

# RENTAL AFFORDABILITY INDEX

Key findings report

May 2017 Release  
Aged cohorts focus

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## 1.1 Background and aim

National Shelter, Community Sector Banking and SGS have released the Rental Affordability Index (RAI) on a biannual basis since 2015. The RAI is intended to complement the Housing Affordability Index (HAI) which is a price index for the purchase of houses. 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 in support of the fourth RAI release. To better illustrate the situation for vulnerable groups, this release assesses the rental affordability situation for eight Australian household types, with a focus on aged and key worker cohorts.

## 1.2 Publication information

The RAI covers all states with available data. The Northern Territory and Australian Capital Territory do not form part of this release as rental bond data was not available to develop the RAI in these states. The RAI tracks rental affordability relative to income for all households, but 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 found at the following website:

<http://www.sgsep.com.au/maps/thirdspace/#map1>

This report presents the preliminary findings of the May 2017 release of the RAI. It provides an update of the November 2016 RAI report by providing analysis of data from the two most recent available quarters, September and December 2016.

## 1.3 Acknowledgements

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

- Australian Bureau of Statistics
- Department of Family and Community Services, NSW

- Department of Health and Human Services, Victoria
- Department of Justice, Tasmania
- Government of Western Australia Housing Authority
- 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) 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 method of the RAI uses the 30 per cent of income rule and broadly aligns with the HAI approach. Rental affordability is calculated using the following equation:

$$\text{RAI} = (\text{Median income}/\text{qualifying income}^1) * 100$$

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

<sup>1</sup>Qualifying income refers to the income required to pay rent where rent is 30% of income

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

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

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

**TABLE 1 RENTAL AFFORDABILITY INDEX AND SEVERITY OF RENTAL UNAFFORDABILITY**

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

Source: SGS Economics and Planning, 2017

## Income

### Regional analysis

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

Household income is sourced from 2011 census data. 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.

The ABS time series of Average Weekly Earnings (Cat 6302.0) is a measure of personal weekly income that is used to index the 2011 weekly household incomes. 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.

### 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 **eight typical household types** have been developed to better illustrate the rental situation for vulnerable cohorts. These are summarised in the table below. The inputs and assumptions used for these household types are provided in Appendix 2 to this report.

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).

**TABLE 2 EIGHT LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES**

Household type	Indicative gross annual income	Indicative dwelling size
Single pensioner	\$26,600	1 bdr
Pensioner couple	\$45,800	2 bdr
Single person on benefits	\$17,409	1 bdr
Single part-time worker parent on benefits	\$37,766	2 bdr
Single working parent	\$70,230	2 bdr
Single income couple with children	\$70,230	3 bdr
Dual income couple with children	\$140,460	3 bdr
Student sharehouse	\$75,300	3 bdr

Source: Compiled by SGS Economics and Planning, 2017. See Appendix 2 for full list of sources used.



## Median rents

The RAI is calculated using the median rental price of all dwellings in a region for a given quarter. Rental data is obtained 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 Housing Authority
- Residential Tenancies Authority, Queensland

## 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.



## 2.1 Metropolitan areas

- Greater Sydney not only remains the least affordable of all the metropolitan areas, but is at a record low.
- Greater Perth continues to see substantial improvements in rental affordability. Since the December quarter of 2014, the RAI has increased by 25 (from 115 to 140 in quarter 4 of 2016).
- Apart from Perth, all metropolitan areas studied have experienced a decline in rental affordability since the last RAI release, though to varying degrees.
- Greater Hobart has seen the greatest decline in affordability since the last release, falling from 114 to 108.
- The situation remains dire for low income households in metropolitan areas across Australia.

**TABLE 3 NATIONAL RAI SUMMARY - METROPOLITAN AREAS**

Region	RAI (Dec 2016)	Share of hhold income spent on rent	Relative unaffordability
Greater Sydney	103	29%	Moderately unaffordable rents
Greater Brisbane	118	25%	Moderately unaffordable rents
Greater Adelaide	118	25%	Moderately unaffordable rents
Greater Hobart	108	28%	Moderately unaffordable rents
Greater Melbourne	127	24%	Acceptable rents
Greater Perth	140	21%	Acceptable rents



**TABLE 4 NATIONAL RAI TRENDS - METROPOLITAN AREAS**

Region	2012		2013				2014				2015				2016				2 yr trend	Trend since last release
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Greater Sydney	107	107	105	108	106	106	105	109	107	109	107	108	107	107	105	108	108	103	-4.8%	-3.8%
Greater Brisbane	114	115	115	120	119	120	118	121	120	119	116	118	118	117	115	118	119	118	-1.0%	-0.3%
Greater Adelaide	110	111	112	113	116	116	117	115	118	118	112	114	115	118	116	119	119	118	0.5%	-0.7%
Greater Hobart	111	112	108	115	115	115	111	110	111	112	109	112	112	111	108	114	113	108	-3.1%	-5.4%
Greater Melbourne	127	128	129	130	131	129	129	129	128	126	127	127	126	125	125	127	127	127	0.3%	-0.1%
Greater Perth	107	107	105	106	107	108	109	109	114	115	117	119	123	126	128	132	136	140	21.4%	6.2%

Note: Results may differ from previous RAI releases as data and/or method has been updated for some areas.

## 2.2 Rest of state areas

- Like metropolitan Sydney, regional NSW remains the least affordable of the rest of state areas studied.
- Regional WA continues to improve in affordability at a significant rate. It is the only metropolitan or rest of state area that is considered to have Affordable rents.
- Victoria remains the only state to have a lower RAI in its rest of state area than in its greater metropolitan area
- The rest of state areas of Queensland, Tasmania and Victoria have had very similar RAI scores for the past two years.

**TABLE 5 NATIONAL RAI SUMMARY - REST OF STATE AREAS**

Region	RAI (June 2016)	Share of hhold income spent on rent	Relative unaffordability
Rest of NSW	109	28%	Moderately unaffordable rents
Rest of QLD	123	24%	Acceptable rents
Rest of SA	138	22%	Acceptable rents
Rest of Tas.	120	25%	Moderately unaffordable rents
Rest of Vic.	122	25%	Acceptable rents
Rest of WA	158	19%	Affordable rents



**TABLE 6 NATIONAL RAI TRENDS - REST OF STATE AREAS**

Region	2012		2013				2014				2015				2016				2 yr trend	Trend since last release
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Rest of NSW	107	109	109	109	110	111	108	113	114	112	109	110	111	111	112	112	110	109	-2.8%	-2.9%
Rest of QLD	109	112	114	117	118	118	120	122	123	122	122	123	121	120	121	124	123	123	0.1%	-0.8%
Rest of SA	125	127	128	128	130	132	129	130	130	134	129	129	133	131	133	135	136	138	2.9%	2.5%
Rest of Tas.	117	118	118	122	117	119	121	118	121	122	123	125	121	120	118	119	120	120	-1.7%	0.9%
Rest of Vic.	118	119	120	122	123	119	119	120	120	120	120	121	122	118	119	121	122	122	1.4%	0.7%
Rest of WA	97	88	83	108	106	102	108	101	122	128	135	138	144	149	149	153	157	158	22.9%	3.1%

Note: Results may differ from previous RAI releases as data and/or method has been updated for some areas.

### 3.1 New South Wales

#### Greater Sydney

With a RAI of 103 in the December quarter of 2016, Greater Sydney not only continues to be the least affordable of the regions studied, but is at its lowest level since at least mid-2012 (RAI analysis extends back to Quarter 3 2012).

Households seeking to rent in Sydney face a median rent of \$500 per week – a \$20 per week increase since the last RAI release. This rent level represents around 29 per cent of the total income of the average rental household.

Rents remain Severely Unaffordable within a 10 kilometre radius from the Sydney CBD (as shown in Figure 1), with the average household facing rents at more than 60 per cent of their total income in some inner postcodes, and more than 40 per cent in most other postcodes within this radius.

Sydney's top 5 least affordable postcodes are listed below:

TABLE 7 TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER SYDNEY (DECEMBER QUARTER 2016)

Rank	Postcode	Suburbs	RAI score	Rent as share of income
1	2011	Elizabeth Bay, Rushcutters Bay, Potts Point, Woolloomooloo	35	86%
2	2028	Double Bay	37	81%
3	2061	Milsons Point, Kirribilli	37	81%
4	2027	Darling Point, Point Piper, Edgecliff	39	77%
5	2025	Woollahra	42	71%

Source: SGS Economics and Planning (2017)

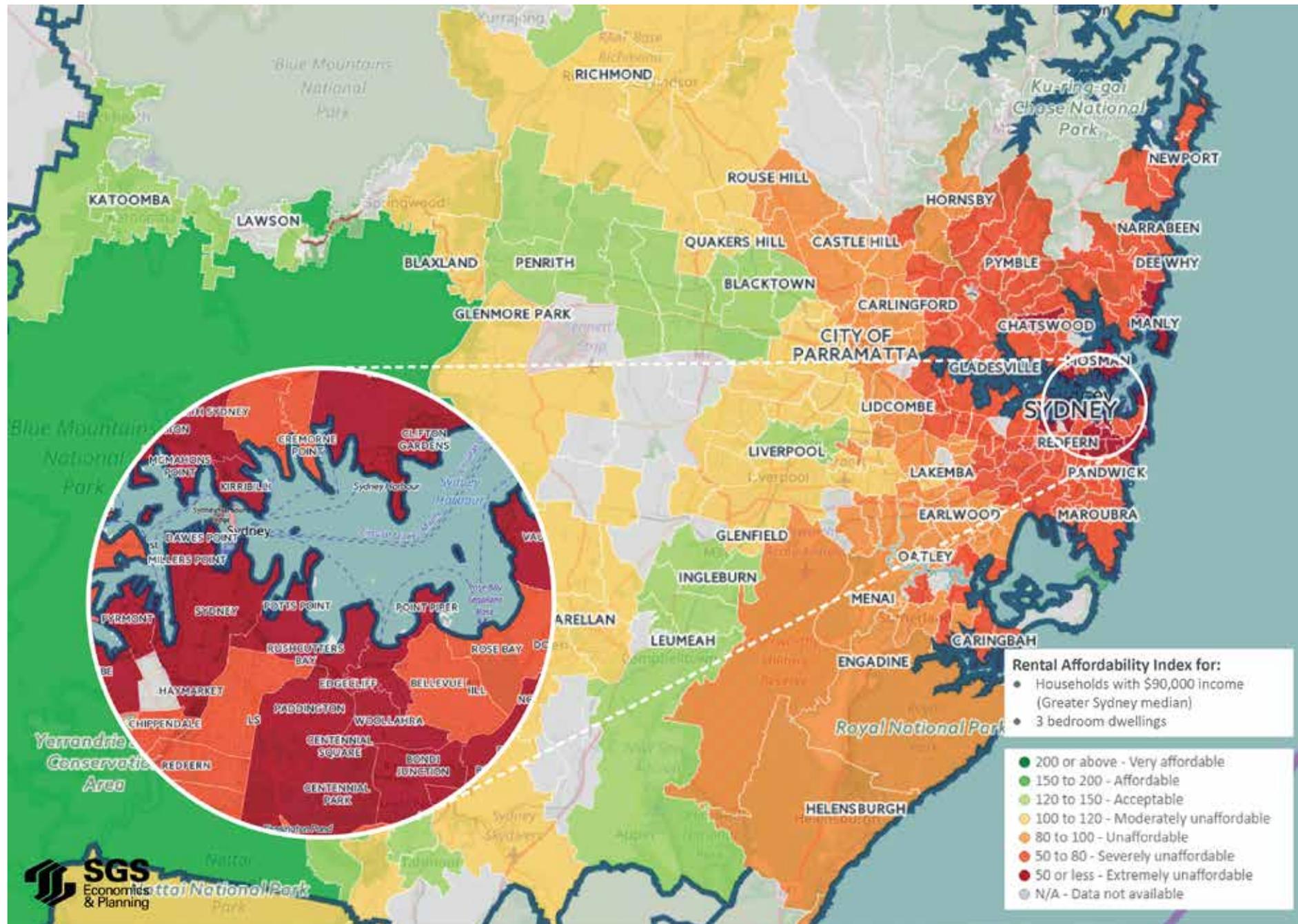


#### Rest of NSW

With a RAI of 109, regional NSW has also declined in affordability since the last release and remains the least affordable of the rest of state areas studied.

The average household seeking to rent in regional NSW would face rent levels at 28 per cent of total income.

FIGURE 1 INNER AND MIDDLE SYDNEY, DECEMBER QUARTER 2016



Source: SGS Economics and Planning, 2017

## 3.2 Victoria

### Greater Melbourne

At 127 in the December quarter of 2016, the RAI in Greater Melbourne has remained unchanged since the last release, though affordability has very slightly declined. The average household seeking to rent faces housing costs at around 24 per cent of its total income.

Greater Melbourne remains the second most affordable metropolitan area of those studied. Average household income increased by around \$40 per week between the June and December 2016 quarters.

There have been no significant changes in the geographic spread of affordability in Greater Melbourne since the last release. Unaffordability may be creeping northwards, however, with the Coburg and Coburg North areas now considered Moderately Unaffordable.

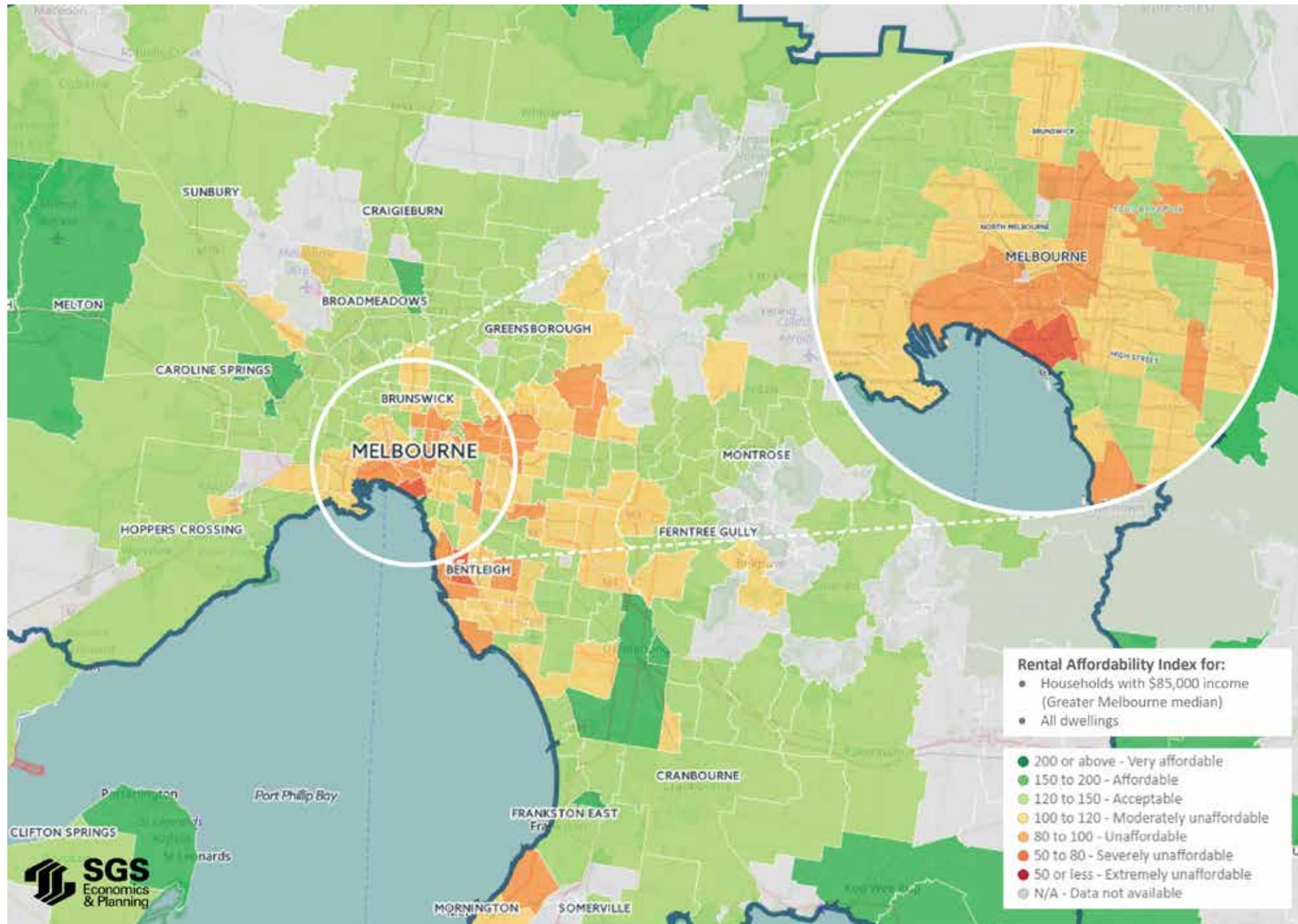
### Rest of Victoria

With a RAI of 122, affordability has slightly increased in regional Victoria since the last release. The average household seeking to rent faces rent levels at around 25 per cent of its total income.

Victoria remains the only state to have a lower RAI in its rest of state area than in its greater metropolitan area, with many regional cities considered Moderately Unaffordable to Unaffordable. Regional Victoria has very low household incomes relative to rents.



**FIGURE 2 INNER AND MIDDLE MELBOURNE, DECEMBER QUARTER 2016**



Source: SGS Economics and Planning, 2017

### 3.3 Queensland

#### Greater Brisbane

At 118, the RAI for Greater Brisbane has remained unchanged, though affordability has declined very slightly. The average household seeking to rent in Greater Brisbane would be facing rents at 25 per cent of its total income.

Most postcodes in inner to middle Brisbane remain Moderately Unaffordable to Unaffordable.

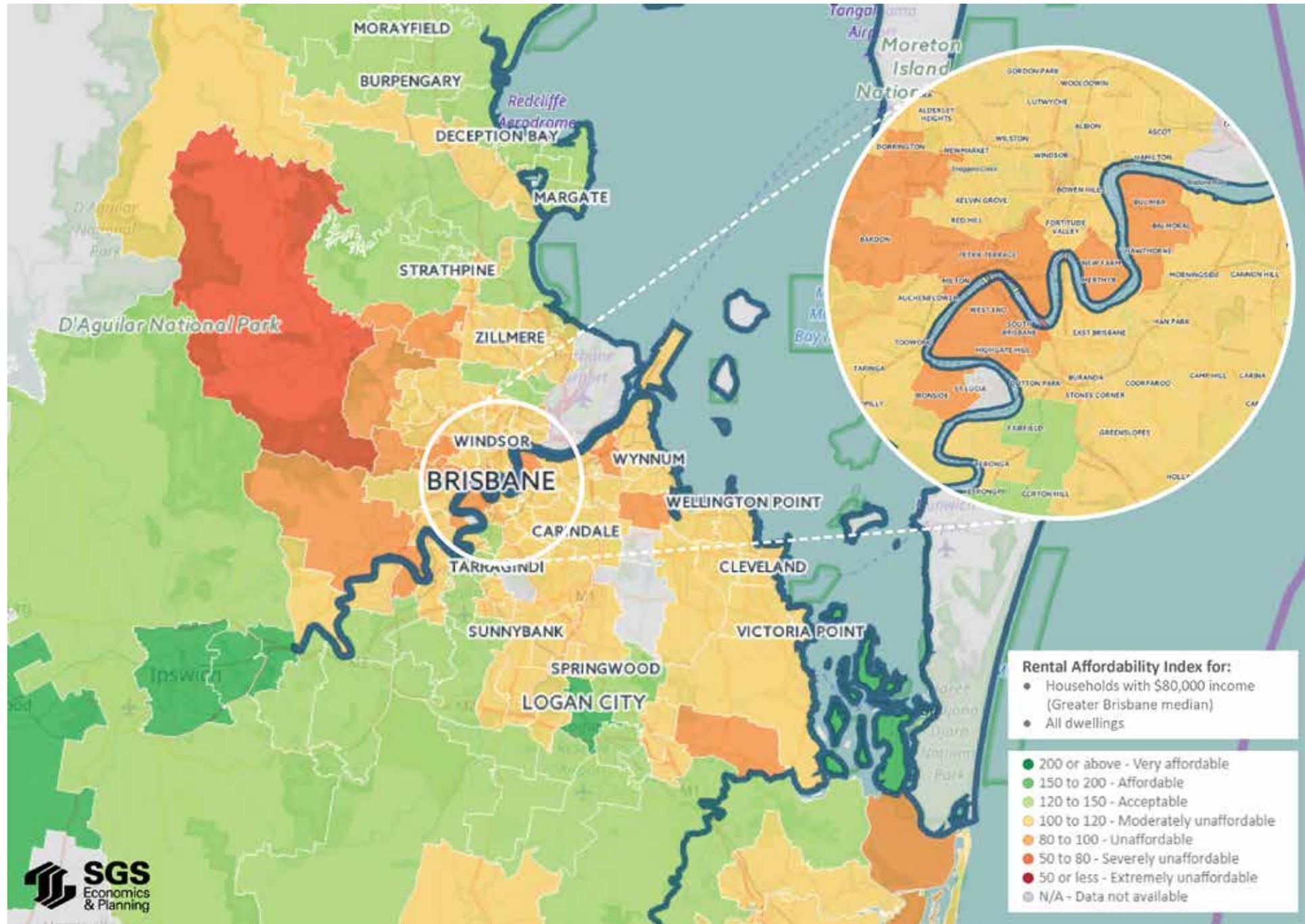
#### Rest of Queensland

With a current RAI of 123, rental affordability has declined minimally from 124 in the June quarter of 2016. The average rental household seeking a dwelling faces rents at 24 per cent of its total income.

In the Gold Coast area, the situation is relatively similar to Greater Brisbane, with rents considered Moderately Unaffordable to Affordable.



FIGURE 3 GREATER BRISBANE, DECEMBER QUARTER 2016



Source: SGS Economics and Planning, 2017

## 3.4 South Australia

### Greater Adelaide

With a RAI of 118, the average household in Greater Adelaide seeking to rent faces rents at around 25 per cent of household income. Rental affordability has declined from 119 in the June quarter of 2016.

While average household income has continued to rise since the last release of the RAI, the slight decline in affordability can be attributed to a disproportionate increase in rent levels.

There has been relatively little change in the geographic spread of affordability in Greater Adelaide since the last release. The situation in the North Adelaide, Thebarton and Torrensville areas has worsened however, declining from Moderately Unaffordable to Unaffordable.

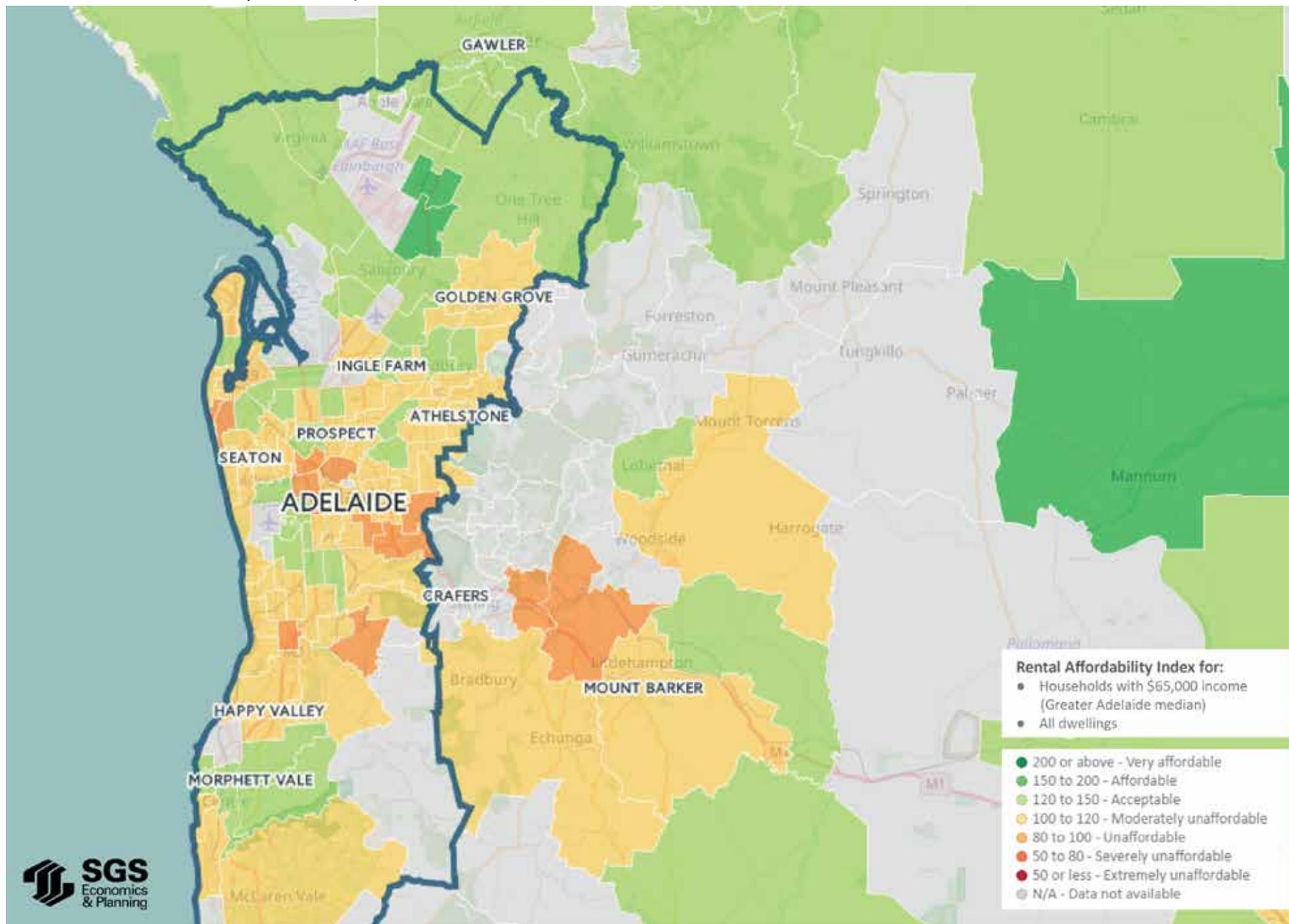
### Rest of SA

Regional SA continues to see an upward trend in rental affordability. With a RAI of 138, regional SA is at its most affordable since at least mid-2012 (the RAI extends back to Quarter 3 2012).

The town of Hahndorf and its surrounds are considered Moderately Unaffordable to Unaffordable.



FIGURE 4 GREATER ADELAIDE, DECEMBER QUARTER 2016



Source: SGS Economics and Planning, 2017

## 3.5 Tasmania

### Greater Hobart

With a RAI of 108, improvements in rental affordability in Greater Hobart over recent quarters have failed to hold. The RAI has declined from 114 in the last release, with Greater Hobart remaining the second least affordable metropolitan area of those studied.

The average rental household in Greater Hobart face rents at around 28 per cent of its total income.

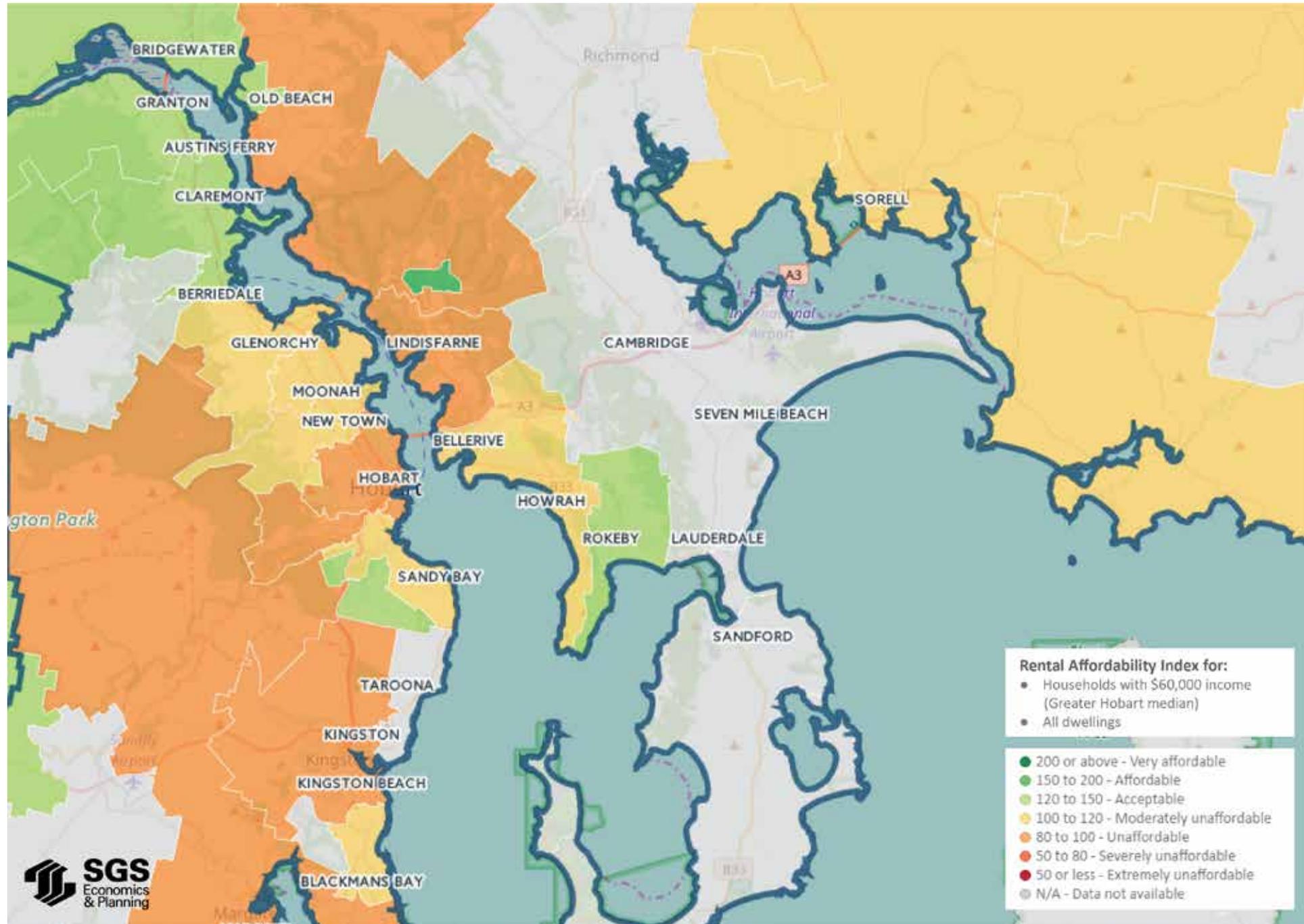
Due to the low number of new bond lodgements recorded in Greater Hobart, postcode level analysis is limited for this metropolitan region. It is clear, however, that Hobart, and much of its surrounds to the south and west, are Unaffordable for the average household.

### Rest of Tasmania

Regional Tasmania has a RAI of 120, a minimal increase from 119 in the last release. The average household seeking to rent would be facing rent levels at around 25 per cent of its income.



FIGURE 5 GREATER HOBART, DECEMBER QUARTER 2016



Source: SGS Economics and Planning, 2017

## 3.6 Western Australia

### Greater Perth

Rental affordability in Greater Perth continues to rise at a substantial rate, with its current (December 2016) RAI of 140 an increase from 132 at the previous release. The average rental household in Greater Perth faces rents at 21 per cent of its total income – the most affordable of all the metropolitan areas studied.

Average household income in Greater Perth has continued its slight decline into the last two quarters of 2016, however, indicating that growing affordability in Greater Perth may not continue at the same rate in coming quarters.

Some areas north of the river remain Unaffordable to Severely Unaffordable. Some other urban pockets can further be considered Moderately Unaffordable.

The situation is likely to be much less affordable for lower income households.

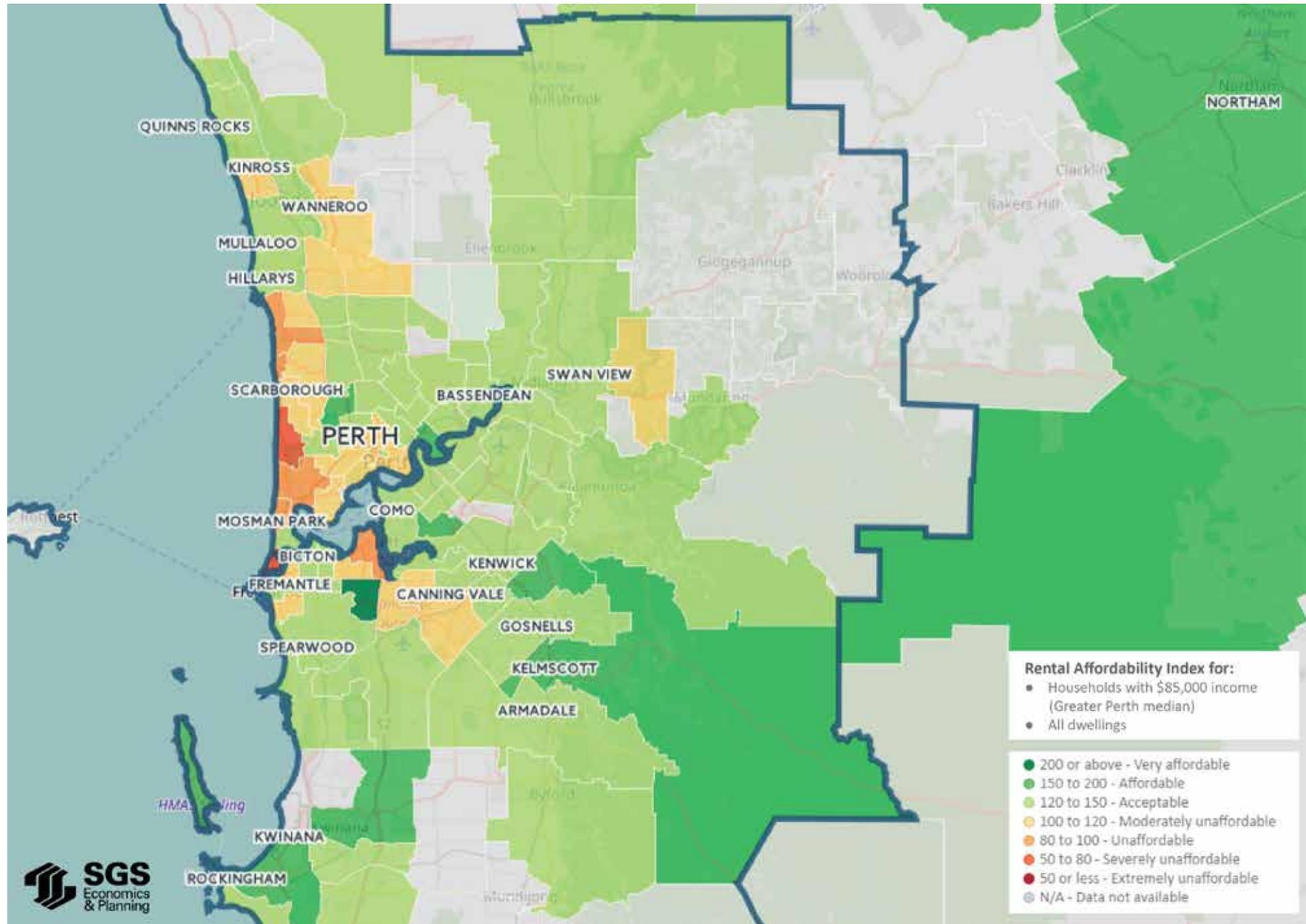
### Rest of WA

With a RAI of 158, the average household in regional WA faces rents at around 19 per cent of its total income. This is considered Affordable.

WA is the only state in which the rest of state (regional) area has a higher average renting household income than its metropolitan area. In the December quarter of 2016, the average household earned \$1,752 in Regional WA compared to \$1,656 in Greater Perth.



FIGURE 6 GREATER PERTH, DECEMBER QUARTER 2016



Source: SGS Economics and Planning, 2017

## 4.1 Introduction

This release of the RAI has profiled eight low to moderate income households with varying characteristics to demonstrate the rental situation for different income groups, age demographics and household types in Australia.

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

- Single pensioner
- Pensioner couple
- Single person on benefits
- Single part-time worker parent on benefits
- Single working parent
- Single income couple with children
- Dual income couple with children
- Student sharehouse

It must be noted that the selected households and their designated income level and dwelling size is indicative only. 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 locational and travel costs, childcare costs, and other day-to-day living costs.

Income support levels are based on the federal Department of Human Services payment rates as at April 2017. All workers are assumed to have a key worker income. Key worker incomes have assumed a full-time teacher income based on ABS (2016) Average Australian Employee Earnings and Hours data, scaled up to Greater Sydney levels based on personal weekly income.

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.

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.



## 4.2 Single pensioner household

### \$26,600 p.a., 1 bedroom

#### Severely to Extremely Unaffordable in metropolitan areas

The single pensioner household is 65 years or older and is assumed to rent alone in a 1 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 \$26,600.

Across the nation, the single pensioner household is facing Severely Unaffordable and Extremely unaffordable rents. For the most part, locating 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 would like also be compounded by a number of other pressures, including health care costs associated with aging.

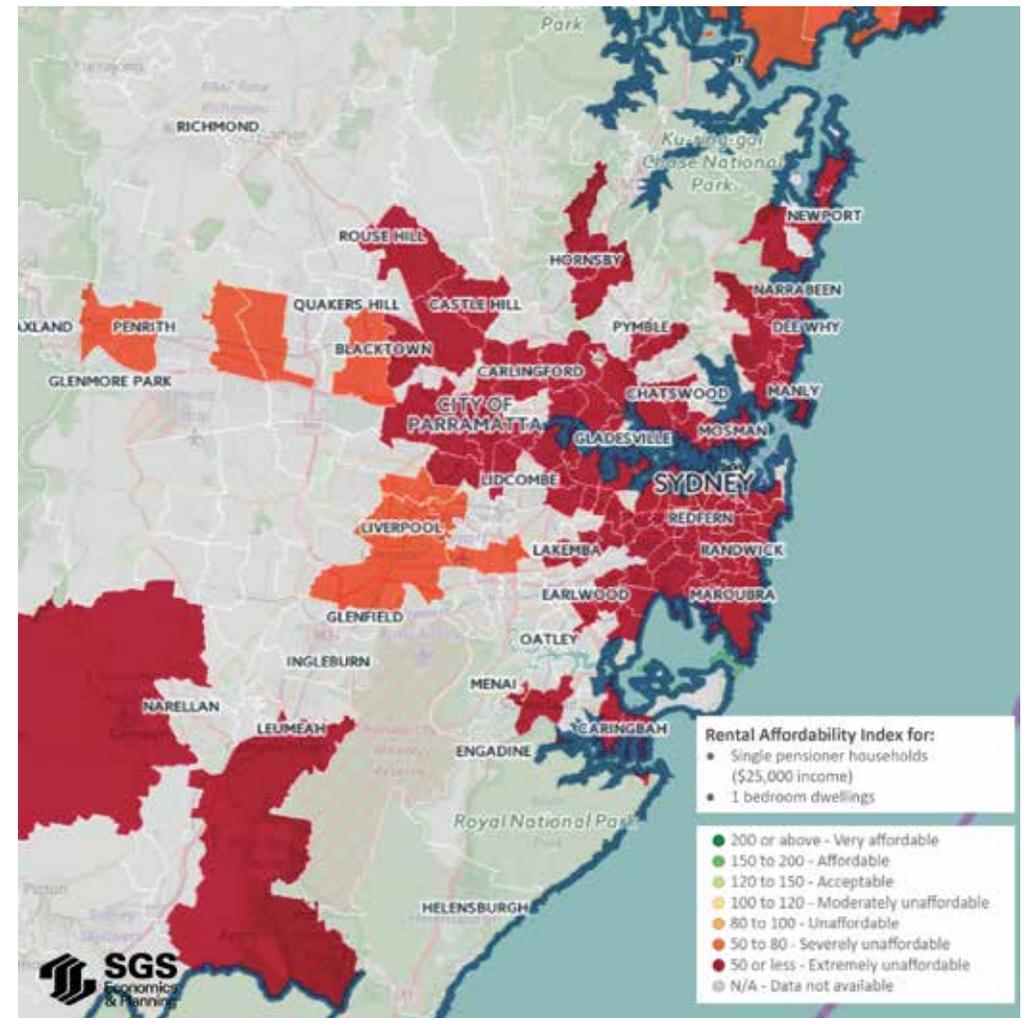
For a single pensioner household looking to locate in the inner and metropolitan areas of Sydney, rents are Extremely Unaffordable with a RAI range of 22 to 31. To the west, rents remain Extremely Unaffordable, with a RAI range of 34 to 45 across the City of Parramatta. There are either no or very few 1 bedroom rental dwellings outside of these areas.

For this household type, metropolitan Sydney is the least affordable location to rent of all Australian cities.

For single pensioners looking to rent a 1 bedroom dwelling in the inner suburbs of Melbourne, rents are Extremely Unaffordable. In the inner to middle ring suburbs, the RAI ranges from 33 to 50. To the west, while still Severely Unaffordable, the RAI ranges from 50 to 65.

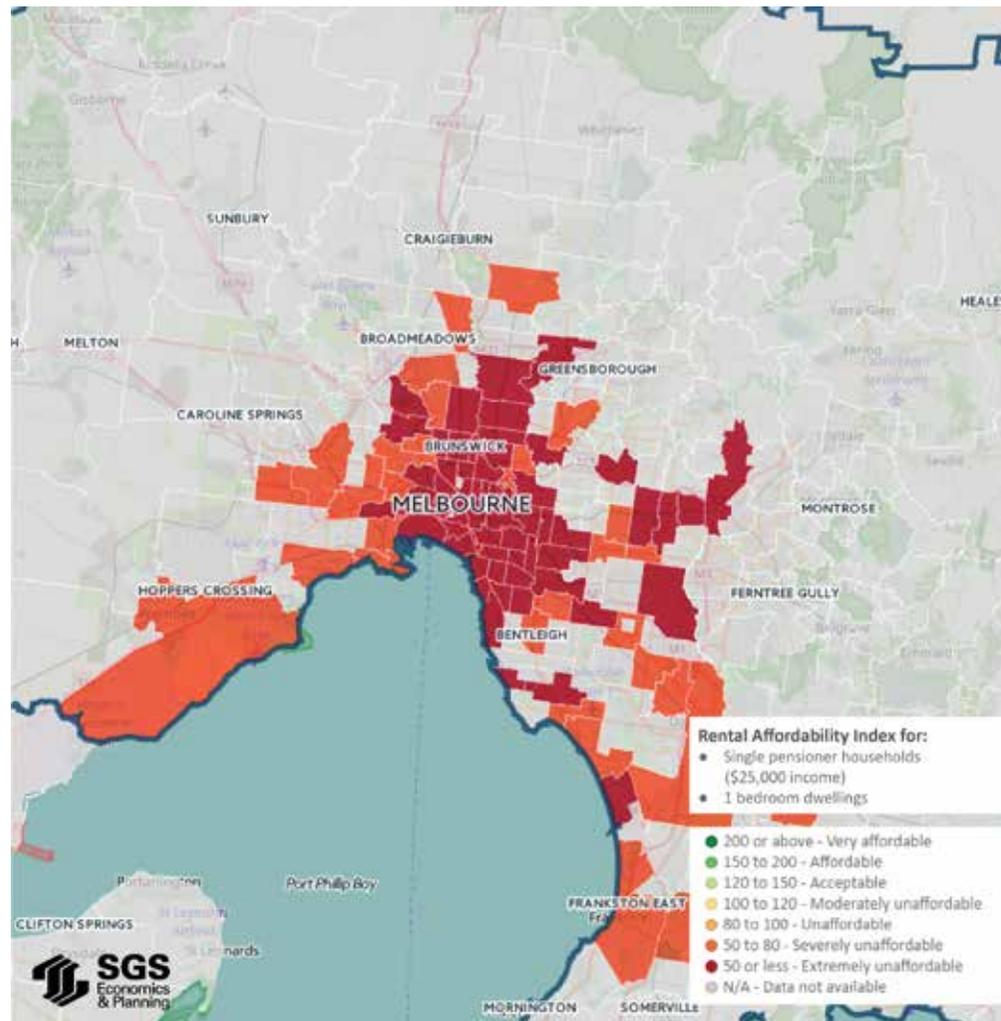
To locate in these metropolitan areas, this household would need to spend 60 per cent or more of income on rent. There are either no or very few 1 bedroom rental dwellings outside of these areas.

FIGURE 7 GREATER SYDNEY, DECEMBER QUARTER 2016



Source: SGS Economics and Planning, 2017

**FIGURE 8 GREATER MELBOURNE, DECEMBER QUARTER 2016**



Source: SGS Economics and Planning, 2017

Single pensioner households looking to locate in the Adelaide CBD face Extremely Unaffordable rents with a RAI of 49. The inner suburbs of Adelaide to the north and east are Severely Unaffordable and have a RAI range of 55- 65. In the outer northern suburb of Elizabeth, rental affordability is decreasing for this household type compared with previous releases. Rents have shifted from Unaffordable to Severely Unaffordable over the space of a year.

Brisbane has an Extremely Unaffordable CBD and a RAI range for this household of 37 to 45. To locate in Brisbane, this household would need to spend up to 67 per cent of their income on rent. The middle to outer suburbs of Brisbane are Severely Unaffordable for this household with a RAI range of 50 to 65. The Gold Coast is predominantly Extremely Unaffordable for single pensioner households, with a RAI range of 41 to 49.

While rents in Hobart and inner surrounding suburbs are Severely Unaffordable, they are slightly more affordable than the inner areas of other states with a RAI range of 62 to 68.



### 4.3 Pensioner couple

**\$45,800 p.a., 2 bedroom  
Severely Unaffordable across metropolitan areas**

*The pensioner couple household is comprised of a 65 years or older couple that rents a 2 bedroom dwelling. One member of the household is assumed to still be active in casual or part-time employment, with this additional income and a pensioner payment the household receives totalling an estimated gross annual income of \$45,800.*

*Across the nation, the couple pensioner household is facing Unaffordable and Severely Unaffordable 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 more than 60 per cent of their total income on rent.*

*In most cases the pensioner household would need to spend between 38 to 68 per cent of its total income on rent. Adding to the financial pressure on this household are a number of other costs, these may include health care costs associated with aging.*

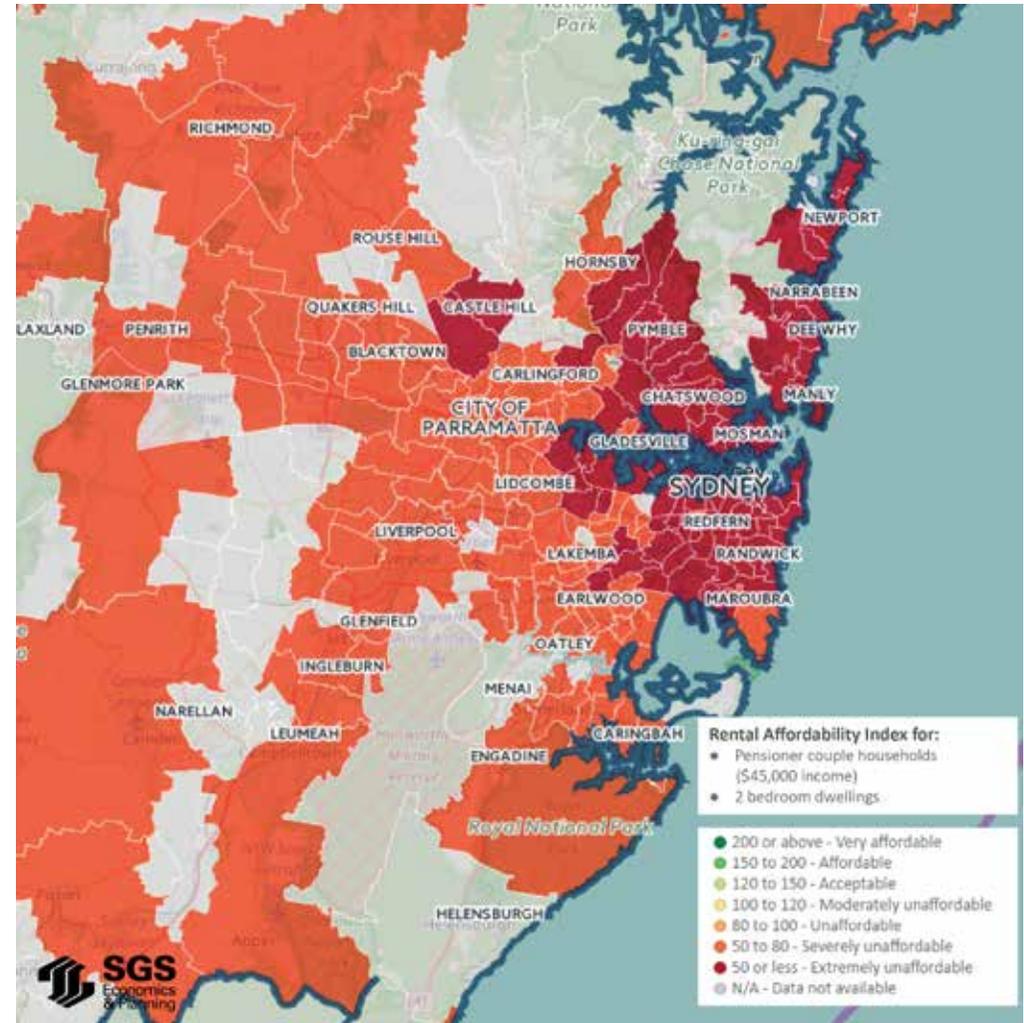
For the pensioner couple household looking to locate in the inner suburbs of Sydney, rents are Extremely Unaffordable with an RAI of 29 to 39 (77 to 103 per cent of total household income). To the west, rents are still Severely Unaffordable, with a RAI range of 54 to 65 (46 to 56 per cent of total household income) across the City of Parramatta and other western suburbs.

Most of Greater Melbourne is Severely Unaffordable for the pensioner couple. The middle suburbs have a RAI range of 51 to 65, and the outer suburbs have a range between 65 and 78. Some inner suburbs of Melbourne rents are Extremely Unaffordable for this household, with a RAI range of 41 to 49.

Melbourne’s west is Unaffordable for this household type with a RAI range of 80 to 92. Outer suburbs such as Craigieburn and Sunbury are also Unaffordable with a RAI range of 82 to 86.

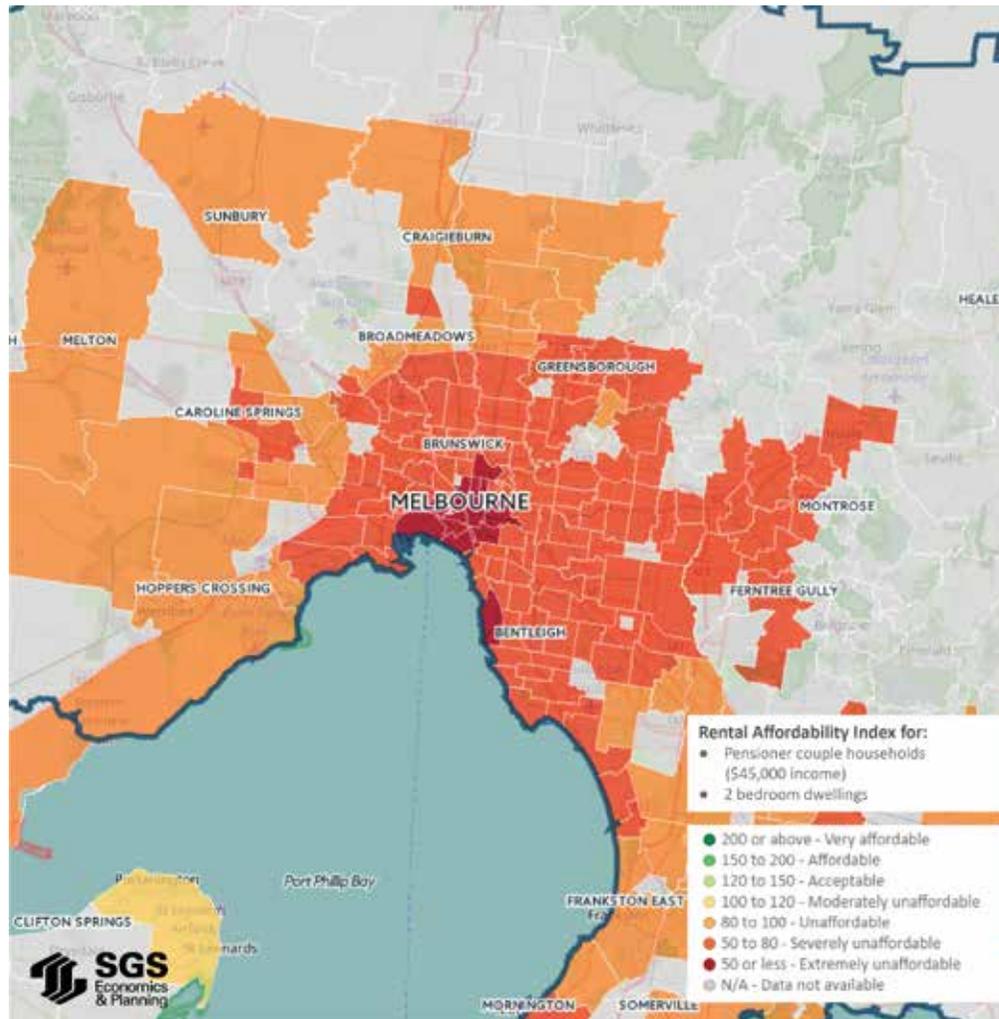
For a couple seeking to rent in the regional areas, Geelong is predominantly Unaffordable and Ballarat and Bendigo are Moderately Unaffordable.

**FIGURE 9 GREATER SYDNEY QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

**FIGURE 10 GREATER MELBOURNE QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

In Adelaide, the pensioner couple looking to rent in the CBD and suburbs south of the centre faces Severely Unaffordable rents, with the RAI in these areas ranging from 61 to 67. Rental affordability in the inner to middle ring suburbs are Unaffordable with a RAI range of 81 to 97. Acceptable rents for this household are available in the outer suburbs of Para Hills and Elizabeth.

In Brisbane, rents across the inner to middle ring suburbs are Severely Unaffordable for this household, with a RAI range of 51 to 70 (43 to 59 per cent of total household income). Rents are Extremely Unaffordable in the CBD area.

The inner areas of Hobart are Severely Unaffordable to the pensioner couple with an RAI range of 68 to 75.



## 4.4 Single pensioner on benefits

### \$17,400 p.a., 1 bedroom

#### Extremely Unaffordable across all metropolitan and regional areas

The single person on benefits is 22 years old or older with no children, and rents a 1 bedroom dwelling. The single receives income support in the form of Newstart allowance and no additional income. The estimated gross annual income for this household is \$17,400.

The situation for the single person on benefits household is dire, with a person of this household type needing to pay at least 60 per cent of his/her income on rent across all 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 Newstart moreover has tightly stretched resources and must balance all living expenses while searching for work.

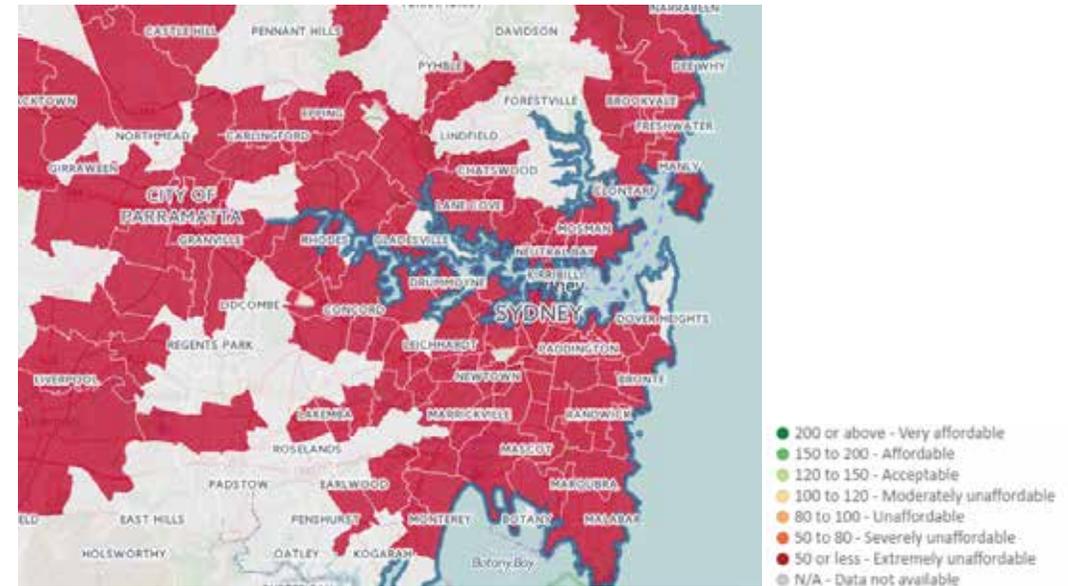
For a single person on benefits looking to locate in metropolitan Sydney, all areas are Extremely Unaffordable. In the inner and middle suburbs, rents are well past the threshold for Extremely Unaffordable, with a RAI range of 13 to 25.

Rents for a single person on benefits are also Extremely Unaffordable across metropolitan Melbourne. The inner city area has a RAI range of 21 to 25, while rents in the outer suburbs range from 27 to 29 in the outer northern and eastern suburbs. To the mid to far west this range shifts to 32 to 39.

Where data is available, rents are almost entirely Extremely Unaffordable across all metropolitan areas.

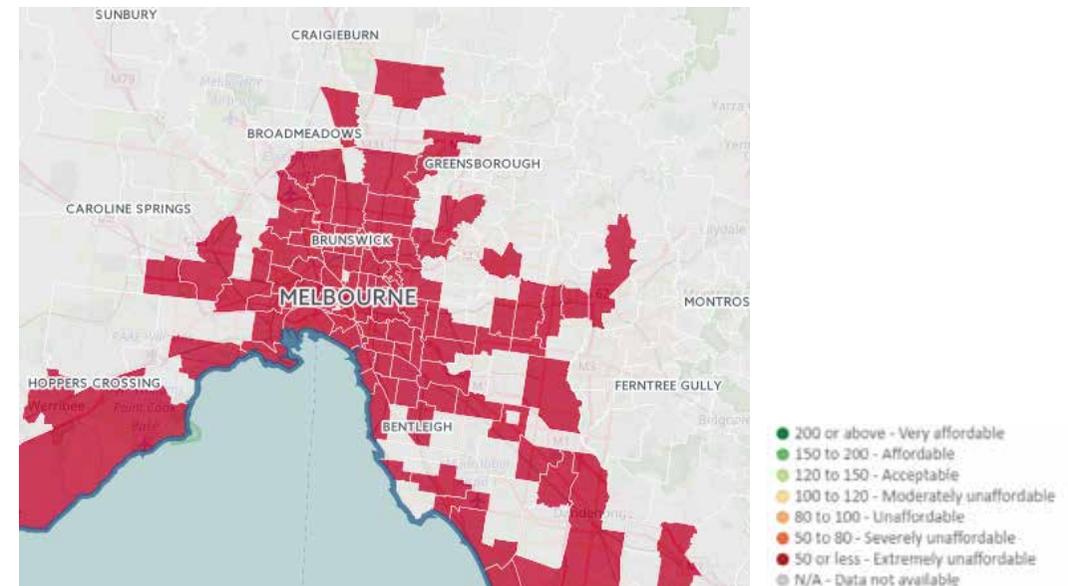


FIGURE 11 GREATER SYDNEY QUARTER 4, 2016



Source: SGS Economics and Planning, 2017

FIGURE 12 GREATER MELBOURNE QUARTER 4, 2016



Source: SGS Economics and Planning, 2017

## 4.5 Single part-time worker parent on benefits

**\$37,770 p.a., 2 bedroom**

**Severely to Extremely Unaffordable across all metropolitan areas**

The single parent household is comprised of a parent and one child under 5, both of whom live in a 2 bedroom rental dwelling. This household receives income support in the form of a parenting payment, supplemented by casual or part time paid employment and has an estimated gross annual income of \$37,770.

Rents are almost entirely Severely to Extremely Unaffordable across all metropolitan areas where data is available for this household. Childcare and healthcare costs may potentially compound the financial stress on this rental household.



The single part-time worker parent on benefits household looking to locate in Sydney faces Extremely Unaffordable rents with an RAI range of 22 to 40 in the inner suburbs. In the outer suburbs rents remain Severely Unaffordable.

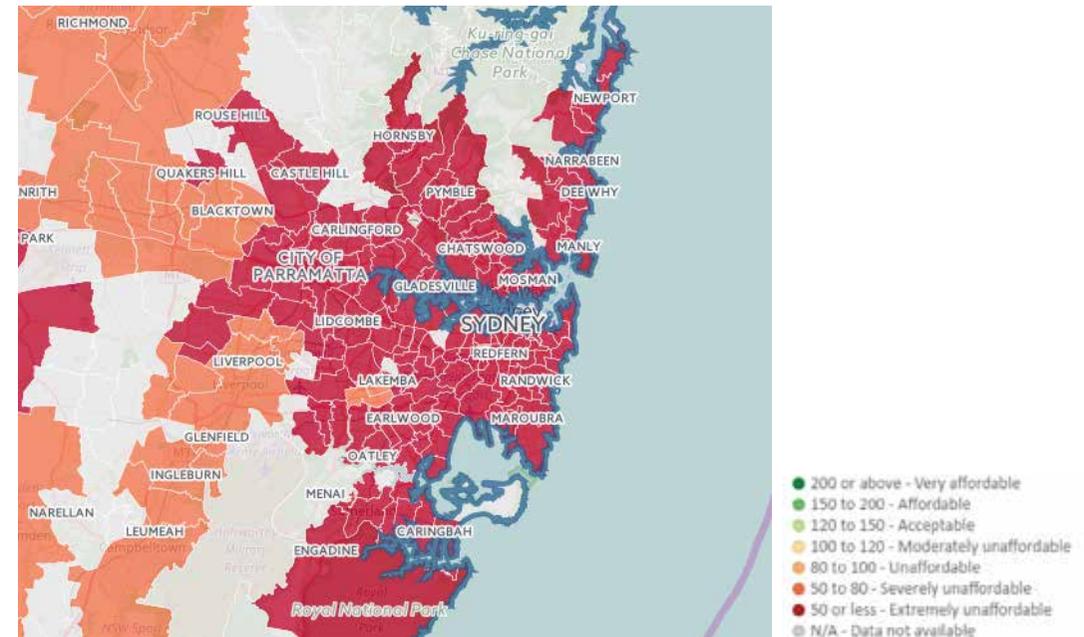
Figure 14 shows that for a single part time worker parent on benefits to locate in the inner suburbs of Melbourne, rents are Extremely Unaffordable, and remain Severely Unaffordable across wider Melbourne.

The RAI range for the middle ring suburbs is 51 to 60 and for the outer suburbs 67 to 78.

The Adelaide CBD is Extremely Unaffordable and the surrounding inner areas and middle suburbs are Severely Unaffordable with a RAI range of 60 to 78. In the Northern suburbs, rents for this household remain Unaffordable to Moderately Unaffordable with a RAI ranging from 84 to 101.

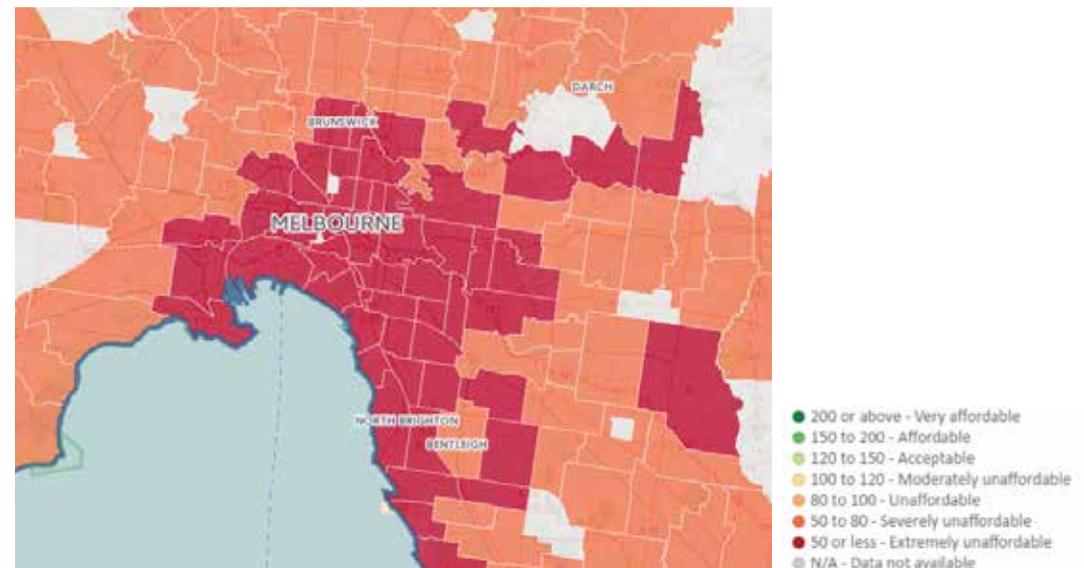
Hobart's inner areas are Severely Unaffordable with a RAI range of 57 to 77.

**FIGURE 13 GREATER SYDNEY QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

**FIGURE 14 GREATER MELBOURNE QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

## 4.6 Single working parent

### \$70,200 p.a., 2 bedroom

#### Moderately to Severely Unaffordable across metropolitan areas

The key worker single parent household is comprised of a single parent and child under 5, both of whom rent a 2 bedroom dwelling. As a full-time teacher, the key worker parent earns an estimated \$70,200 per annum (ABS, 2016).

Across all metropolitan areas, rents are generally Severely Unaffordable in inner suburbs for this household, Unaffordable in middle suburbs and Moderately Unaffordable in outer suburbs. Given the full-time worker status of the parent, however, a considerable further proportion of earnings is likely to go towards childcare and after school care costs for this household, indicating that financial pressures would in reality be very high.

Single working parent households looking to locate in Greater Sydney face Severely Unaffordable rents with an RAI range of 55 to 70 (43 to 55 per cent of total income). To the west, rents in the City of Parramatta and other outer suburbs are Unaffordable and Moderately Unaffordable.

Suburbs with acceptable rents for this household include Liverpool and Mt Druitt, though these areas would have a low level of access to employment.

Figure 16 shows that for a single working parent looking to locate in the inner areas of Melbourne, rents are Severely Unaffordable with a RAI range of 62 to 67. In the middle suburbs rents are Moderately Unaffordable to Unaffordable.

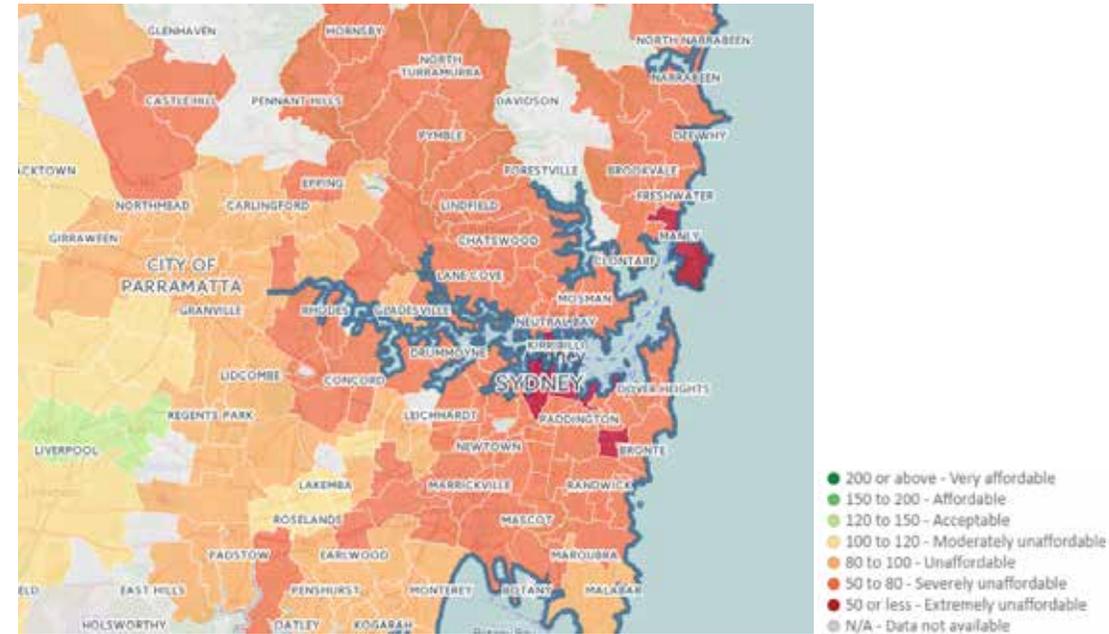
Acceptable rents for the single working parent can only be found in the outer suburbs.

For a single working parent locating in Brisbane, rents in the CBD and inner suburbs are Unaffordable to Severely Unaffordable. Across the middle to outer suburbs, rents remain Moderately Unaffordable with an RAI range of 84 – 109.

In Adelaide, while rents are Severely Unaffordable in the CBD and Moderately Unaffordable in the south-eastern corridor out to Glen Osmond, the majority of inner to middle ring suburbs have Acceptable rents.

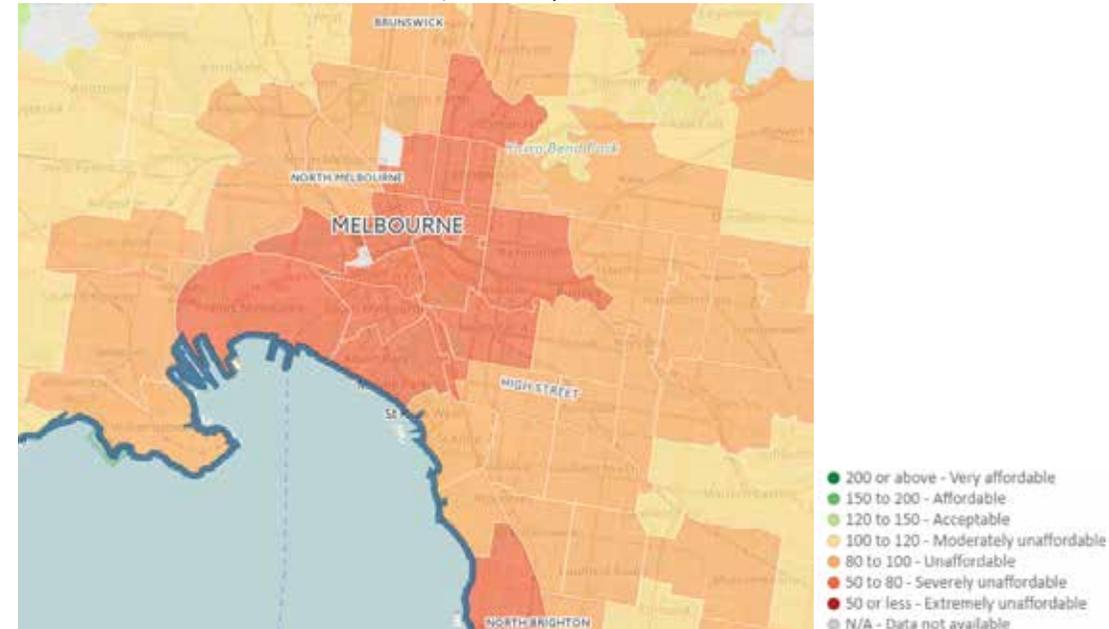
Hobart has Moderately Unaffordable rents in the inner suburbs with a RAI range of 106 to 117. Rents are Acceptable in New Town and across the Tasman Highway in Montagu and Rose Bay and are Affordable in Moonah and Glenorchy.

FIGURE 15 GREATER SYDNEY QUARTER 4, 2016



Source: SGS Economics and Planning, 2017

FIGURE 16 GREATER MELBOURNE QUARTER 4, 2016



Source: SGS Economics and Planning, 2017

## 4.6 Single income couple with children

### \$70,200 p.a., 3 bedroom

#### Severely to Extremely Unaffordable in inner and middle metropolitan areas

The single income couple with children consists of one key worker, one stay at home parent, and two children, one of whom is under 5. This household lives in a 3 bedroom rental dwelling. This household lives on a single key worker income of \$70,200 per annum.

The single income couple with children face Severely to Extremely Unaffordable rents across most inner and middle metropolitan areas. Rents have varying degrees of Unaffordability in other parts of metropolitan areas, with some outer suburbs having Acceptable rents. Given the size of this family, there is considerable additional financial pressure from day-to-day living costs, though childcare costs are avoided.

For a single income couple with children looking to locate in metropolitan Sydney, rents are Extremely Unaffordable with a RAI range of 34 to 50. To the west, rents are Severely Unaffordable and Unaffordable.

Figure 18 shows that for single income couples with children, locating in the inner suburbs of Melbourne is Severely Unaffordable, and Unaffordable to Moderately Unaffordable in the middle ring suburbs.

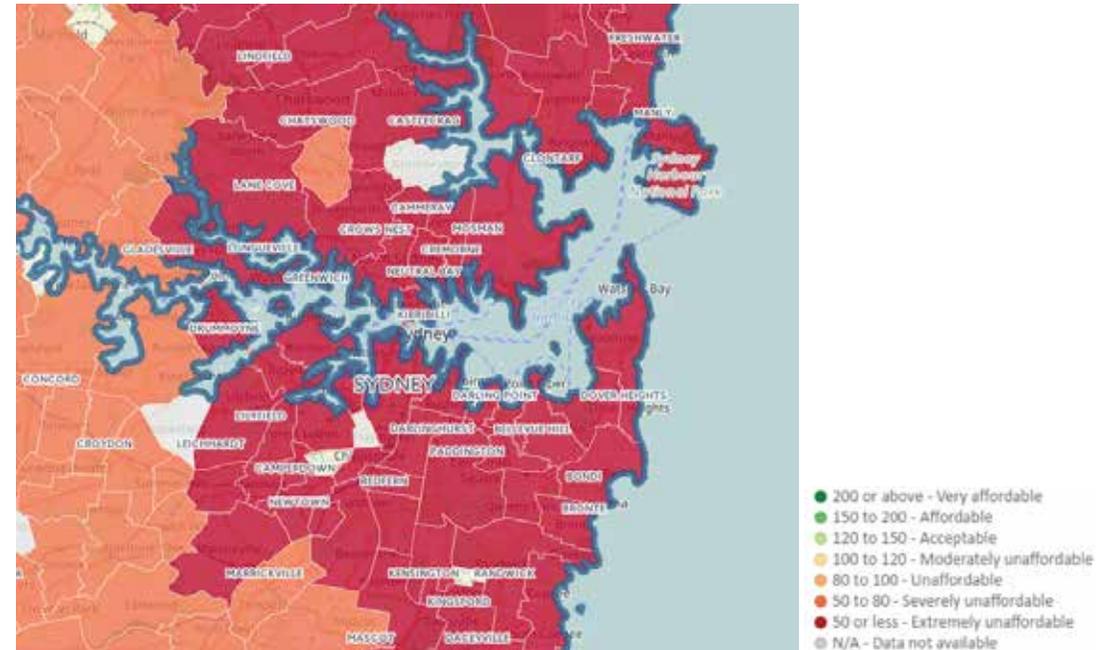
In the outer suburbs rents are Moderately Unaffordable. Outer suburbs where rents are Acceptable include Broadmeadows and St Albans.

In Adelaide, the single income couple with children faces Unaffordable rents in inner city areas and the middle suburbs. Acceptable rents can be found further north in Klemzig, Hope Valley and Salisbury.

For the household looking to locate in the inner areas of Hobart, rents are Unaffordable and Moderately Unaffordable in the surrounding suburbs with a RAI range of 103 to 108.

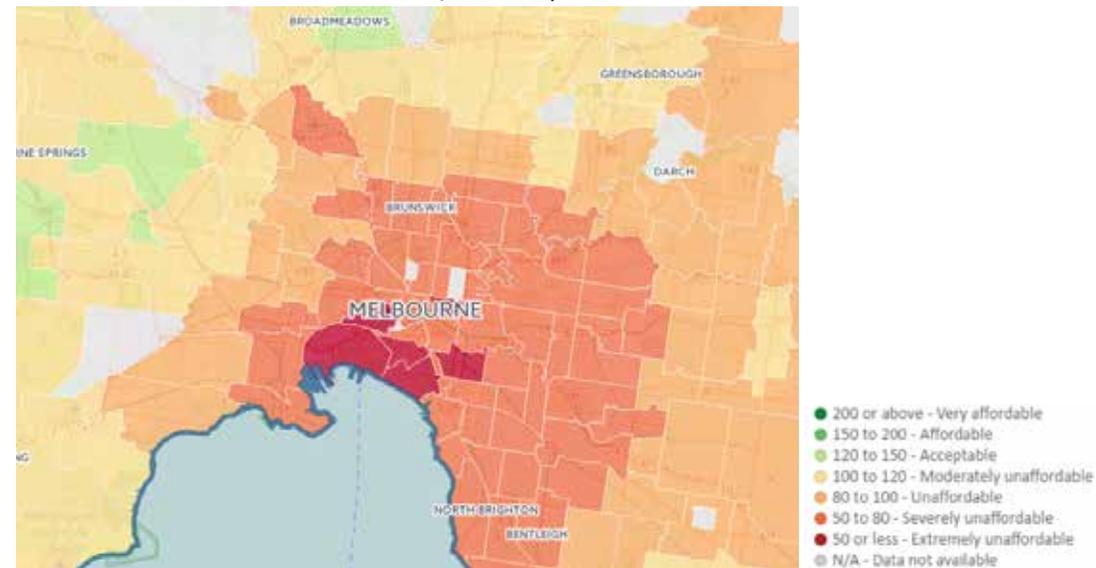


FIGURE 17 GREATER SYDNEY QUARTER 4, 2016



Source: SGS Economics and Planning, 2017

FIGURE 18 GREATER MELBOURNE QUARTER 4, 2016



Source: SGS Economics and Planning, 2017

## 4.6 Dual income couple with children

**\$140,460 p.a., 3 bedroom**

**Generally Acceptable to Very Affordable in metropolitan and regional areas, with the exception of inner to middle ring suburbs in Sydney and Melbourne.**

*The full time key worker couple has 2 children under 10 and rents a 3 bedroom dwelling. This household lives on two full time teachers' wages, with a combined annual income of \$140,460 per annum.*

*Rents are generally Acceptable to Very Affordable for this household in metropolitan and regional areas, with the exception of Sydney, which remains Severely Unaffordable to Unaffordable in inner and middle ring suburbs. Many inner and middle ring suburbs in Melbourne are also Moderately Unaffordable to Unaffordable to this household. This household faces significant additional financial costs, including childcare, education and travel costs.*

For dual income households looking to locate in metropolitan Sydney, rents in the inner areas are Unaffordable and Severely Unaffordable with a RAI range of 67 to 100.

The outer suburbs are Moderately Unaffordable. Further to the West rents become Acceptable and Affordable in some suburbs in the City of Parramatta and the wider region. However, when compared to 2015 data, rents for this household are increasingly less affordable.

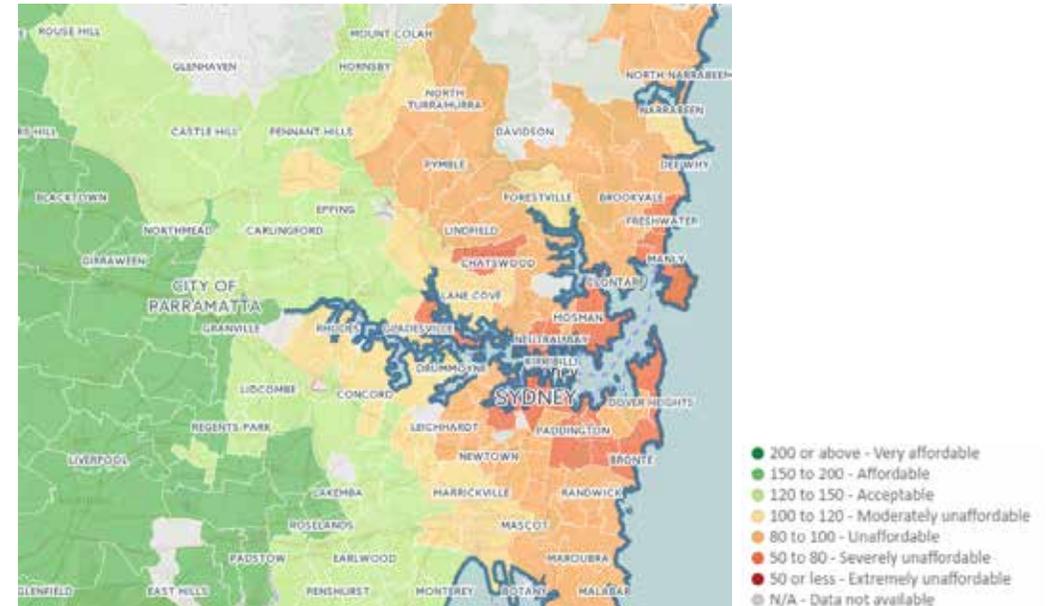
Figure 20 shows the rental affordability of metropolitan Melbourne for a dual income couple with children looking to locate in a 3 bedroom dwelling.

Brisbane's CBD and surrounding suburbs of Spring Hill, Petrie Terrace, New Farm and Merthyr are Moderately Unaffordable with a RAI range of 116 to 117.

In the inner suburbs rents are Acceptable with a RAI range of 138 to 147 and Affordable in the middle to outer suburbs with a RAI range of 155 to 180.

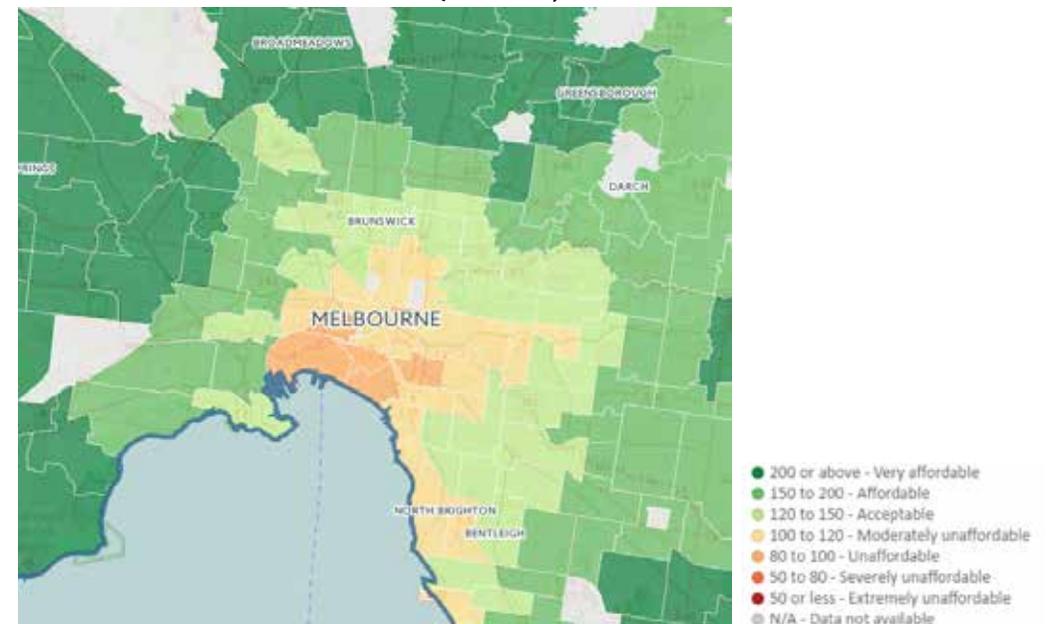
For this household, rents in Hobart and Adelaide (with the exception of Unley Park which has Acceptable rent) are Affordable across the metropolitan region.

**FIGURE 19 GREATER SYDNEY QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

**FIGURE 20 GREATER MELBOURNE QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

## 4.6 Student sharehouse

**\$75,300 or \$25,100 per student p.a. 3 bedroom  
Severely Unaffordable across metropolitan areas**

The student sharehouse household is comprised of three students between the ages of 18 and 35, together renting a 3 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 \$75,300 or \$25,100 per student.

Across the nation, the student sharehouse looking to locate in the inner and middle suburbs of metropolitan areas faces Unaffordable to Severely Unaffordable rents. 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.

Across Greater Sydney, rents for the student sharehouse are Severely Unaffordable with a RAI range of 51 to 80 and in some areas, rents considered Extremely Unaffordable.

To the west in the City of Parramatta and surrounds, rents for this household are Unaffordable to Moderately Unaffordable.

Across Greater Melbourne, rents for this household are Severely Unaffordable and the inner areas have an ROI range of 54 – 62.

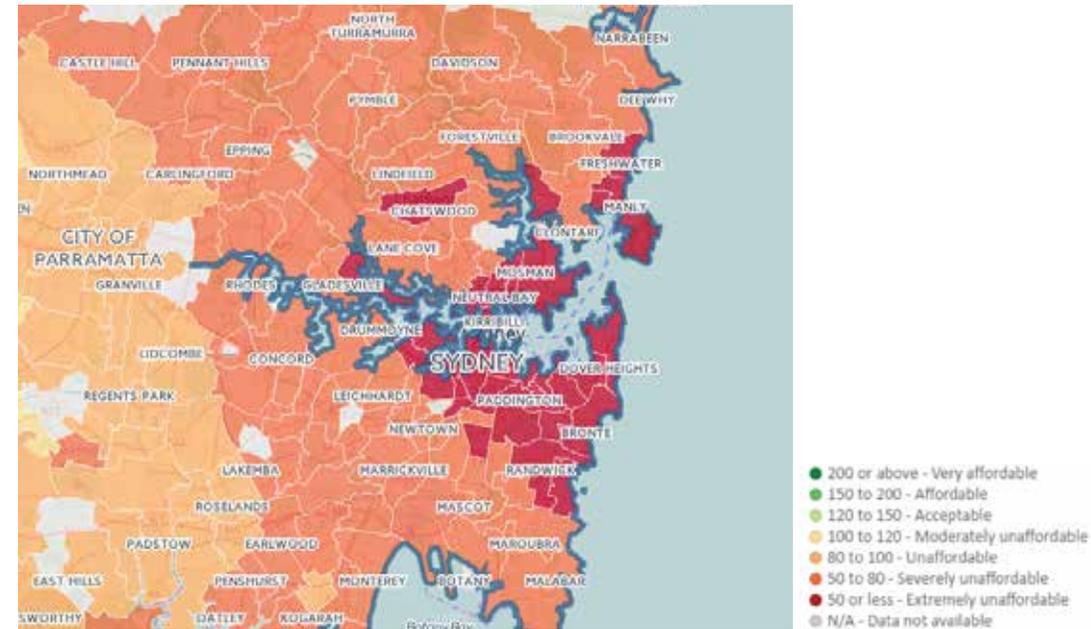
The middle ring suburbs (eg. Coburg, Preston and Essendon) are Unaffordable for student households. Outer suburbs (including Braybrook, Reservoir and Clayton) remain Moderately Unaffordable. Acceptable rents for student households are available in suburbs such as Broadmeadows, Craigieburn and Dandenong.

In Adelaide, rents are Unaffordable for student households looking in the inner suburbs, and Moderately Unaffordable across the majority of the metropolitan area. The City of Unley is Severely Unaffordable for student households. Further north, rents become Acceptable with RAIs ranging above 122.

The inner suburbs of Brisbane and the Gold Coast are Severely Unaffordable with a RAI range of 68 to 79. The middle ring suburbs are Unaffordable for students.

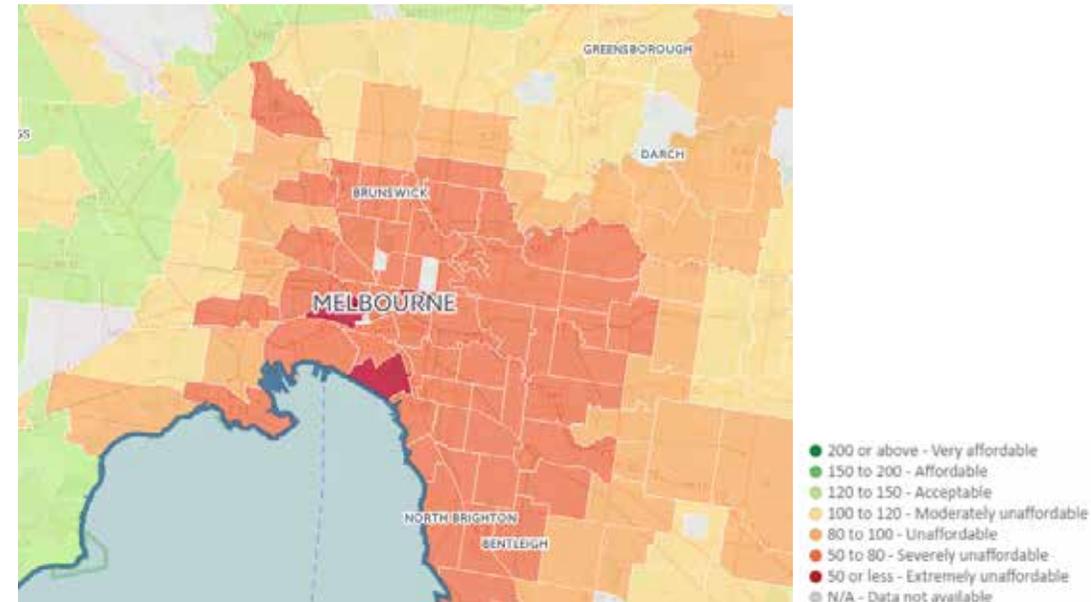
Hobart is unaffordable to students with an RAI range of 93 to 106.

**FIGURE 21 GREATER SYDNEY QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

**FIGURE 22 GREATER MELBOURNE QUARTER 4, 2016**



Source: SGS Economics and Planning, 2017

# APPENDIX 1

The following provides information on state 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<sup>2</sup>.

## Australian Capital Territory

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

## 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 requires the overall RAI of Sydney and Rest of NSW to use the median rental price of 3 bedroom dwellings rather than the median of '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 10 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 3 bedroom dwelling is estimated as the weighted average of the rents of 3 bedroom flats, 3 bedroom townhouses and 3 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 10 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 2 and 3 bedroom dwellings.
- In the calculation of the RAI for average households across the state (ie. all dwellings), observations with fewer than 10 listings were excluded from the analysis.

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<sup>2</sup> Where a RAI could not be calculated, an 'n/a' is shown on the online map.

## 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 5 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 10 listings were excluded from the analysis.

## Western Australia

- Data was not reported if the median was based on fewer than 10 listings.
- Metro and regional median rents are not included in available data. They are calculated as the weighted average of postcode medians.
- Data only includes median prices of 'all dwellings' by postcode (i.e. bedroom breakdown isn't available).



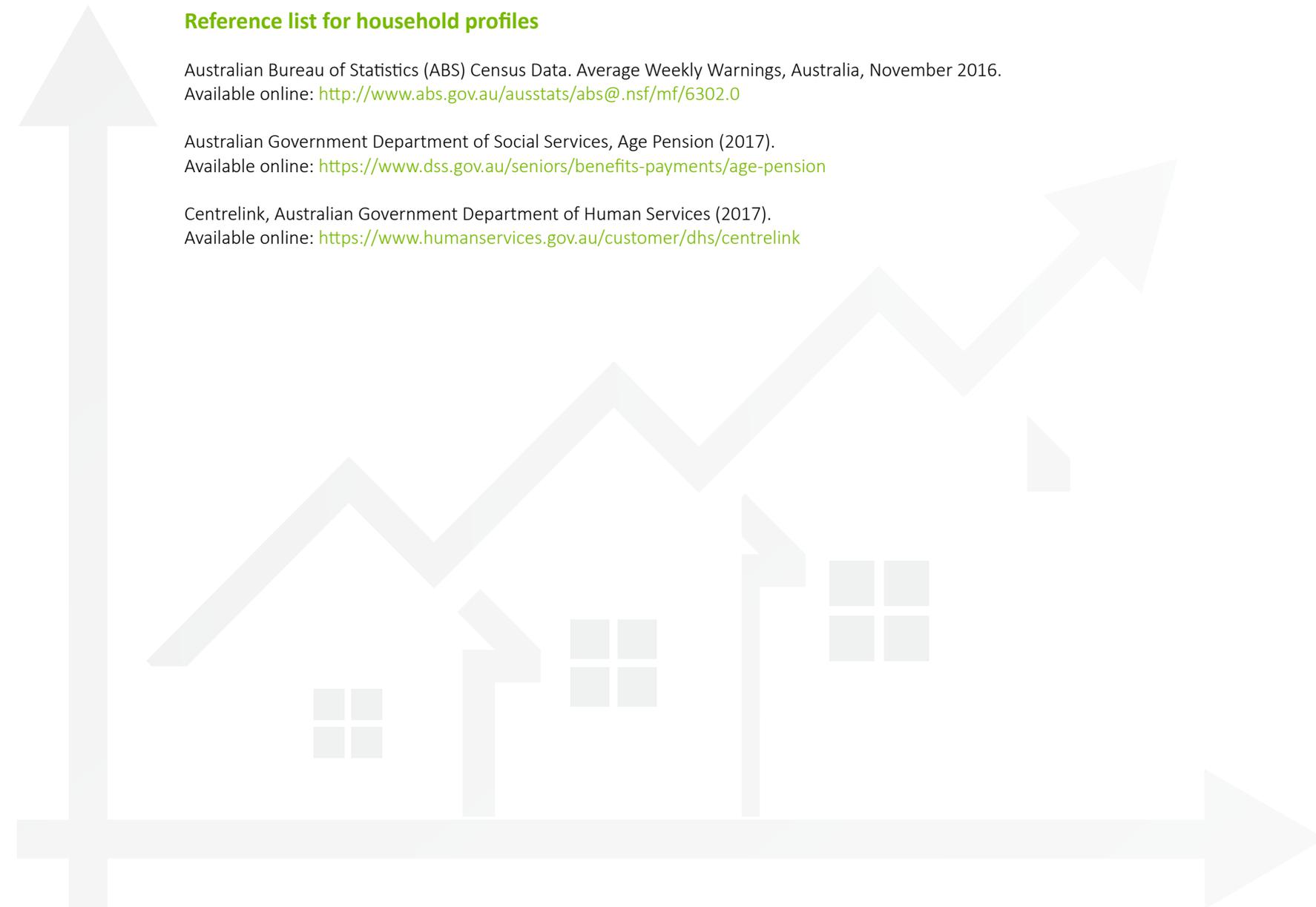
## APPENDIX 2- REFERENCE LIST

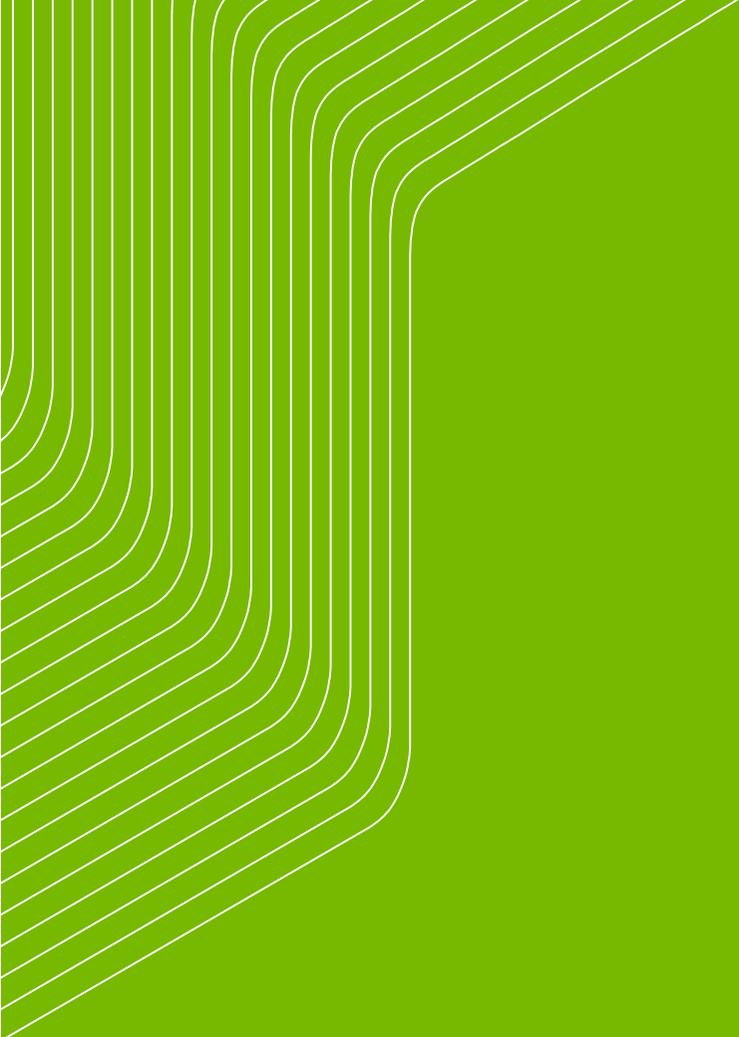
### Reference list for household profiles

Australian Bureau of Statistics (ABS) Census Data. Average Weekly Warnings, Australia, November 2016.  
Available online: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>

Australian Government Department of Social Services, Age Pension (2017).  
Available online: <https://www.dss.gov.au/seniors/benefits-payments/age-pension>

Centrelink, Australian Government Department of Human Services (2017).  
Available online: <https://www.humanservices.gov.au/customer/dhs/centrelink>





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