

NOVEMBER 2018 RELEASE

RENTAL AFFORDABILITY INDEX

KEY FINDINGS



Brotherhood of St Laurence
Working for an Australia free of poverty



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01

Introduction



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.



CHAPTER 1: 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. 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 seventh 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 an additional two household types: single mothers and single men.

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:

<http://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/>

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

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.

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:

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

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.

The table below (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.

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

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

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, 2018

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 May 2018 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.

HOUSEHOLD INCOME DATA UPDATE

Prior to the current May 2018 release, the RAI was calculated using weekly household incomes forecast from the 2011 ABS Census of Population and Housing. Weekly household incomes were forecast for each quarter based on relative increases in the biannually-released ABS Average Weekly Earnings dataset, a measure of personal weekly incomes.

The current release updates historic RAI results using newly available data from the 2016 ABS Census. While some RAI scores now differ from past releases as a result of this update, no changes have been deemed significant.



To understand the impact of the 2016 census update on previous RAI results, see the text box ‘Household income data update’.

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.

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.

TABLE 2. EIGHT LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES

HOUSEHOLD TYPE	INDICATIVE GROSS ANNUAL INCOME	INDICATIVE DWELLING SIZE
Single pensioner	\$27,329	1 bdr
Pensioner couple	\$50,372	2 bdr
Single person on benefits	\$17,836	1 bdr
Single part-time worker parent on benefits	\$38,951	2 bdr
Single full-time working parent	\$87,000	2 bdr
Single income couple with children	\$87,000	3 bdr
Dual income couple with children	\$174,000	3 bdr
Student sharehouse	\$75,920	3 bdr
Minimum wage couple	\$72,300	2 bdr
Hospitality worker	\$54,500	1 bdr

Source: Compiled by SGS Economics and Planning, 2018. See Appendix 2 for full list of sources used.

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

“

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.

”

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 composition in Australia. This release has a focus on gender related rental affordability issues. Our analysis of ABS data shows that single mothers with children and single men represent significant groups facing rental stress. This report therefore provides more detail on these two demographics.

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.³

The selected households range from those dependent on some form of income support, through to dual income key worker couples. In addition, this release has specifically analysed rental affordability of two groups where housing stress is very common: the single male on a low income, and the single female with children, also on a low income.

The chosen ten households are:

- Single pensioner
- Pensioner couple
- Single person on benefits
 - Single males
- 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.

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 April 2018. 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).⁴ Average Australian full-time secondary teacher income was used as the typical key worker income, full-time hospitality worker income was used for the hospitality worker profile.

Note: analysis by household type has not been undertaken for WA 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.

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.

2.2 Single pensioner

\$27,329 P.A., 1 BEDROOM
EXTREMELY UNAFFORDABLE RENTS IN METROPOLITAN AREAS ACROSS ALL STATES

The single pensioner household is 65 years or older and is assumed to rent alone in 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 \$27,329.

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 60 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.

Across all regional areas, rents for the single pensioner are Unaffordable, with each state’s RAI scores, except for Rest of SA, sitting well under 100 (which is the affordability threshold).

For the single pensioner, Greater Sydney remains the least affordable location to rent of all Australian capital cities. This household faces a RAI of 33, indicating rents are Extremely Unaffordable, accounting for 91 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 of 40, and then Greater Melbourne with a RAI of 44.

TABLE 3. RAI FOR SINGLE PENSIONER HOUSEHOLD

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	33	90%
Rest of NSW	79	38%
Greater Melbourne	44	68%
Rest of VIC	83	36%
Greater Brisbane	46	65%
Rest of QLD	56	53%
Greater Adelaide	60	50%
Rest of SA	105	29%
Greater Perth*	47	64%
Rest of WA*	48	63%
Greater Hobart	66	46%
Rest of TAS	96	31%
ACT	40	74%

Source: SGS Economics and Planning (2018)
Note: RAI scores for Quarter 2 2018
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

While still Severely Unaffordable, Greater Adelaide and Greater Hobart are marginally more affordable for single pensioners compared with all other Australian cities. However, affordability has dropped for both states in the last quarter.



Rental Affordability Index for:

- Single pensioner (\$25,000 income)
- 1 bedroom dwellings

● 200 or above - Very affordable
 ● 150 to 200 - Affordable
 ● 120 to 150 - Acceptable
 ● 100 to 120 - Moderately unaffordable
 ● 80 to 100 - Unaffordable
 ● 50 to 80 - Severely unaffordable
 ● 50 or less - Extremely unaffordable
 ● N/A - Data not available

Rental Affordability Index

Rental Affordability index for:

- Single pensioner (\$25,000 income)
- 1 bedroom dwellings

Rental Affordability Index Legend:

- 200 or above - Very affordable
- 150 to 200 - Affordable
- 120 to 150 - Acceptable
- 100 to 120 - Moderately unaffordable
- 80 to 100 - Unaffordable
- 50 to 80 - Severely unaffordable
- 50 or less - Extremely unaffordable
- N/A - Data not available

2.3 Pensioner couple

\$50,372 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 \$50,372.

While it performs better than the lone 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 well over 50 per cent of their total income on rent. Adding to the financial pressure on this household are a number of other costs, which may include health care costs associated with ageing.

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 the inner suburbs of Sydney, rents are the least affordable

TABLE 4. RAI FOR PENSIONER COUPLE HOUSEHOLD

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	57	53%
Rest of NSW	108	28%
Greater Melbourne	68	44%
Rest of VIC	114	26%
Greater Brisbane	74	40%
Rest of QLD	89	34%
Greater Adelaide	96	31%
Rest of SA	140	21%
Greater Perth*	86	35%
Rest of WA*	88	34%
Greater Hobart	83	36%
Rest of TAS	121	25%
ACT	67	47%

Source: SGS Economics and Planning (2018)

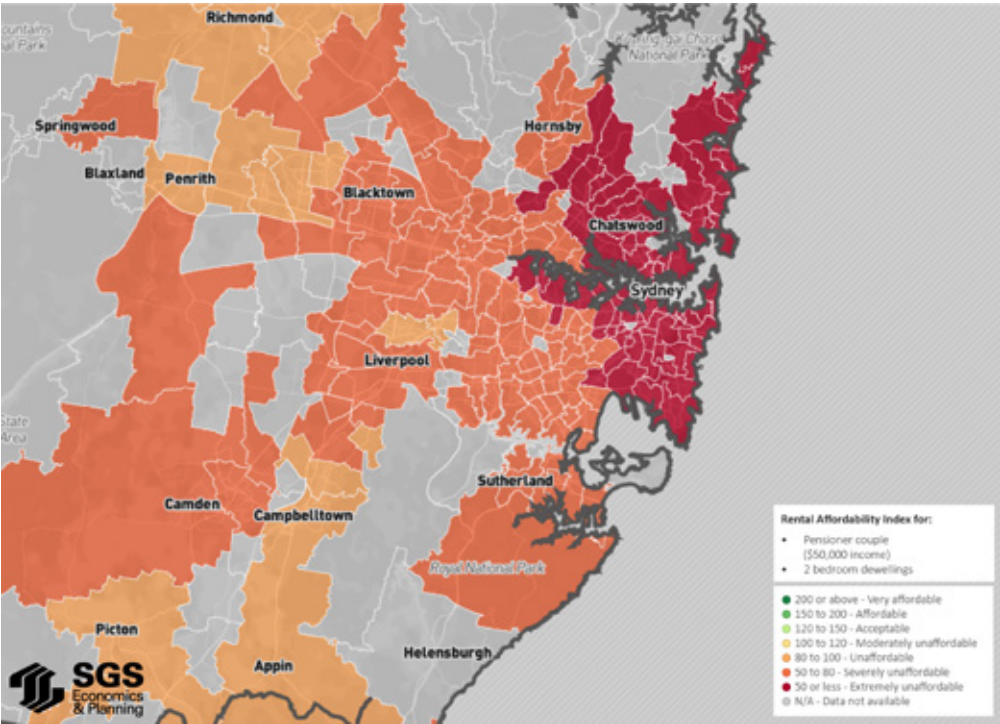
Note: RAI scores for Quarter 2 2018 have been presented

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

with an average RAI of 57. The ACT has a RAI of 67 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 68.

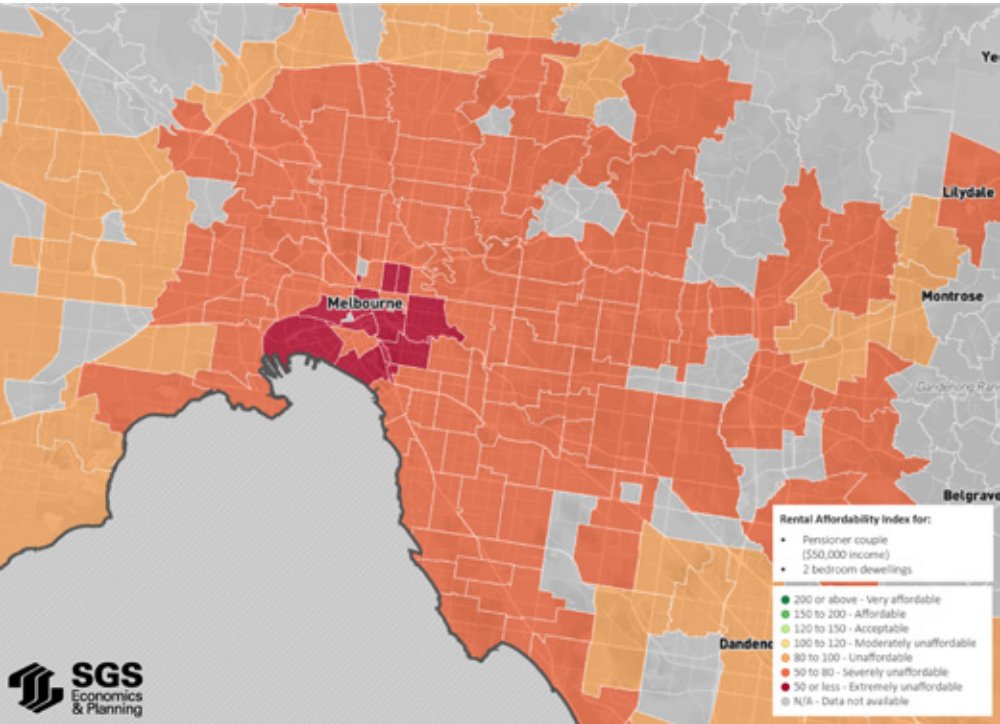


FIGURE 3. GREATER SYDNEY JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

FIGURE 4. GREATER MELBOURNE JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

2.4 Single person on benefits

\$17,836 P.A., 1 BEDROOM SEVERELY TO EXTREMELY UNAFFORDABLE RENTS ACROSS ALL STATES IN BOTH METROPOLITAN AND REGIONAL AREAS

The single person on benefits is 22 years old or older with no children, and seeks to rent a one bedroom dwelling. This person receives income support in the form of Newstart allowance and no additional income. The estimated gross annual income for this household is \$17,836.

Rental stress pushes single persons on benefits to the outer fringes of our cities, well away from opportunities to get them back into employment.

The situation for the single person on benefits household continues to be untenable, with a person of this household type needing to pay well over 60 per cent of his/her income on rent to live in most metropolitan areas. In many metropolitan postcodes, the single person on benefits would be facing rents amounting to over 100 per cent of his/her total income. The single household on benefits moreover has tightly stretched resources and must balance all living expenses while searching for work.

The single person on benefits 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 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 benefits. Rents for this household are generally Severely Unaffordable in regional areas.

TABLE 5. RAI FOR SINGLE PERSON ON BENEFITS

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	22	128%
Rest of NSW	51	58%
Greater Melbourne	29	105%
Rest of VIC	54	55%
Greater Brisbane	30	99%
Rest of QLD	37	82%
Greater Adelaide	39	77%
Rest of SA	69	44%
Greater Perth*	30	98%
Rest of WA*	31	96%
Greater Hobart	43	70%
Rest of TAS	62	48%
ACT	26	114%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 2 2018

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

For the single person on benefits, the RAI is 22 in metropolitan Sydney, 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 find affordable rents in metropolitan Sydney. An income over 3 times the current payment level is required for this household in metropolitan Melbourne.

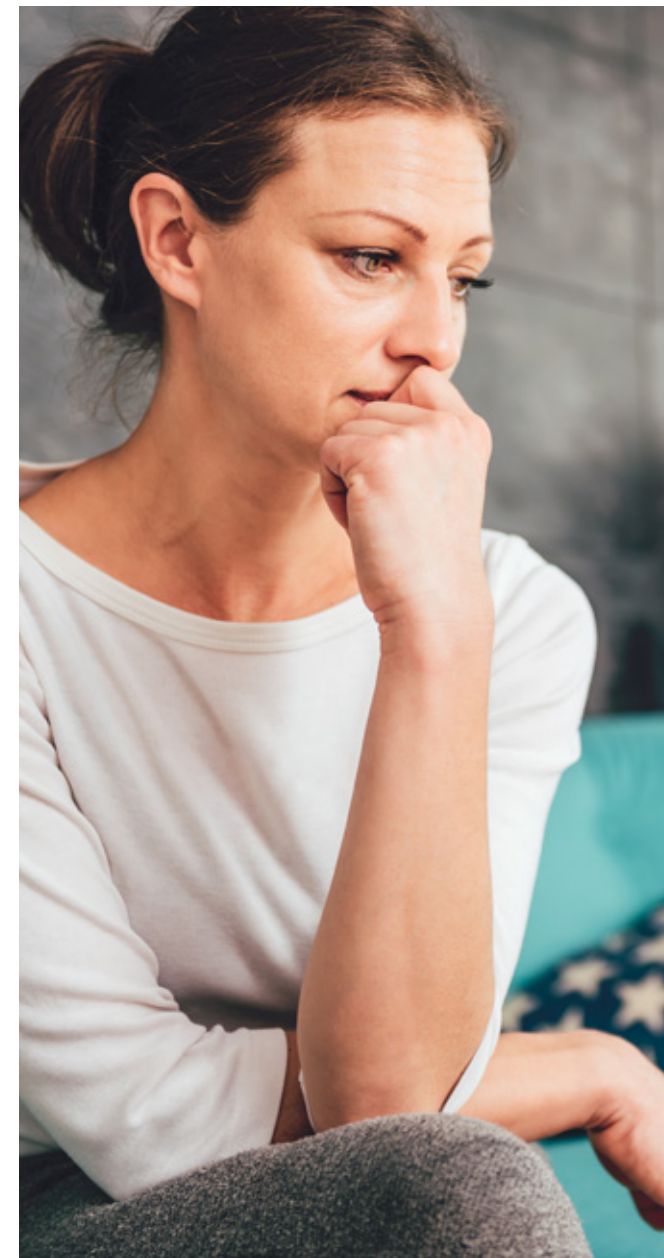
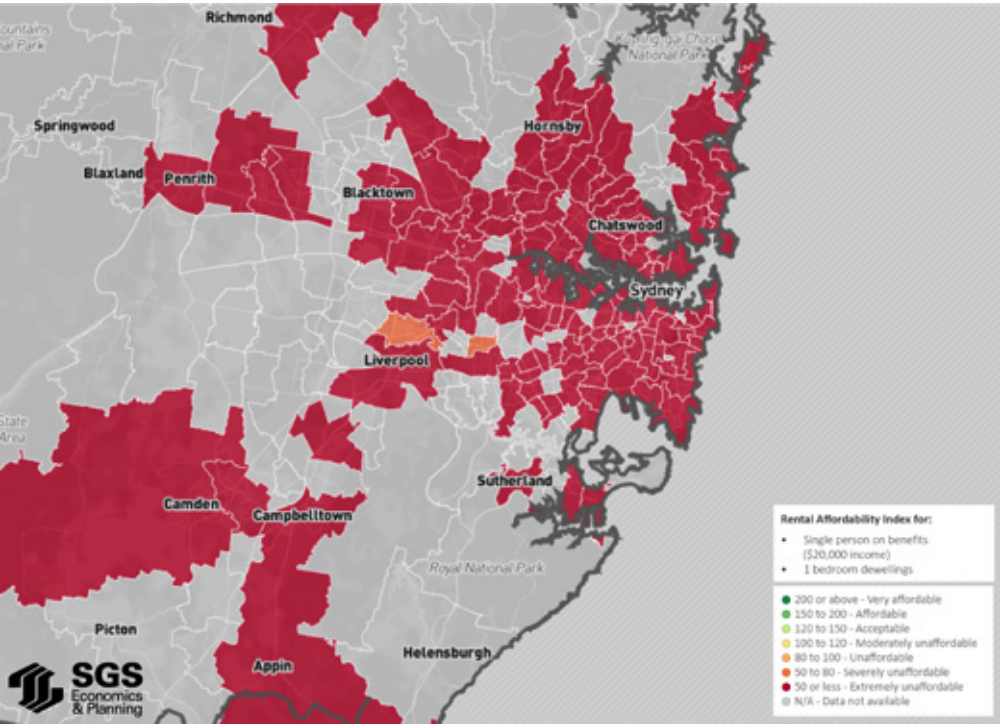
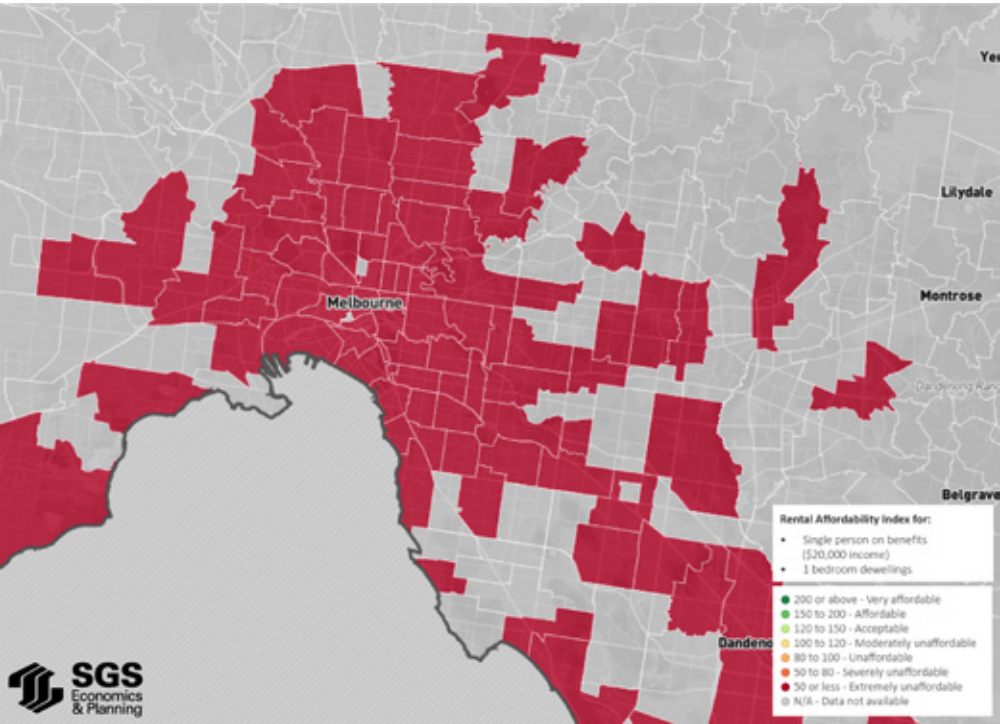


FIGURE 5. GREATER SYDNEY, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

FIGURE 6. GREATER MELBOURNE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Single male household

Single males form the largest share of low income, lone person households in rental stress. In 2015 – 16 there were 137,700 single male households across Australia living in rental stress.⁵ Of single male households who rent in Australia, over 50 per cent earned less than \$36,400 per annum. Despite receiving significantly higher income than single persons on benefits, greater metropolitan regions across all states remains untenable for this group (see Table 6 below).

TABLE 6. RAI FOR SINGLE MALE HOUSEHOLDS

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	44	68%
Rest of NSW	105	29%
Greater Melbourne	58	51%
Rest of VIC	111	27%
Greater Brisbane	62	49%
Rest of QLD	75	40%
Greater Adelaide	80	38%
Rest of SA	140	21%
Greater Perth*	62	48%
Rest of WA*	64	47%
Greater Hobart	88	34%
Rest of TAS	127	24%
ACT	54	56%

Source: SGS Economics and Planning (2018)



⁵ABS Gender Indicators, Australia, September 2018. 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.

2.5 Single part-time worker parent on benefits

\$38,951 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 live in 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 \$38,951.

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 may potentially compound the financial stress on this rental household.

With a RAI of 44, 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 of 49.

In metropolitan Melbourne, the RAI 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 is 88 and rents are Unaffordable.

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

TABLE 7. RAI FOR SINGLE PART-TIME WORKER PARENT ON BENEFITS

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	44	70%
Rest of NSW	83	36%
Greater Melbourne	52	56%
Rest of VIC	88	34%
Greater Brisbane	57	52%
Rest of QLD	69	42%
Greater Adelaide	74	40%
Rest of SA	108	27%
Greater Perth*	67	46%
Rest of WA*	68	45%
Greater Hobart	64	42%
Rest of TAS	94	30%
ACT	49	58%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 2 2018 have been presented

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



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.⁶ Of single mother households who rent, over 50 per cent earned less than \$41,600 per annum⁷. 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.



⁶Ibid

⁷ABS Census, 2016

2.6 Single full-time working parent

\$87,000 P.A., 2 BEDROOM MODERATELY UNAFFORDABLE TO SEVERELY 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 \$87,000 per annum⁸ (ABS, 2016a).

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, other financial pressures are likely to be very high.

Metropolitan Sydney is the least affordable of all areas covered by this study. The RAI for a single working parent is 106, 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 of 116, this household would see around 27 per cent of its income spent on rent.

Slight improvements have been recorded across several states except for Greater Hobart and Regional Tasmania which had a decline in affordability.

In regional areas rents generally range from Acceptable to Affordable.

TABLE 8. RAI FOR SINGLE FULL-TIME WORKING PARENT

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	106	30%
Rest of NSW	200	15%
Greater Melbourne	116	27%
Rest of VIC	195	16%
Greater Brisbane	132	24%
Rest of QLD	159	19%
Greater Adelaide	176	18%
Rest of SA	258	12%
Greater Perth*	169	19%
Rest of WA*	175	18%
Greater Hobart	151	19%
Rest of TAS	213	14%
ACT	129	23%

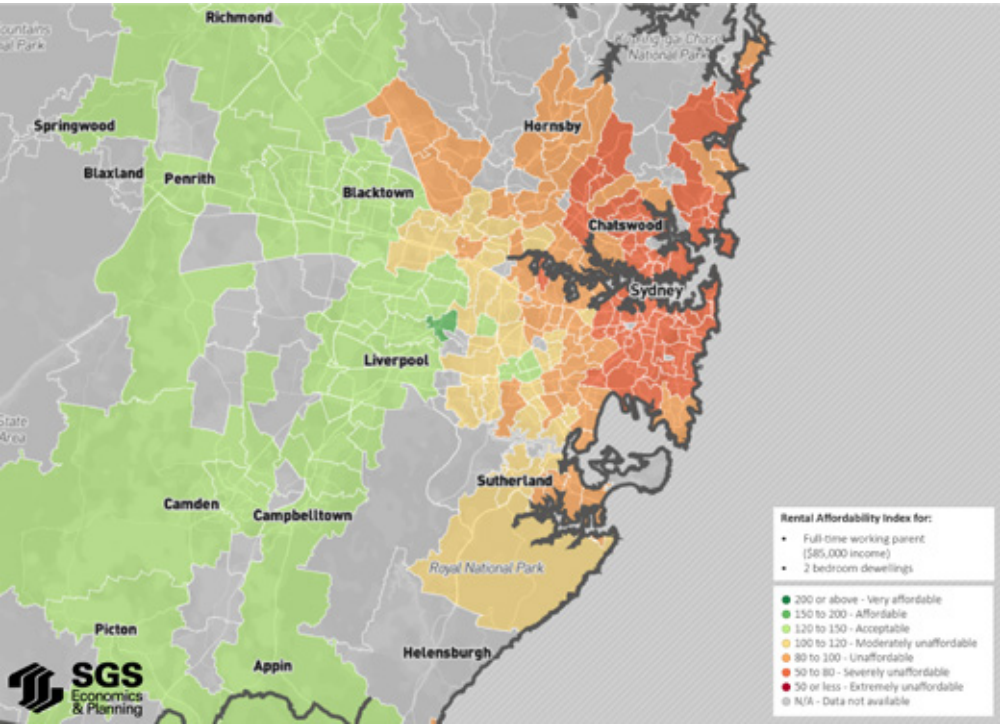
Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 4 2017 have been presented, except for NSW, which shows Quarter 3 2017 scores due to data unavailability.

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

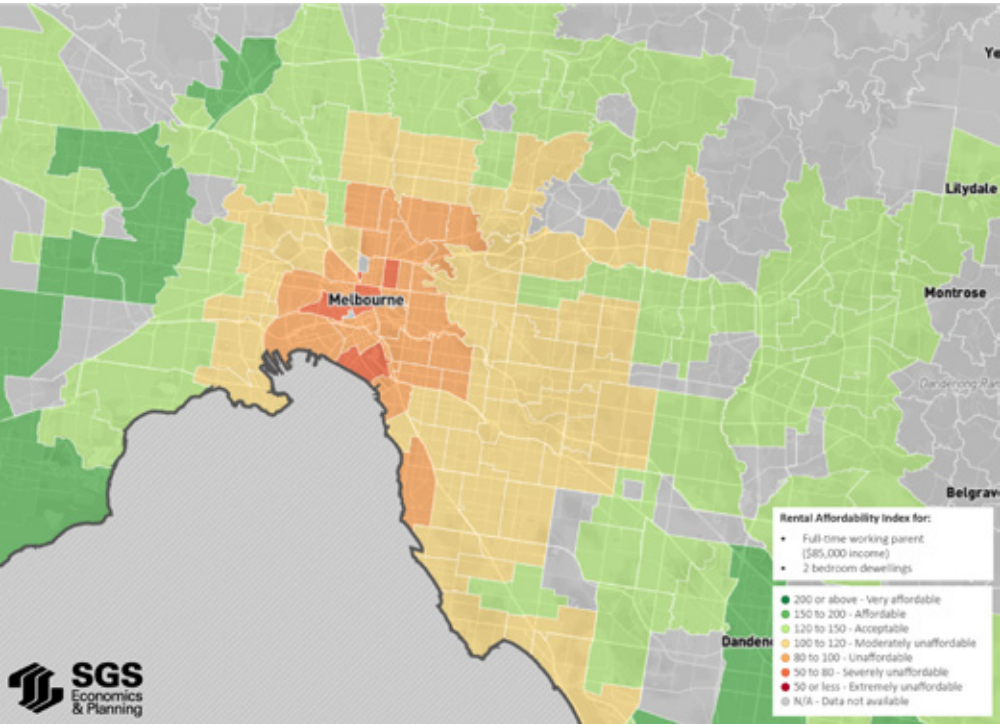


FIGURE 9. GREATER SYDNEY, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

FIGURE 10. GREATER MELBOURNE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

2.7 Single income couple with children

\$87,000 P.A., 3 BEDROOM ACCEPTABLE TO UNAFFORDABLE RENTS ACROSS MOST METROPOLITAN AREAS⁹

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 \$87,000 per annum¹⁰.

The single income couple with children household is able to access Acceptable rents in metropolitan regions, though with a restricted capacity to live in inner city areas.

With a RAI of 108, the single income couple with children would pay around 29 per cent of income on rent in Greater Sydney. Greater Melbourne and the ACT follow Greater Sydney as least affordable with RAI scores of 121 and 116.

This household faces Severely to Extremely 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.

TABLE 9. RAI FOR SINGLE INCOME COUPLE WITH CHILDREN

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	108	29%
Rest of NSW	159	19%
Greater Melbourne	121	25%
Rest of VIC	160	19%
Greater Brisbane	129	24%
Rest of QLD	141	22%
Greater Adelaide	152	20%
Rest of SA	203	15%
Greater Perth*	169	19%
Rest of WA*	175	18%
Greater Hobart	132	22%
Rest of TAS	183	17%
ACT	116	26%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 2 2018 have been presented

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



⁹Note 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

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

Rental Affordability Index for:

- Single income couple with children (\$45,000 income)
- 3 bedroom dwellings

Rental Affordability Index	Description
200 or above	Very affordable
150 to 200	Affordable
120 to 150	Acceptable
100 to 120	Moderately unaffordable
80 to 100	Unaffordable
50 to 80	Severely unaffordable
50 or less	Extremely unaffordable
N/A	Data not available

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Rental Affordability Index

Rental Affordability Index for:

- Single income couple with children (\$40,000 income)
- 3 bedroom dwellings

200 or above - Very affordable
 150 to 200 - Affordable
 120 to 150 - Acceptable
 100 to 120 - Moderately unaffordable
 80 to 100 - Unaffordable
 50 to 80 - Severely unaffordable
 50 or less - Extremely unaffordable
 N/A - Data not available

2.8 Dual income couple with children

\$174,000 P.A., 3 BEDROOM AFFORDABLE RENTS ACROSS STATES, WITH INNER METROPOLITAN AREAS MODERATELY UNAFFORDABLE

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 \$174,000 per annum¹¹.

The dual income couple with children household can generally access 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 in affordability over the last quarter.

Regional areas offer Affordable rents for this household.

TABLE 10. RAI FOR DUAL INCOME COUPLE WITH CHILDREN

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	215	15%
Rest of NSW	317	10%
Greater Melbourne	243	13%
Rest of VIC	321	10%
Greater Brisbane	257	12%
Rest of QLD	283	11%
Greater Adelaide	303	10%
Rest of SA	406	7%
Greater Perth*	339	10%
Rest of WA*	350	9%
Greater Hobart	264	11%
Rest of TAS	365	8%
ACT	232	13%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 4 2017 have been presented

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



Rental Affordability Index for:

- Dual income couple with children (\$175,000 income)
- 3 bedroom dwellings

200 or above	Very affordable
150 to 200	Affordable
120 to 150	Acceptable
100 to 120	Moderately unaffordable
80 to 100	Unaffordable
50 to 80	Severely unaffordable
50 or less	Extremely unaffordable
N/A	Data not available

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Rental Affordability Index

Rental Affordability Index for:

- Dual income couple with children (\$175,000 income)
- 3 bedroom dwellings

● 200 or above - Very affordable
 ● 150 to 200 - Affordable
 ● 120 to 150 - Acceptable
 ● 100 to 120 - Moderately unaffordable
 ● 80 to 100 - Unaffordable
 ● 50 to 80 - Severely unaffordable
 ● 50 or less - Extremely unaffordable
 ● N/A - Data not available

2.9 Student sharehouse

\$75,920 OR \$25,300 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 \$75,920 or \$25,300 per student.

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.

Greater Sydney and the ACT are the least affordable locations for this household, each with a RAI of 88, requiring 34 per cent of income to be spent on rent. This is followed by Greater Melbourne, with a RAI of 107, offering rents at 28 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.

TABLE 11. RAI FOR STUDENT SHAREHOUSE

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	88	34%
Rest of NSW	129	23%
Greater Melbourne	107	28%
Rest of VIC	141	21%
Greater Brisbane	109	28%
Rest of QLD	120	25%
Greater Adelaide	124	24%
Rest of SA	166	18%
Greater Perth*	130	23%
Rest of WA*	133	23%
Greater Hobart	109	27%
Rest of TAS	156	19%
ACT	88	34%

Source: SGS Economics and Planning (2018)

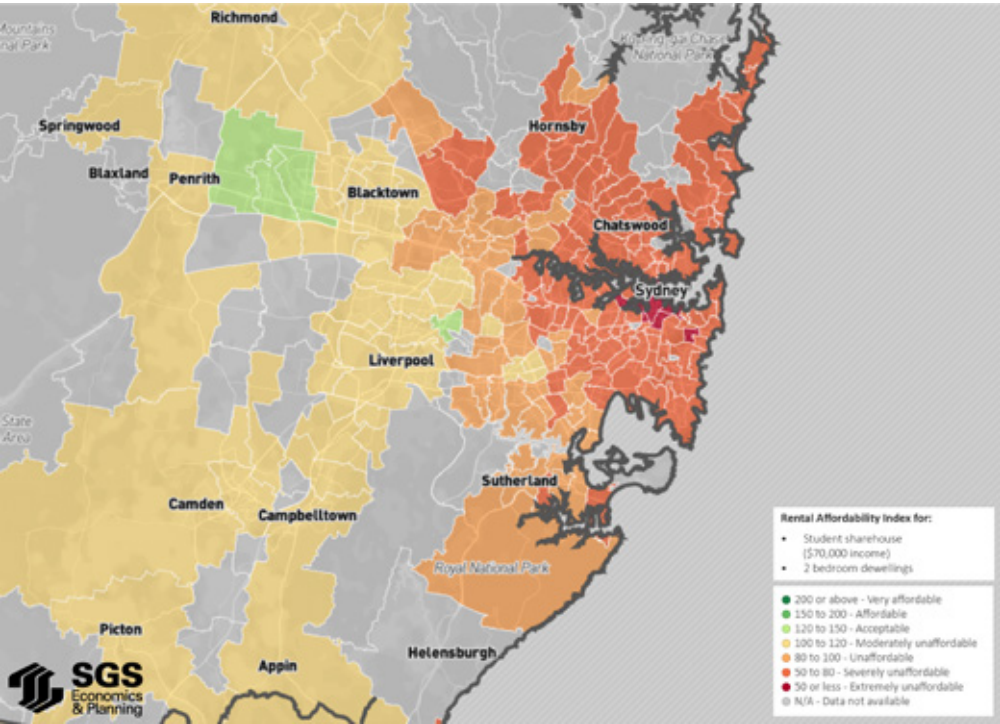
Note: RAI scores for Quarter 2 2018 have been presented

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

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.

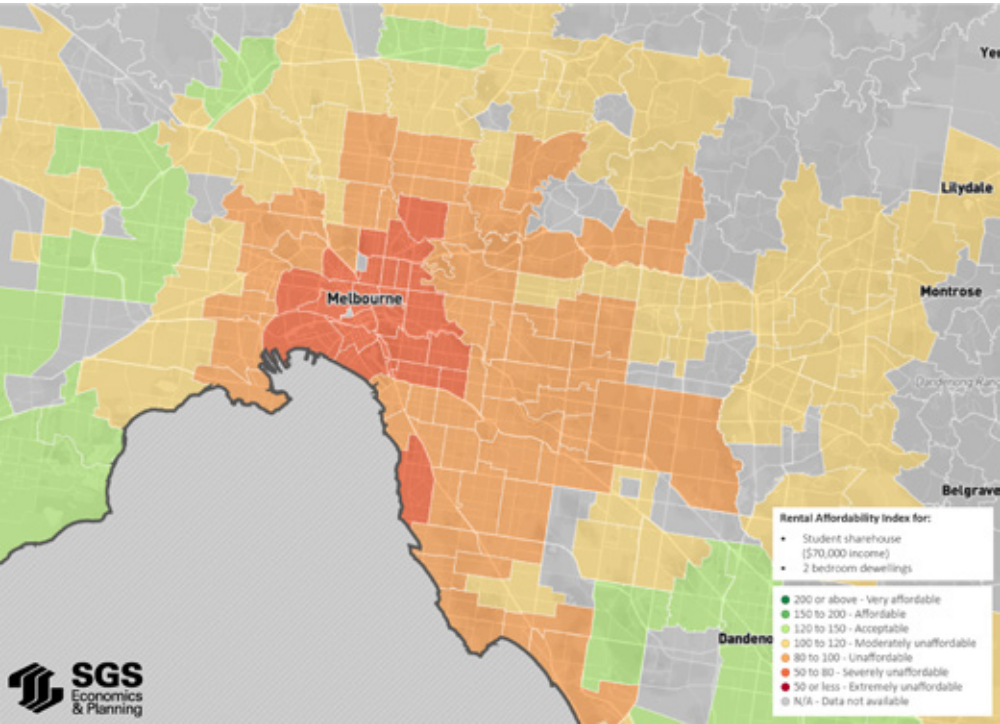


FIGURE 15. GREATER SYDNEY, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

FIGURE 16. GREATER MELBOURNE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

2.10 Minimum wage couple

\$72,300 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 \$72,300.

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 of 82, 37 per cent of wages are spent on rent.

Rents are Unaffordable for this couple in both Greater Melbourne and the ACT, with RAI scores of 97 and 91 respectively. In Greater Brisbane, rents are Moderately Unaffordable, with a RAI of 106 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).

TABLE 12. RAI FOR MINIMUM WAGE COUPLE HOUSEHOLD

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	82	37%
Rest of NSW	154	19%
Greater Melbourne	97	31%
Rest of VIC	164	18%
Greater Brisbane	106	28%
Rest of QLD	128	23%
Greater Adelaide	138	22%
Rest of SA	201	15%
Greater Perth*	124	24%
Rest of WA*	126	24%
Greater Hobart	119	25%
Rest of TAS	174	17%
ACT	91	33%

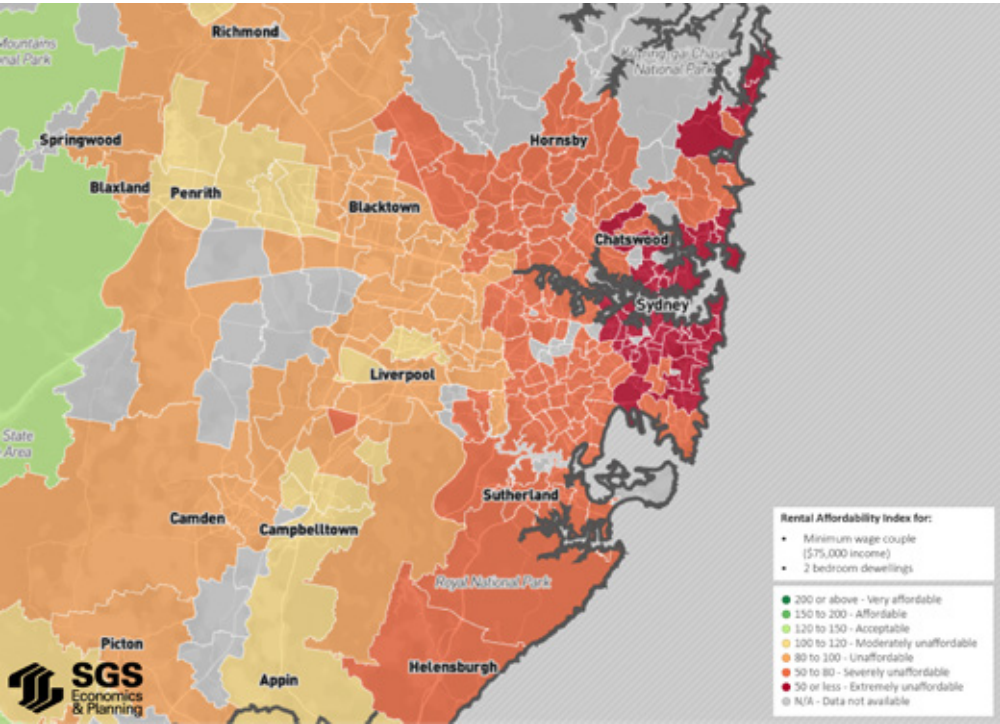
Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 2 2018 have been presented

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

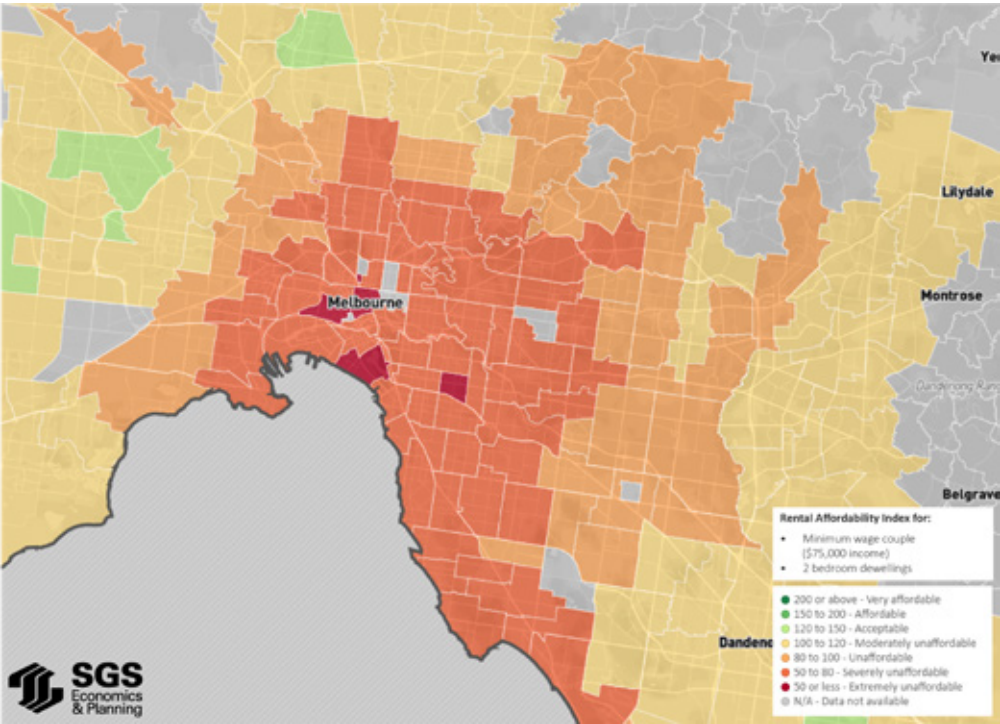


FIGURE 17. GREATER SYDNEY, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

FIGURE 18. GREATER MELBOURNE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

2.11 Hospitality worker

\$54,500 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 \$54,500 per annum¹².

Across the nation's metropolitan areas, rents for the hospitality worker household are Severely Unaffordable. With a RAI of 74, Greater Sydney is the least affordable city for the hospitality worker, requiring households to pay around 44 per cent of their income on rent.

The ACT is the second least affordable city for hospitality workers with a RAI score of 79, requiring 38 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 90 and 92 respectively, requiring households to pay up to 33 per cent 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.

TABLE 13. RAI FOR HOSPITALITY WORKER

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	74	41%
Rest of NSW	159	19%
Greater Melbourne	90	33%
Rest of VIC	154	19%
Greater Brisbane	92	33%
Rest of QLD	121	25%
Greater Adelaide	115	26%
Rest of SA	210	14%
Greater Perth*	99	30%
Rest of WA*	113	27%
Greater Hobart	136	22%
Rest of TAS	196	15%
ACT	79	38%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 2 2018 have been presented

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



¹²This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

Rental Affordability Index for:

- Hospitality worker (\$55,000 income)
- 1 bedroom dwellings

● 200 or above - Very affordable
 ● 150 to 200 - Affordable
 ● 120 to 150 - Acceptable
 ● 100 to 120 - Moderately unaffordable
 ● 80 to 100 - Unaffordable
 ● 50 to 80 - Severely unaffordable
 ● 50 or less - Extremely unaffordable
 ● N/A - Data not available

Rental Affordability Index

Rental Affordability Index for:

- Hospitality worker (\$55,000 income)
- 1 bedroom dwellings

Rental Affordability Index for:

- 200 or above - Very affordable
- 150 to 200 - Affordable
- 120 to 150 - Acceptable
- 100 to 120 - Moderately unaffordable
- 80 to 100 - Unaffordable
- 50 to 80 - Severely unaffordable
- 50 or less - Extremely unaffordable
- N/A - Data not available

03

National Trends

“

Investors have pushed out would-be home owners, so more households with middle to higher incomes are renting for longer.

”

CHAPTER 3: 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 cent¹³. AHURI estimates that 1.3 million households need housing assistance.

In Australia, this shift towards renting and increased rental costs, is driven by a range of factors. Since the 1990s, the introduction of the capital gains tax reduction and negative gearing has drawn more investors to the housing market at the expense of owner occupiers, while driving more households 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 once 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, 44 per cent of all low income households are in housing stress, compared to 35 per cent in 2008. This rises to 51 per cent for households in NSW, or 62 per cent when considering just households in the bottom income quintile.¹⁴

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.

3.2 Metropolitan areas

Greater **Hobart** continues to be the least affordable capital city in Australia. Rental affordability has dropped considerably over recent quarters in Hobart, reaching a RAI of 101 in June 2018. On average rents in metropolitan Hobart are now unaffordable even to the median rental household. Household incomes in Tasmania are significantly lower than

the national average, while rents are more comparable to mainland averages.

Greater **Sydney** is the second least affordable capital city, though it has seen marginal improvements since December 2017 and now has a RAI of 113. 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 Hobart and Sydney over recent years (see Figure 21) shows that while the two cities have shared similar levels of rental affordability, the gap between their RAI scores has widened considerably over 2017 to 2018.

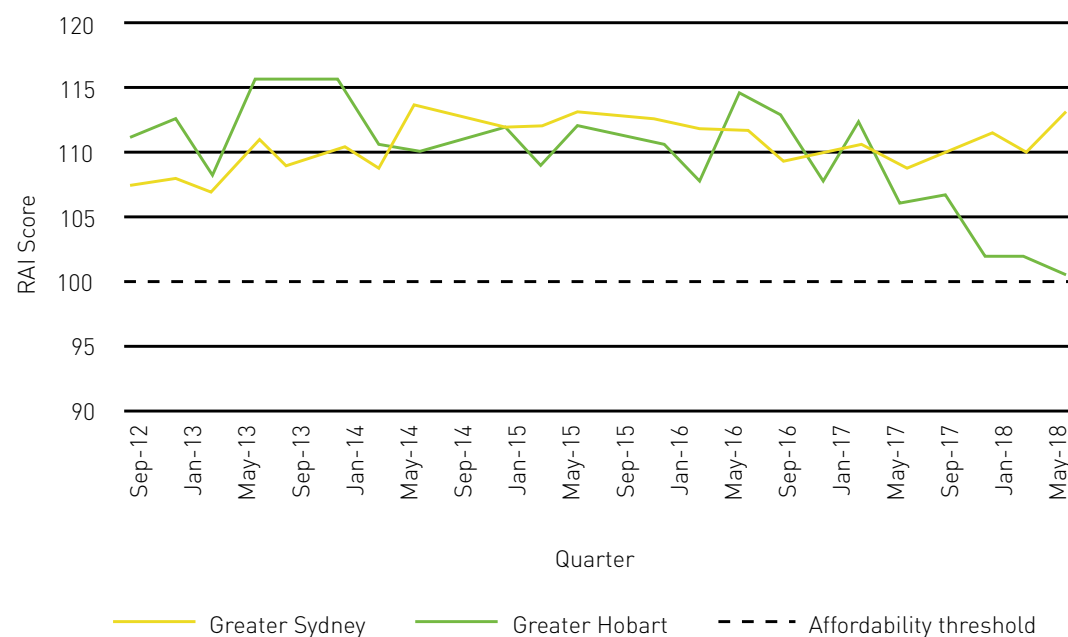
While Sydney saw minor improvements in affordability as a combined result of growing income and static rents, income growth has failed to meet increasing rent levels in Hobart.



¹³ABS Census Data. Cat 41311 Table 1.2 and Table 1.3

¹⁴ABS Census Data. Cat 4130.0- Housing Occupancy and Costs, 2015-16 (table 22): hh in rental stress

FIGURE 21. RAI COMPARISON – SYDNEY AND HOBART (2014-2018)



Source: SGS Economics and Planning (2018)

TABLE 14. NATIONAL RAI TRENDS – METROPOLITAN AREAS

Region	2012		2013				2014				2015				2016				2017				2018		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	112	110	110	111	109	110	111	110	113	1.0%	1.6%	0.1%
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	5.0%	2.0%	5.0%
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	-3.1%	-2.6%	1.2%
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	-12.0%	-1.6%	-10.4%
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	-0.1%	0.7%	-0.2%
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	13.6%	-0.2%	25.0%
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	-4.6%	-0.7%	2.2%
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			

Source: SGS Economics and Planning (2018)

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 the last release and the RAI is consistent with 2017 levels.
- Rental affordability in **Greater Adelaide** has declined after having seen little fluctuation over the previous 18 months. With a RAI of 114, levels of unaffordability are now almost on par with levels seen in Greater Sydney.
- Rental affordability gains made in Greater **Brisbane** in early 2017 have been maintained and the RAI 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 2018.
- Rental affordability in Greater **Perth** has been maintained at the same level recorded for the last quarters of 2017. It remains the most affordable capital city in Australia.
- For **low income households** in metropolitan areas across Australia the situation remains untenable.

TABLE 15. NATIONAL RAI SUMMARY – METROPOLITAN AREAS (DEC 2017*)

Region	RAI	Share of hhold income spent on rent	Relative unaffordability
Greater Sydney	113	27%	Moderately unaffordable rents
Greater Brisbane	123	24%	Acceptable rents
Greater Adelaide	114	26%	Moderately unaffordable rents
Greater Hobart	101	30%	Moderately unaffordable rents
Greater Melbourne	127	24%	Acceptable rents
Greater Perth	144	21%	Acceptable rents
ACT	128	24%	Acceptable rents

Source: SGS Economics and Planning (2018)

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



3.3 Rest of state areas

Key rest of state area trends include:

- Regional TAS has declined in affordability and overtaken Regional NSW as the least affordable of the rest of state areas studied.
- Regional VIC and Regional NSW have remained relatively unchanged since the previous release.
- Regional SA experienced the greatest decline in affordability compared with all the rest of state areas studied.
- 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 17. NATIONAL RAI SUMMARY – REST OF STATE AREAS (JUNE 2018)

Region	RAI	Share of hhold income spent on rent	Relative unaffordability
Rest of NSW	122	25%	Unaffordable rents
Rest of QLD	123	24%	Acceptable rents
Rest of SA	133	23%	Acceptable rents
Rest of Tas.	121	25%	Acceptable rents
Rest of Vic.	124	24%	Acceptable rents
Rest of WA	157	19%	Acceptable rents

Source: SGS Economics and Planning (2018)

TABLE 16. NATIONAL RAI TRENDS – REST OF STATE AREAS

Region	2012		2013				2014				2015				2016				2017				2018		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	-1.4%	0.0%	-2.9%
Rest of QLD	110	112	114	116	118	118	119	121	122	122	121	122	120	120	121	123	122	122	122	123	123	122	122	123	0.3%	0.6%	1.1%
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	-0.9%	-3.4%	3.3%
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	1.6%	0.1%	-3.3%
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	-0.7%	0.2%	-0.4%
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	5.4%	2.9%	17.2%
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			

Source: SGS Economics and Planning (2018)

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

04

State Trends

“

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 2018.

”

4.1 New South Wales

Greater Sydney

The median rental household in Greater Sydney (at June 2018) has a gross income of \$98,500 per annum.

With a RAI of 113, further marginal 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.

For the first time, data is now available for all dwellings for the state of NSW.¹⁵ As a result, several middle ring suburbs now appear more affordable when compared to previous releases. Sydney remains critically unaffordable to significant proportions of the renting population, especially very low and low-income households. It remains the second least affordable metropolitan region in Australia. The average rental household in Greater Sydney spends around 27 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 Blacktown, Liverpool and Campsie to find Acceptable rents.

Ultimo and Redfern are the only suburbs within a 15km radius of the CBD to offer Acceptable rents. However, the RAI score for each indicates they are verging on Moderately Unaffordable.

The geographic spread of Unaffordable rents has travelled further along the coast north and south of the central city. Unaffordable rents reach as far as Terrigal and out to Wollongong and Gerringong.

Much of inner Newcastle and Fern Bay remains Moderately Unaffordable.

Sydney’s top 5 least affordable postcodes are listed below in Table 18.¹⁶

¹⁵In previous releases, data was only available for three bedroom dwellings.
¹⁶The 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)

Rest of NSW

The median rental household in regional NSW has a gross income of \$66,500 per annum.

With a RAI 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 except for Bowral and Mittagong.

Regional NSW remains the second least affordable, after regional TAS, when compared with other states.

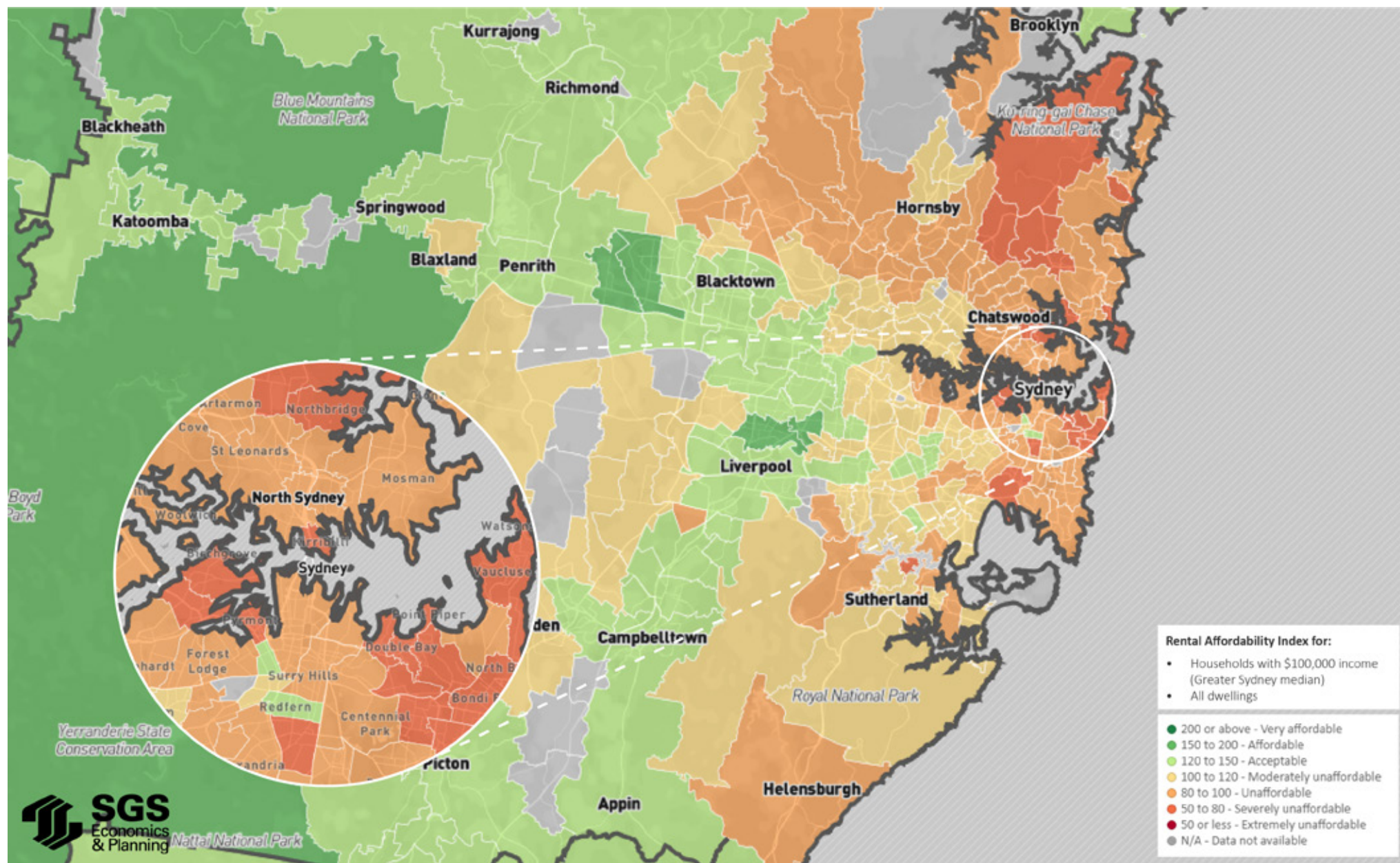
TABLE 18. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER SYDNEY (JUNE QUARTER, 2018)

RANK	POST CODE	SUBURBS	RAI SCORE	RENT AS SHARE OF MEDIAN HHOLD INCOME
1	2061	Milsons Point, Kirribili	70	43%
2	2075	St Ives Chase, St Ives	73	41%
3	2009	Pymont	74	41%
3	2027	Point Piper, Edgecliff, HMAS Rushcutters, Darling Point	74	41%
5	2039	Rozelle	75	40%

Source: SGS Economics and Planning (2018)
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.



FIGURE 22. INNER AND MIDDLE SYDNEY, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/> for the interactive map

4.2 Victoria

Greater Melbourne

The median rental household in Greater Melbourne has a gross income of \$88,400 per annum.

With a RAI of 127 in the June quarter of 2018, 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 24 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.

For example, rents have shifted from Acceptable to Unaffordable in the north-west suburb of Keilor and as far as Gisborne in the Macedon Ranges. A similar trend is evident in the north east in Diamond Creek and Warrandyte.

Inner areas such as Collingwood have also moved from Moderately Unaffordable to the average rental household to Unaffordable in the last quarter.

The south east of Greater Melbourne remains Moderately to Severely Unaffordable. All top five least affordable postcodes for this quarter are in the south east and include Albert Park, Port Melbourne out to Brighton, Beaumaris and Black Rock.

Melbourne's top 5 least affordable postcodes are listed in Table 19.

Rest of Victoria

The median rental household in regional Victoria has a gross income of \$63,000 per annum.

With a RAI of 124, rental affordability in regional Victoria declined slightly over 2017- 2018 but rents remain Acceptable overall. The median household seeking to rent in regional Victoria faces rent levels at around 24 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 such as Geelong, Ballan, Kyneton and Kilmore remain Moderately Unaffordable to Unaffordable.

TABLE 19. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE QUARTER, 2018)

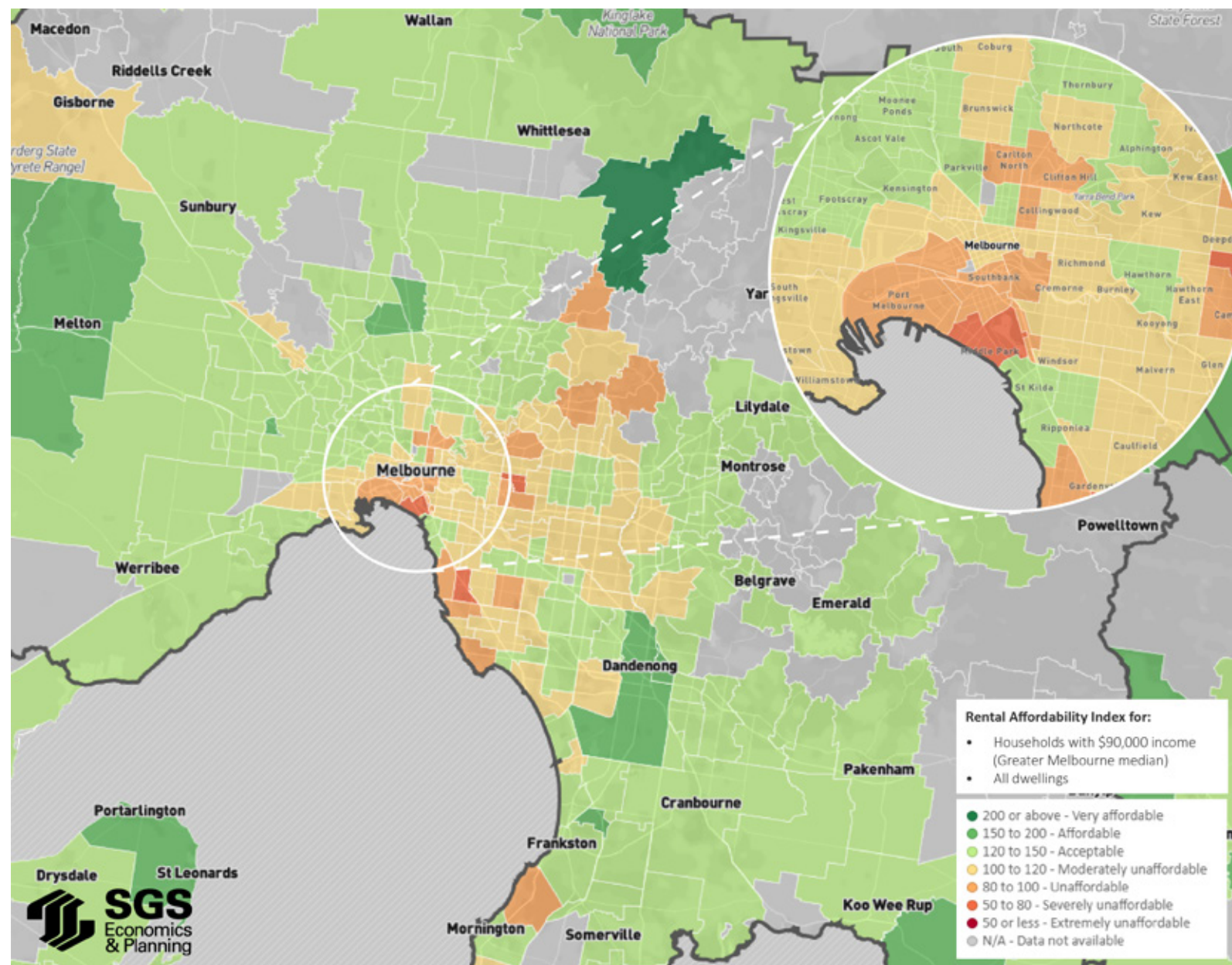
RANK	POST CODE	SUBURBS	RAI SCORE	RENT AS SHARE OF MEDIAN HHOLD INCOME
1	3187	Brighton East, North Road	80	38%
2	3206	Albert Park, Middle Park	82	37%
3	3207	Port Melbourne, Garden City	92	33%
4	3186	Brighton, Brighton North, Dendy	97	31%
5	3193	Black Rock, Beaumaris, Cromer	99	30%

Source: SGS Economics and Planning (2018)

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 23. INNER AND MIDDLE MELBOURNE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/> for the interactive map

4.3 Queensland

Greater Brisbane

The median rental household in Greater Brisbane has a gross income of \$84,000 per annum.

Affordability in Greater Brisbane continues to make gains. At 123, the RAI 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, more inner to middle suburbs have shifted to Unaffordable.

Rest of Queensland

The median rental household in regional Queensland has a gross income of \$74,900 per annum.

Affordability has also increased in regional Queensland over recent years, though has remained relatively steady since the first quarter of 2016.

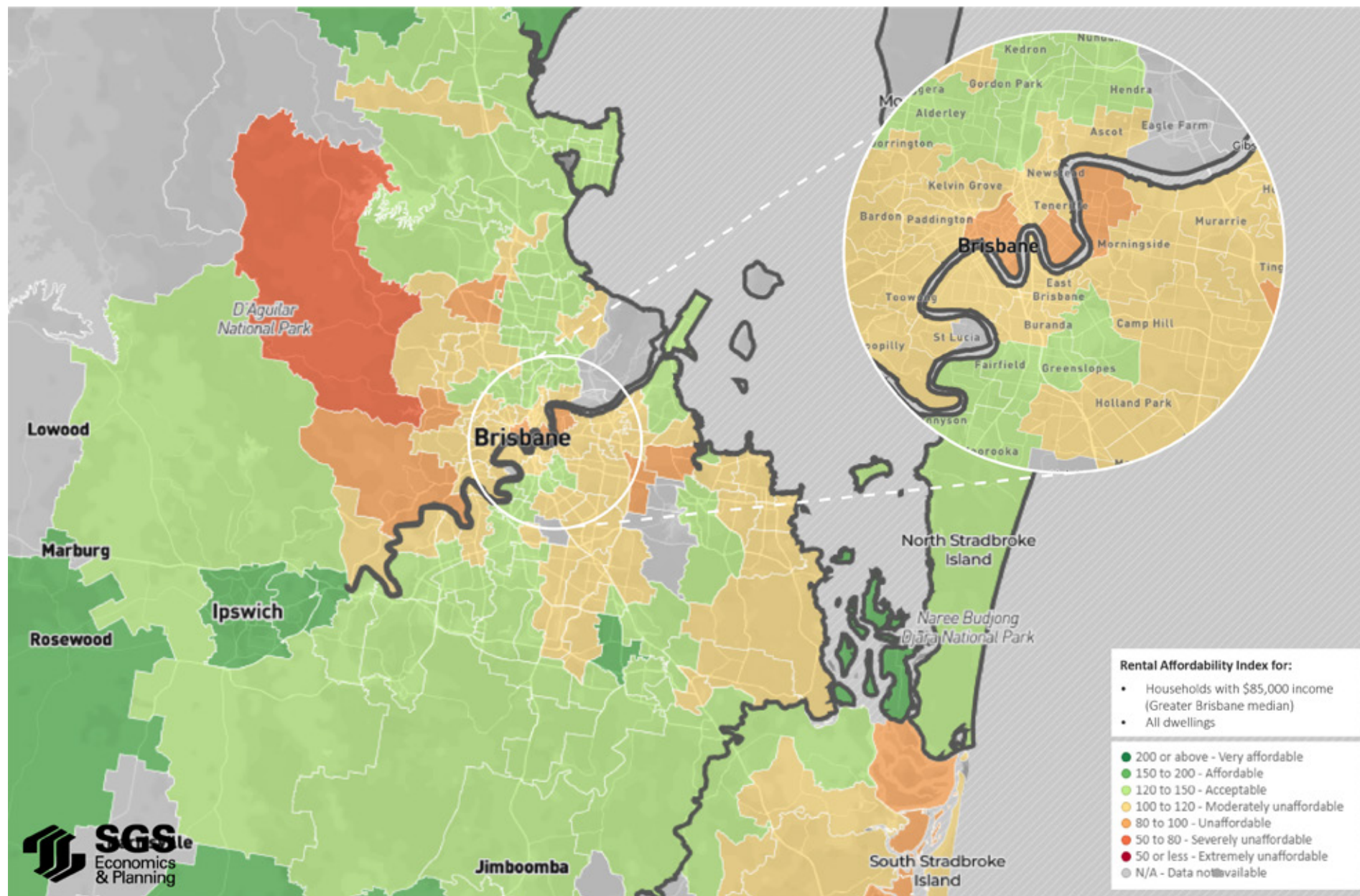
Regional Queensland has a RAI of 123, a level of rental affordability identical to its metropolitan counterpart. The average rental household seeking a dwelling face rents at 24 per cent of its total income.

The regions of Maroochydore, Caloundra, Coolumb 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.

Since late 2017, areas such as Eumundi in the north and Kingscliff and Byron Bay to the south have moved from Unaffordable to Severely Unaffordable.



FIGURE 24. GREATER BRISBANE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-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 \$65,000 per annum.

With a RAI of 114, the average household in Greater Adelaide seeking to rent faces rents at around 26 per cent of household income. While the RAI for Adelaide had remained at 117 for the past six quarters, the last quarter sees a notable decline.

Overall, Adelaide has experienced the largest decline in affordability of all the states studied since the last release.

The geographic spread of affordability in Greater Adelaide has shifted, with more of the middle suburbs and foothills moving from Moderately Unaffordable to Unaffordable.

Since the December 2017 quarter, areas in Adelaide's north eastern suburbs Tranmere, Hectorville and Athlestone have also moved from Acceptable to Unaffordable.

Rest of SA

The median rental household in regional South Australia has a gross income of \$59,600 per annum.

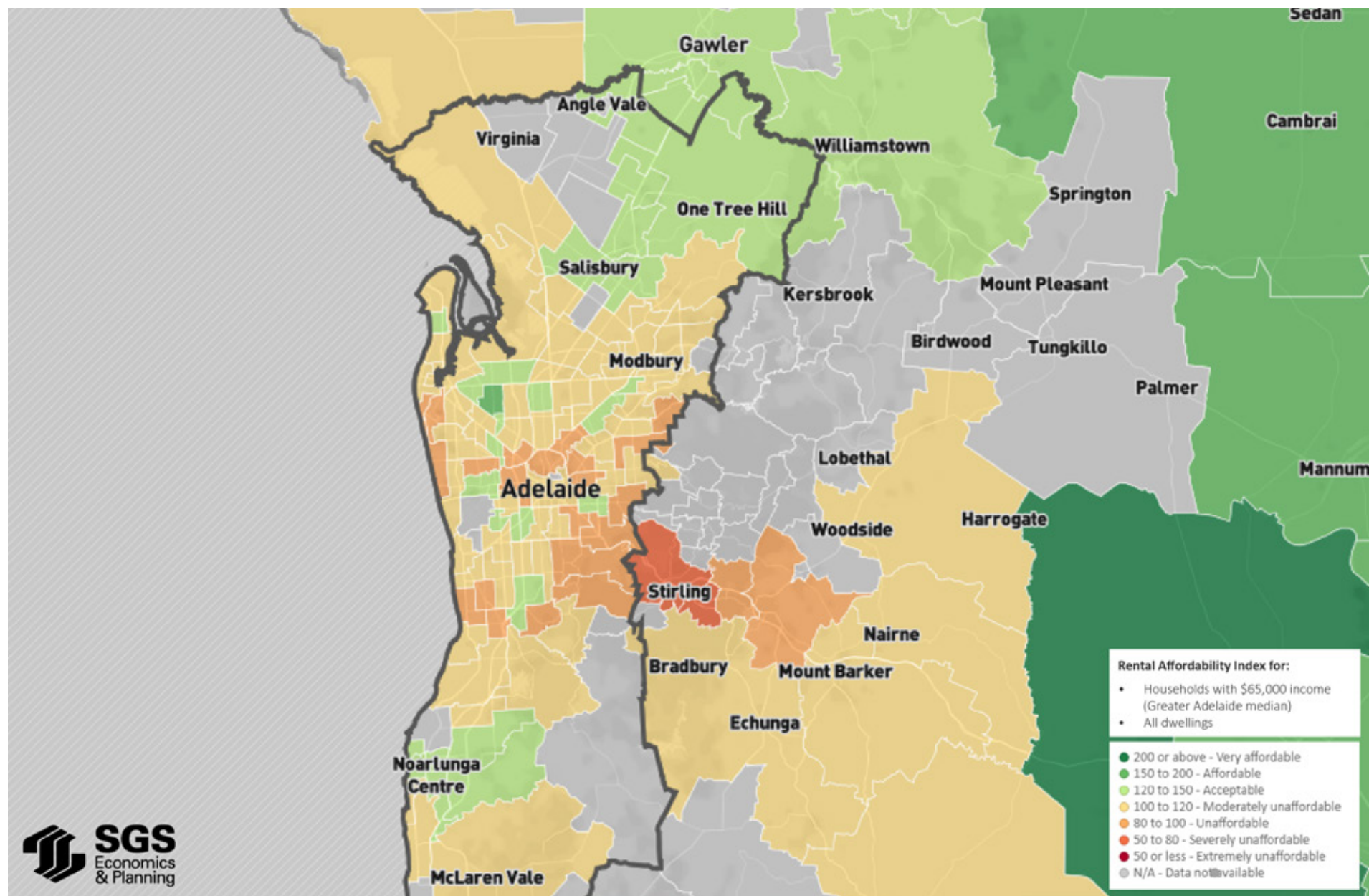
With a RAI of 133, regional SA is at its least affordable since early 2016, the average household seeking to rent faces rents at around 23 per cent of household income. This is a sharp drop since the previous release in which Regional SA had a RAI of 138 (its most affordable since mid 2012).

Fast growing outer areas such as Mt Barker, Nairne 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 Moderately Unaffordable rents.



FIGURE 25. GREATER ADELAIDE, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/> for the interactive map

4.5 Tasmania

Greater Hobart

The median rental household in Greater Hobart has a gross income of \$61,300 per annum.

Surprisingly, Greater Hobart is the least affordable metropolitan area in Australia. At 101, its RAI is almost at 100, which would indicate that on average rents in Hobart are unaffordable even to the median rental household. It means that the average income household is on the verge of housing stress.

The average rental household in Greater Hobart now faces rents at around 30 per cent of its total income.

Areas such as Hobart, Sandy Bay, West, South and North Hobart, Kingston, Margate are Unaffordable to the median household. Since the last release areas such as New Town and Lenah Valley have shifted from Acceptable to Moderately Unaffordable.

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 \$53,400 per annum.

Regional Tasmania has a RAI of 121. The average household seeking to rent would be facing rent levels at around 25 per cent of its income.

Towns in northern and eastern Tasmania, including Devonport, have relatively Acceptable rents compared to regional incomes. Launceston has become Moderately Unaffordable in recent years.

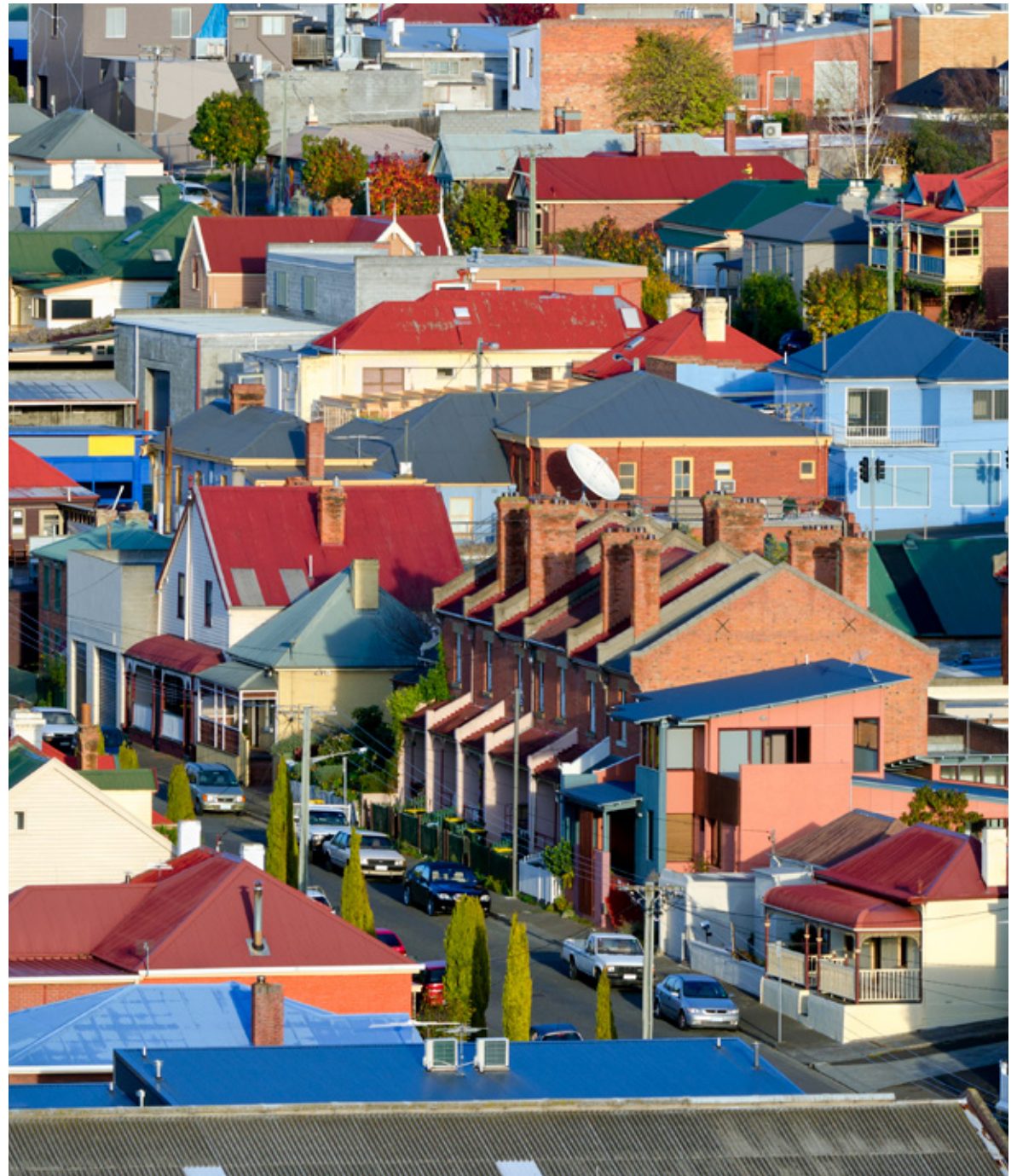
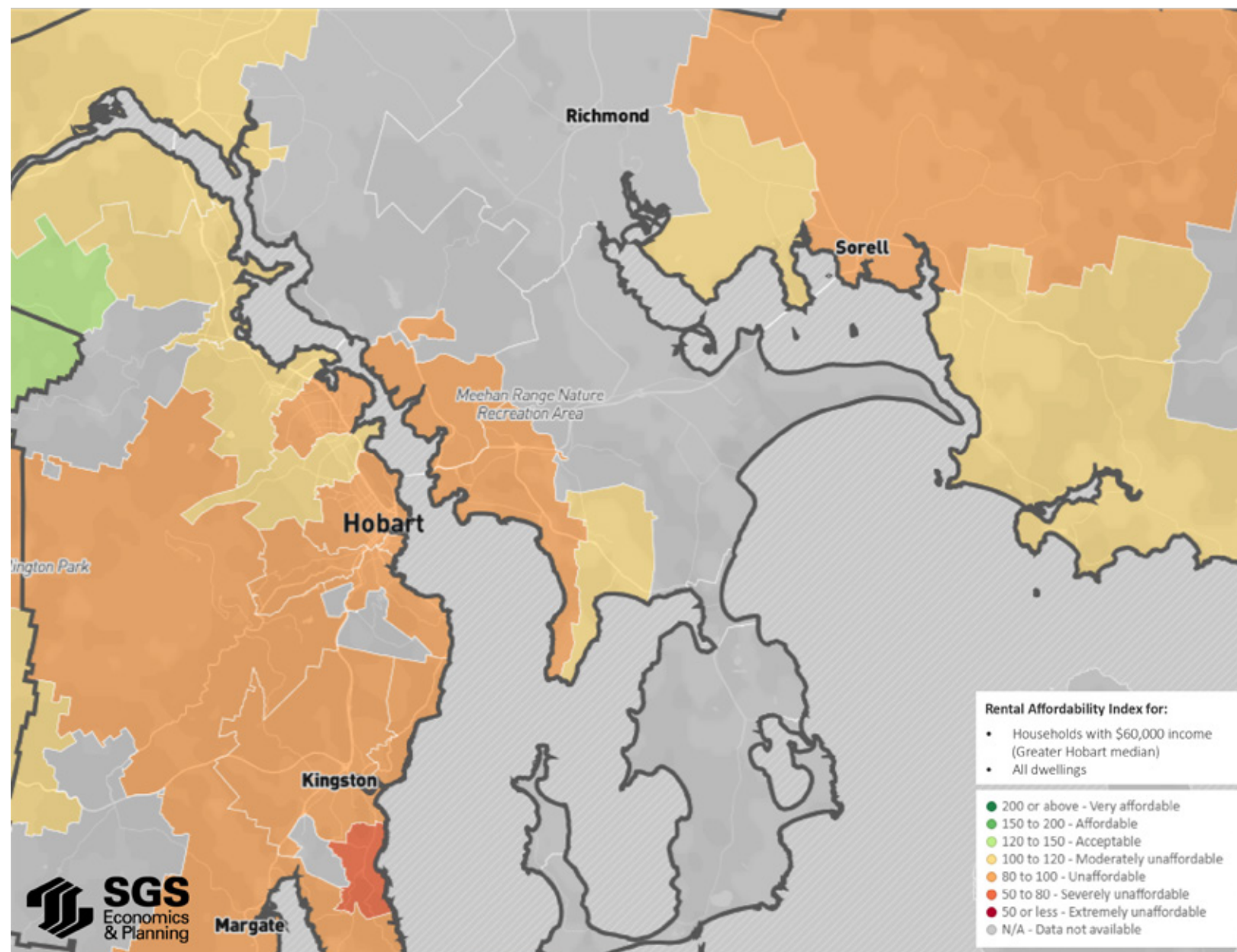


FIGURE 26. GREATER HOBART, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/> for the interactive map

4.6 Western Australia

Greater Perth

The median rental household in Greater Perth has a gross income of \$84,200 per annum.

With a RAI of 144, 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 inner city areas Moderately Unaffordable to Unaffordable. The geographic spread of affordability remains relatively unchanged since the last release. Areas along the coast, including North Fremantle and Claremont remain Unaffordable.

Rest of WA

The median rental household in regional Western Australia has a gross income of \$90,000 per annum.

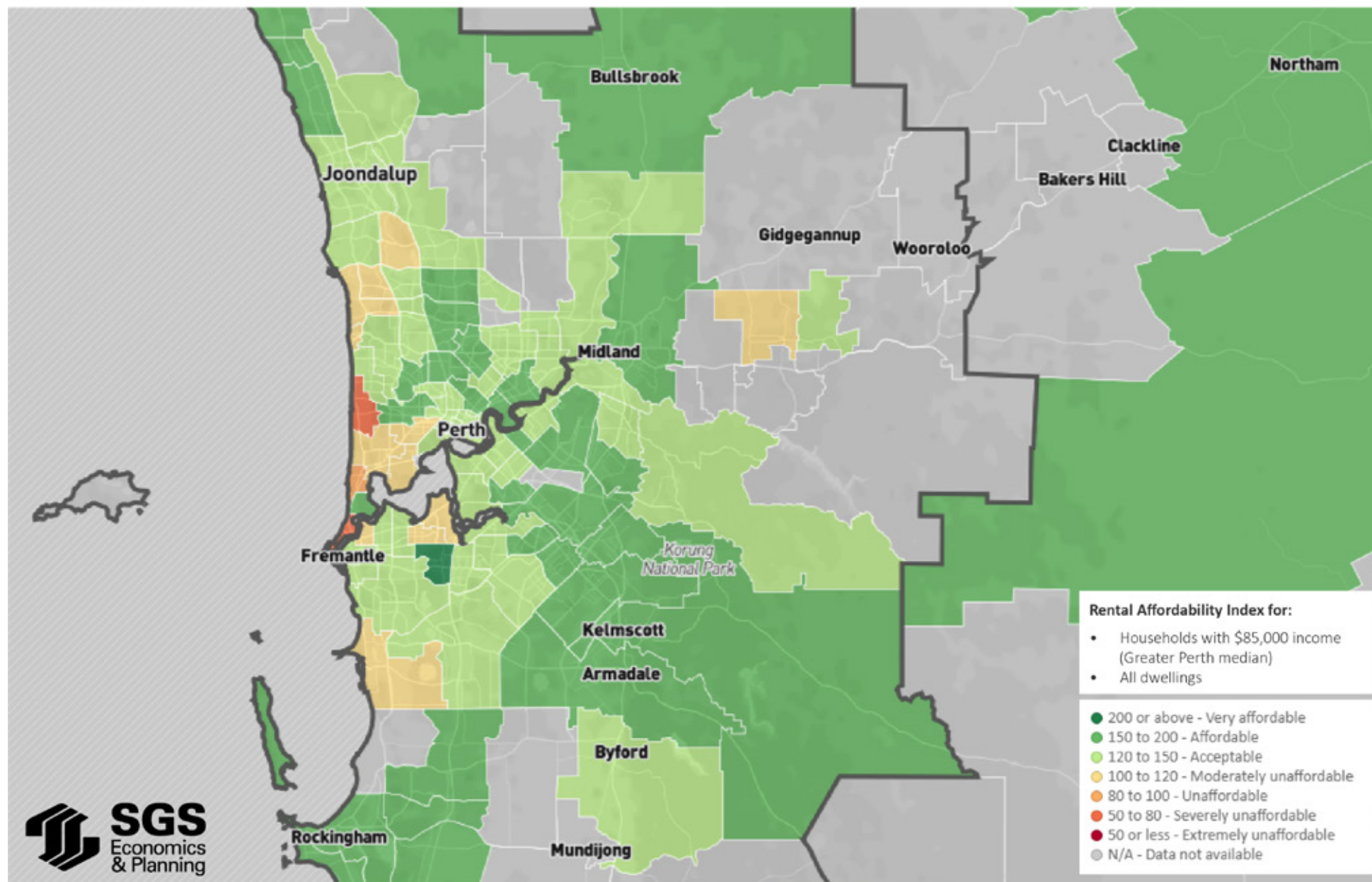
Regional WA has a RAI of 157. While the region has seen steady growth in affordability over recent years, the fluctuations across the 2017 – 2018 period suggest that this growth may be plateauing.

While relatively minor, the March quarter of 2018 saw the second decline in rental affordability in regional WA since the same quarter three years prior.

The average household seeking to rent in regional WA would be facing rent levels at around 19 per cent of its income.



FIGURE 27. GREATER PERTH, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/> for the interactive map

4.7 ACT

The median rental household in the Australian Capital Territory has a gross income of \$100,800 per annum.

An update to household income data reveals that the ACT has not been performing as well as previously estimated, though the difference in affordability is relatively minor. With a RAI of 128, the ACT remains Acceptable in rental affordability.

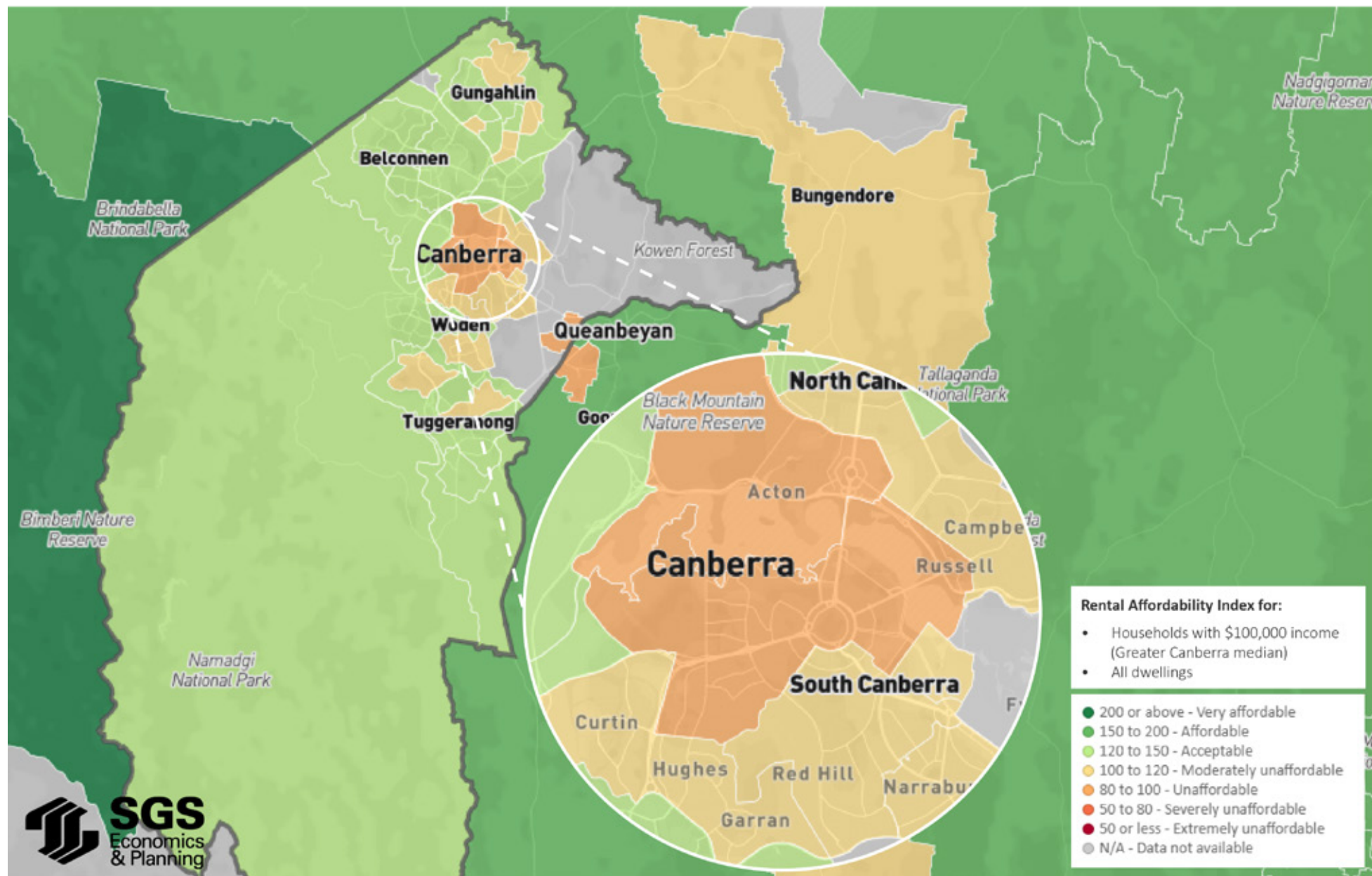
A marginal but consistent decline in rental affordability can be seen in the Australian Capital Territory from the December quarter of 2016 to the close of the second quarter of 2018.

Areas across the inner city and suburbs have moved from Moderately Unaffordable to Unaffordable.

The high overall RAI in 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 28. ACT, JUNE QUARTER, 2018



Source: SGS Economics and Planning, 2018

Visit <http://www.sgsep.com.au/maps/thirdspace/australia-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 was not calculated.¹⁷

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

- Regional level analysis uses the median rent of the Greater Metropolitan Region (GMR), as defined by Housing NSW. That is, the combined areas of:
 - Greater Sydney, and
 - The LGAs of Cessnock, Kiama, Lake Macquarie, Maitland, Newcastle, Port Stephens, Shellharbour and Wollongong.
- The average household incomes of the GMR is assumed to be equal to those in 'Greater Sydney', as defined by the Australia Bureau of Statistics (GCCSA).

- Data availability previously required the overall RAI of Sydney and Rest of NSW to use the median rental price of three bedroom dwellings rather than the median of 'all dwellings.' This release the data has become available and the overall RAI for Sydney uses All Dwellings.
- Data for Metropolitan Sydney is available by postcode; for the Balance of NSW, data is only available at LGA level.
- Data was not available for areas with fewer than ten listings; as such, this data was not included in 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).
- 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.

¹⁷Where a RAI could not be calculated, an 'n/a' is shown on the online map.

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.

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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