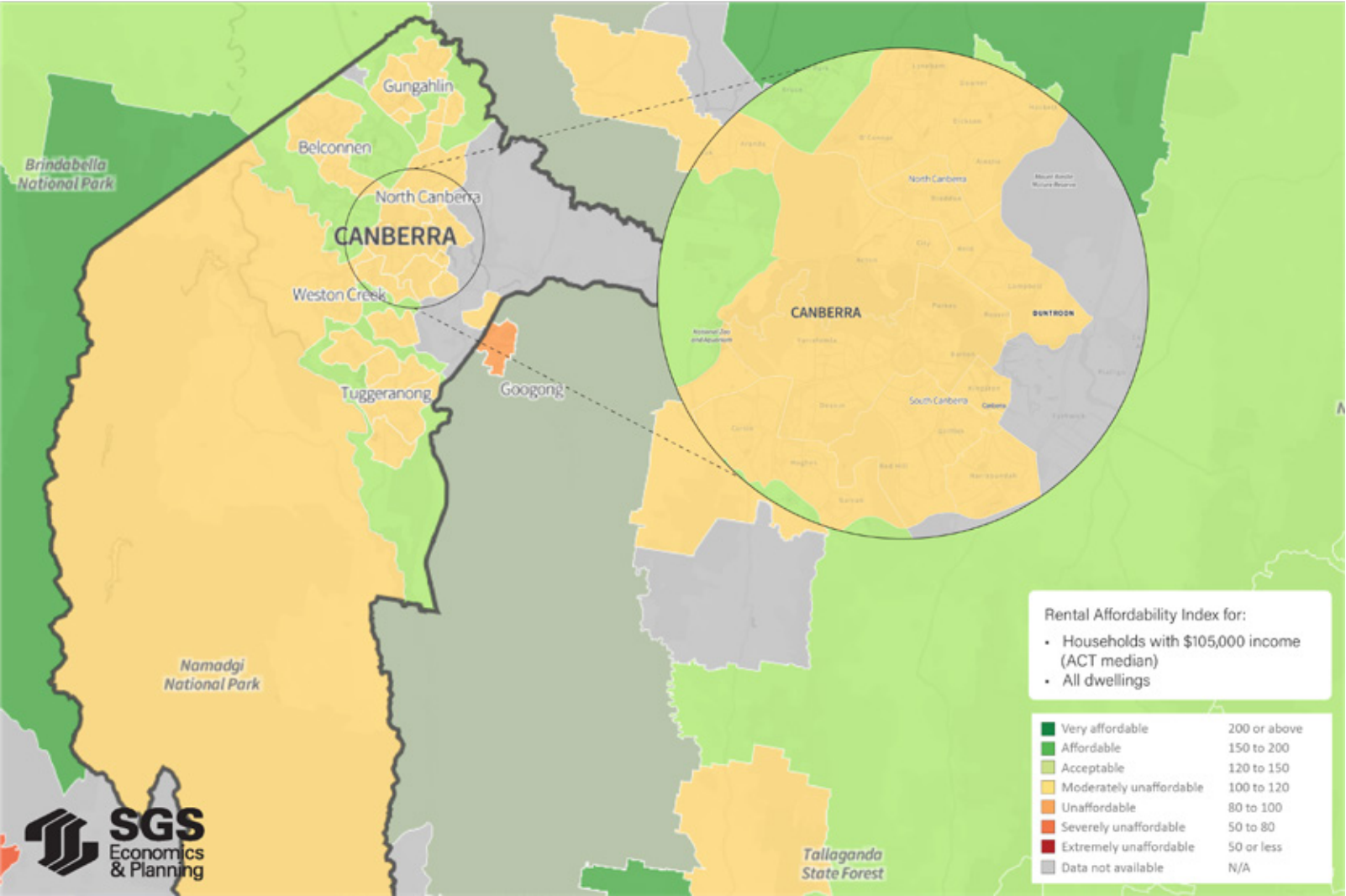
While the ACT remains on the border of Acceptable affordability, low-income households face particularly unaffordable rents (such as the student sharehouse and hospitality worker household profiles), which are pushed up by the overall high-income earning workforce.

FIGURE 47: RENTAL AFFORDABILITY INDEX, AUSTRALIAN CAPITAL TERRITORY



Source: SGS Economics and Planning, 2021

FIGURE 48: AUSTRALIAN CAPITAL TERRITORY, JUNE QUARTER, 2021



Source: SGS Economics and Planning, 2021

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.

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. For example, 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).
- 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 for household profiles

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

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Centrelink, Australian Government Department of Human Services (2018).

Available online: <https://www.humanservices.gov.au/customer/dhs/centrelink>

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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.

Services Australia (2021) Available online: <https://www.servicesaustralia.gov.au/organisations/about-us/corporate-publications-and-resources/guide-australian-government-payments/historical-versions-guide-australian-government-payments>



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