MEDIA RELEASE
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Low income households face unaffordable rents despite affordability improvement

Despite rental affordability across Sydney improving in the past year the NSW capital remains critically unaffordable to significant proportions of the renting population, especially very low and low-income households, the latest release of the Rental Affordability Index (RAI) has found.

Greater Sydney's affordability is the highest recorded over the past eight years, improving by 5.7 per cent in the past 12 months – which has almost entirely been driven by the decline in rents caused by the onset of the COVID-19 pandemic. It is the only city which has shifted from moderately unaffordable to acceptable rents, despite affordability improving across most metropolitan regions.

Despite the lower rental rates, the difference for very low-income households is negligible, as they still face severely unaffordable rents across Sydney.

The RAI is an indicator of the price of rents relative to household incomes based on new rental agreements. It is released annually by National Shelter, Bendigo and Adelaide Bank, SGS Economics & Planning and the Brotherhood of St Laurence. The report provides an indication on the impact of early COVID-19 responses and supplement payments, measuring rental affordability for households until the June quarter 2020.

A score of 100 on the RAI indicates that households are spending 30 per cent of their income on rent, which would cause low-income households to be in rental stress. They may have to forgo necessities including food, power and medical care to make ends meet. A score of 100-120 shows that households are facing moderately unaffordable rents.

With a score 126 in the June quarter of 2020, rents have shifted from moderately unaffordable to acceptable, on average, in Sydney. The average rental household in Greater Sydney spends about 24 per cent of its total income on rent – which is the same in regional NSW, which has an RAI score of 124.

However, lower-income households have to fork out a much higher proportion of their income to afford a roof over their heads in Greater Sydney:

- Single person on JobSeeker: 69 per cent of income (extremely unaffordable)
- Single pensioner: 79 per cent of income (extremely unaffordable)
- Pensioner couple: 53 per cent of income (severely unaffordable)
- Single part-time worker parent on benefits: 47 per cent of income (severely unaffordable)
- Full-time hospitality worker: 35 per cent of income (unaffordable)

Regional NSW is the second least affordable rest of state areas with an RAI score of 124, behind regional Tasmania (114). The average household seeking to rent in regional NSW would face rent levels at 24 per cent of its total income, which means rents remain acceptable to affordable across regional NSW. As households move from the city to regional centres, this may impact affordability.

Overall rental affordability in Greater Sydney has improved as rental prices fell by six per cent. Rental affordability increased most in the city suburbs of Forest Lodge (7% more affordable), Annandale (7%) and Double Bay (9%). In suburbs close to the City such as

Stanmore and Lewisham, average households are now paying 28 to 20 per cent of income on rent, just below the affordability threshold of 30 per cent.

Adrian Pisarski, Executive Officer, National Shelter, said: “Despite JobSeeker being a welcome boost to many low-income renters, it was not enough to lift them out of rental stress. This shows the depth of our rental affordability problem, where even with additional support, there is not one place in Australia where a JobSeeker recipient can rent affordably.”

“As we’ve seen in Victoria, there is a massive need for government investment in social and affordable housing – and now is the time for it since borrowing costs are so low in Australia. Without investment in this space, we are ignoring our responsibility to help people be decently housed.

Now is not the time to pass the buck of responsibility for building social housing between the Commonwealth and States; a truly national effort is required. If there is no action, the net result of our housing system failures will be a dramatic increase in homelessness,” Mr Pisarski said.

Ellen Witte, Partner at SGS Economics and Planning said: “The market is responding to the inability of JobSeeker recipients to pay high market rents by lowering rents. From March to June 2020, rents fell between two and seven per cent nation-wide. The greatest falls in rental prices were in Greater Melbourne (-7%), Greater Hobart (-6%) and Greater Brisbane (-6%).”

“With the Government now reducing JobSeeker allowances dramatically, and the economy not (re)creating jobs, many households are being trapped in a poverty cycle, seeking affordable rents in areas further away from jobs and services.”

Young people have been most severely affected by job losses due to COVID-19. This group increased from 185,000 to 515,000 JobSeeker recipients due to the pandemic.

“These young people would often have been hospitality workers, paying about 35% of income on rent in Sydney. Then, on JobSeeker, this became 69%. And now the fortnightly payments are being reduced. Without the jobs to back it up, this policy is unjust. It is punishing people for losing their job during the pandemic,” Ms Witte said.

“There is a real opportunity to use the current recession to build a stronger future. With low interest rates, high unemployment and an increase of demand for affordable housing, this is the time to invest in social housing. And at the same time, people can be brought back into jobs.

An investment of about $7.8 billion would create 15,500 to 18,000 jobs over four years and add 30,000 dwellings to our social housing stock and refurbish aged stock.”

David Robertson, Head of Economic and Market Research at Bendigo and Adelaide Bank, said: “We’re seeing more people working from home – even as we emerge out of the COVID-19 crisis – and greater movements from capital cities to regional centres. As more people move into regional areas and the outer fringes of our cities, we need to consider infrastructure and opportunities for employment and training.”

“Looking beneath the headline figures, rental stress is affecting the majority of very low-income households in Australia. This trend is creating pressure on regional rental markets and their associated infrastructure. Even in cities with higher than average incomes and better than average rental affordability, the plight of low-income renters continues to remain dire.”

Professor Shelley Mallett, Director of Research and Policy at Brotherhood of St Laurence, said that despite the additional support from the JobSeeker Supplement, many Australians receiving this support continue to face severe rental affordability.

“Rental stress has become so entrenched and severe for low-income households that the JobSeeker supplement has brought little relief – with the situation for most low-income households in these metropolitan areas remaining untenable,” Professor Mallett said.

“We can expect that the September reduction to JobSeeker will further increase rental stress and disparities of this cohort. Coupled with the economy not re-creating jobs and a relatively high unemployment rate, many households are being trapped in a poverty cycle.”

MEDIA CONTACTS:

- **Julia Macerola on 0422 337 332 or julia@fiftyacres.com**
- **Lex La Sala on 0466 258 343 or lex@fiftyacres.com**

Interview opportunities are available with:

- Adrian Pisarski, Executive Officer of National Shelter – Noosa, QLD
- Ellen Witte, Partner at SGS Economics and Planning – Hobart, Tasmania
- David Robertson, Head of Economic and Market Research at Bendigo and Adelaide Bank – Melbourne, Victoria
- Professor Shelley Mallett, Director of Research and Policy at Brotherhood of St Laurence – Melbourne, Victoria

Link to interactive map:
https://www.sgsep.com.au/projects/rental-affordability-index

About the Rental Affordability Index

National Shelter, Bendigo and Adelaide Bank, SGS Economics & Planning and the Brotherhood of St Laurence have released the Rental Affordability Index (RAI) biannually since 2015. Since 2019, the RAI has been released annually. The RAI is a price index for housing rental markets. It is a clear and concise indicator of rental affordability relative to household incomes.

About National Shelter

National Shelter is a peak advocacy group whose mission is to create a more just housing system, particularly for low-income Australian households.

About SGS Economics & Planning

SGS Economics & Planning is a leading planning and economics firm whose purpose is to shape policy and investment decisions to achieve sustainable places, communities and economies.

About Bendigo and Adelaide Bank

Bendigo and Adelaide Bank is Australia's 5th biggest retail bank, with more than 7,400 staff helping our more than 1.9 million customers to achieve their financial goals.

About Brotherhood of St Laurence

The Brotherhood of St Laurence is a community organisation that works to prevent and alleviate poverty across Australia.