Rental Affordability Index

December 2020 key findings

Certified B Corporation

SGS Economics & Planning | Independent insight.

SGS Economics and Planning Pty Ltd

ACN 007 437 729

www.sgsep.com.au

Offices in Canberra, Hobart, Melbourne, and Sydney, on Ngunnawal, muwinina, Wurundjeri, and Gadigal Country.

Contents

01 Introduction

1.1 Background and aim

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

This report has been prepared as part of the ninth 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 cohorts at risk of rental stress. This release also examines the early effects of the COVID-19 pandemic (note that adverse income effects are suppressed by programs such as JobKeeper and Coronavirus supplement payments to Jobseeker recipients).

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 level across Australia in each quarter, where there is reliable data.

An interactive map of the RAI at the small geographical area level can be viewed at this website:
https://www.sgsep.com.au/projects/rental-affordability-index

This report presents the findings of the December 2020 release of the RAI. It provides an update of the November 2019 RAI report by providing analysis of data from the four most recent available quarters (September and December 2019, March, and June 2020). The report relies on rental bond data up to and including the June quarter of 2020.

1.3 Acknowledgements

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

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

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

1.4 Method

It is generally accepted that if housing costs exceed 30 per cent of a low-income[2] household's gross income, the household is experiencing housing stress (30/40 rule)[3]. That is, housing is unaffordable and housing costs consume a disproportionately high amount of household income.

The RAI uses the 30 per cent of income rule. Rental affordability is calculated using the following equation:
RAI = (Income/qualifying income[4])*100

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

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

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

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

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

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

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

TABLE 1. RENTAL AFFORDABILITY INDEX AND SEVERITY OF RENTAL UNAFFORDABILITY

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

Source: SGS Economics and Planning, 2020

[2] Lowest 40 per cent of households across all income bands
[3] Australian Institute of Health and Welfare (2020) Housing Affordability. Available at: https://www.aihw.gov.au/reports/australias-welfare/housing-affordability
[4] Qualifying income refers to the income required to pay rent where rent is 30% of income

Income

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

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

Household incomes are estimated using 2016 ABS census data combined with the ABS time series of Average Weekly Earnings (Cat 6302.0) (a measure of personal weekly income), which is used to index weekly household incomes for the quarters between the 2011 and 2016 censuses, and post-2016. These intermediate quarters are interpolated using a geometric average. If data for the most recent quarter is unavailable, income is assumed to grow at the average quarterly growth rate of preceding quarters.

Median rents

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

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

Small area analysis

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

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

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

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

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

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

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

State-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.

TABLE 2. LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES

Household type	Indicative gross annual income	Indicative dwelling size
Single pensioner	$28,000	1 bdr
Pensioner couple	$48,500	2 bdr
Single person on Newstart*	$32,500	1 bdr
Single part-time worker parent on benefits	$55,000	2 bdr
Single full-time working parent	$96,000	2 bdr
Single income couple with children	$96,000	3 bdr
Dual income couple with children	$191,500	3 bdr
Student sharehouse	$120,500	3 bdr
Minimum wage couple	$77,000	2 bdr
Hospitality worker	$59,500	1 bdr

Source: Compiled by SGS Economics and Planning, 2020. See Appendix 2 for full list of sources used. *During March 2020 Newstart Allowance transitioned to JobSeeker payments

02 Household snapshots

2.1 Introduction

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

This release has seen a change in income support for this household type due to the transition from Newstart Allowance to JobSeeker payments. As detailed in the relevant profiles, the transition to JobSeeker increased the rate by $6.70 per fortnight or $216 per annum from March 2020. From 27 April 2020, JobSeeker recipients began receiving an additional $550 per fortnight from the Coronavirus Supplement.

The 2020 RAI highlights that even with the Supplement, JobSeeker recipients face unaffordable rents in most metropolitan areas across Australia.

Low-income households are particularly at risk. In 2017-18, with 43 per cent of all low-income households were in rental stress (housing costs, including rent and other payments, greater than 30 per cent of income), compared to 35 per cent in 2008. This rises to 57 per cent when considering households in the bottom income quintile.[5]

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

The chosen ten households[6] are:

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

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

It must be noted that the household types and their typical income level and dwelling size are indicative. They do 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.

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

Income support levels are based on the Australian Government Department of Human Services payment rates for the March to June 2020 period. Total household income estimates are based on gross income, including Commonwealth Rent Assistance. As the RAI considers the private rental market, the eligibility of very low-income households to access discounted rents has not been factored into this analysis.

[5] Australian Bureau of Statistics. Housing Occupancy and Costs 2017-18. [Table 21].
[6] Note: The household profiles found on the RAI interactive map found at http://www.sgsep.com.au/maps/thirdspace/#map1 use Australia-wide average incomes for each household type.

Full-time worker incomes were based on ABS Employee Earnings and Hours data[7], adjusted by 2016 ABS Census data to reflect variation in earnings by region (i.e. metropolitan or rest of state area). An average Australian full-time secondary teacher income was used as the typical key worker income, and a full-time hospitality worker income was used for the hospitality worker profile.

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

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

2.1.1 JobKeeper payments

JobKeeper does not feature as a household profile within this report. However, it is noted that the introduction of JobKeeper in March 2020 will have significantly impacted income for several household types. JobKeeper was delivered through businesses which showed they had been significantly impacted by COVID-19.

Businesses received a fixed payment of $1,500 per fortnight for each eligible employee, for the payment in full to be passed onto the eligible employee. There are multiple scenarios around what employees may have received, such as:

— The business was unable to operate and staff received $1,500 with no hours worked to keep them connected to the business. This may have been above or below the employee's pre-COVID wage
— The employee has $1,500 of their wage was covered, and the employer was topping the wage up to the pre-COVID level
— For businesses that could operate but were experiencing a downturn, it may have meant $1,500 was passed onto the employee with no top-up to their previous salary – leading to a decrease in the individual's earnings
— Some workers who retained their hours may have seen an increase in pay to $1500 per fortnight, as their pre-COVID wage was lower.

These show that, relative to pre-COVID levels, the final income of workers in businesses which qualified for JobKeeper payments varied based on individual circumstances.

[7]ABS cat. 6306.0, Table 13

Single person on JobSeeker payment

2.2 Single person on JobSeeker payment

$32,638 P.A., 1 BEDROOM
MODERATELY UNAFFORDABLE TO EXTREMELY UNAFFORDABLE RENTS ACROSS ALL STATES IN BOTH METROPOLITAN AND REGIONAL AREAS

The single person on JobSeeker is 22 years old or older with no children and seeks to rent a one-bedroom dwelling. This person is unemployed, with assets below DSS thresholds and receives income support in the form of a JobSeeker payment and rent assistance, but no additional income. The estimated gross annual income for this household is $32,638.

TABLE 3. RAI FOR SINGLE PERSON ON JOBSEEKER

Index score	RAI score	Rent as a share of income
Greater Sydney	44	69%
Rest of NSW	86	35%
Greater Melbourne	54	56%
Rest of VIC	90	33%
Greater Brisbane	57	53%
Rest of QLD	63	48%
Greater Adelaide	71	42%
Rest of SA	111	27%
Greater Perth*	54	56%
Rest of WA*	53	56%
Greater Hobart	69	43%
Rest of TAS	90	33%
ACT	47	64%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

This release has seen a change in income support for this household type due to the transition from Newstart Allowance to JobSeeker payments and the introduction of the temporary Coronavirus Supplement. This increased the weekly income of recipients from $714 to $1,255 (in annualised terms, from $18,567 to $32,638).

However, Table 3 highlights that despite the Coronavirus Supplement, rental affordability for these households remains Extremely to Severely Unaffordable in all metropolitan areas.

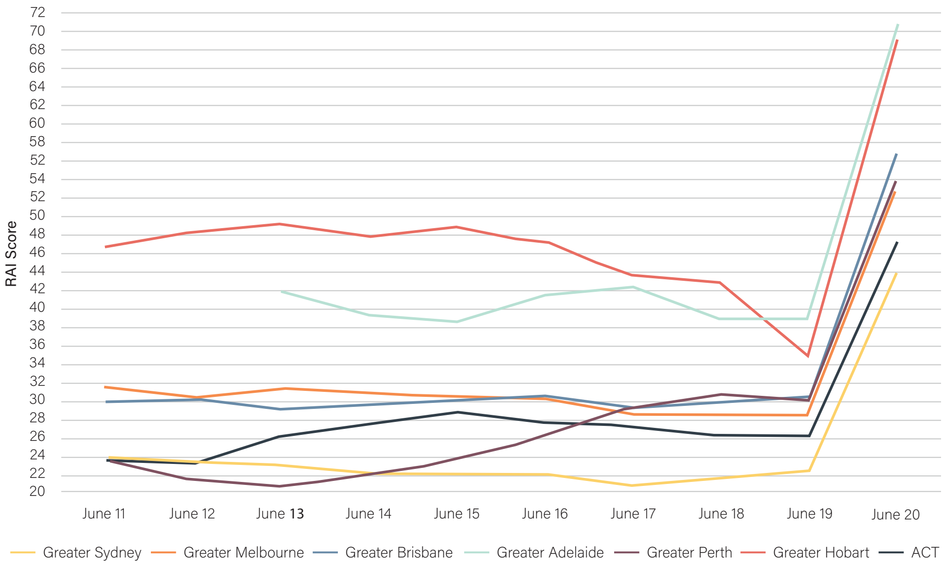
All states examined have a RAI score below 71 in metropolitan areas, making rents Severely to Extremely Unaffordable. This means a person of this household type would need to pay between 42-69 per cent of their income to afford the median rental rate in any capital city area. The ACT and Greater Sydney remain the least affordable of all capital cities with RAI scores of 47 and 44 (Extremely Unaffordable). This household, solely reliant on JobSeeker payments and rental assistance would require, on average, an income nearly triple the current level (including the Coronavirus supplement) in order to move into the acceptable affordability band.

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

Figure 1 presents a time series of affordability for a person on Newstart/JobSeeker in capital cities over the past nine years. All cities have been Extremely Unaffordable, with Sydney being the worst, and changing little between 2011 – 2018. Prior to this release, affordability for this household type has not improved over time, with some capital cities becoming significantly less affordable as Newstart payments were outpaced by rising rents. The JobSeeker payments have temporarily substantially improved affordability for all groups, but even with these increased payments, rents remained unaffordable.

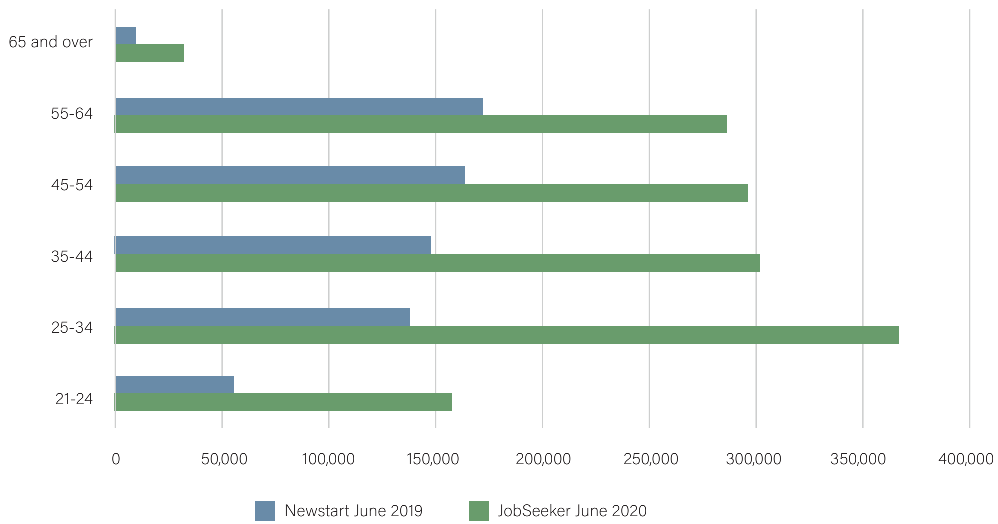
The winding back of the Coronavirus Supplement in September 2020 does not form a part of this report. It is expected that reducing or removing the supplement to JobSeeker recipients will reduce rental affordability, and consequently increase rental stress among this cohort.

FIGURE 1. RAI SCORES FOR A PERSON ON JOBSEEKER PAYMENTS, CAPITAL CITIES, 2011- 2020



Source: SGS Economics and Planning, 2020

FIGURE 2. NUMBER OF NEWSTART AND JOBSEEKER PAYMENT RECIPIENTS BY AGE BRACKET

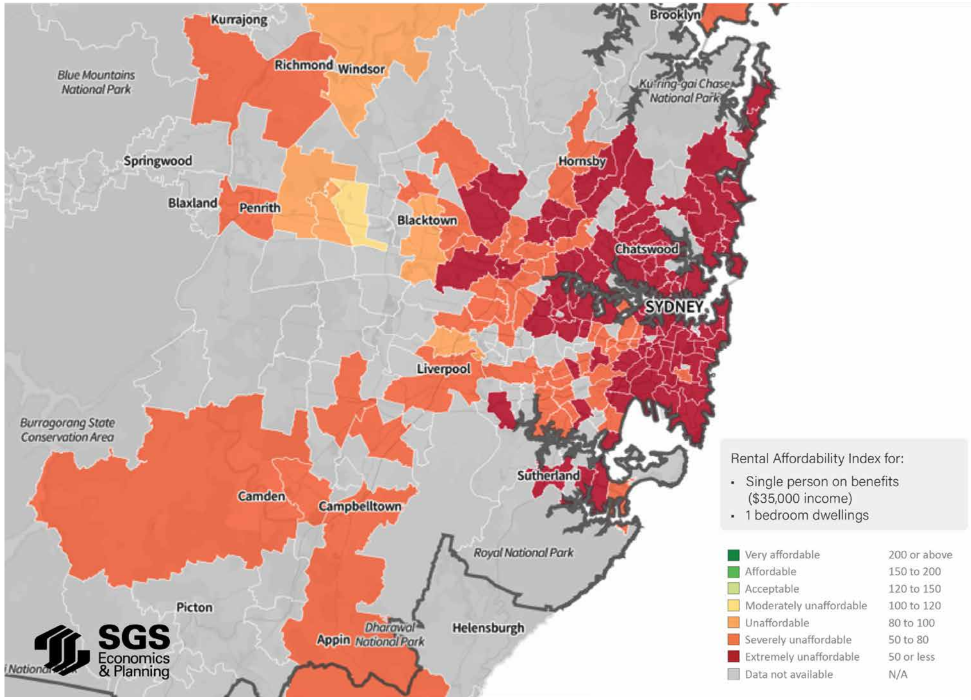


Source: SGS Economics and Planning, 2020 adapted from DSS data

Demographic analysis of persons receiving Newstart between the years 2012 to 2019 revealed that most recipients are in the 45 to 54 and 55 to 64 age brackets. When comparing JobSeeker recipients to the previous Newstart payment recipients, there has been an increase in the number of people accessing the payments across all age groups. The greatest increase, of 230,000 recipients, was within the 25-34 year age bracket. The largest proportional changes were observed in the youngest and oldest age brackets, which increased by 183 per cent and 211 per cent respectively[8].

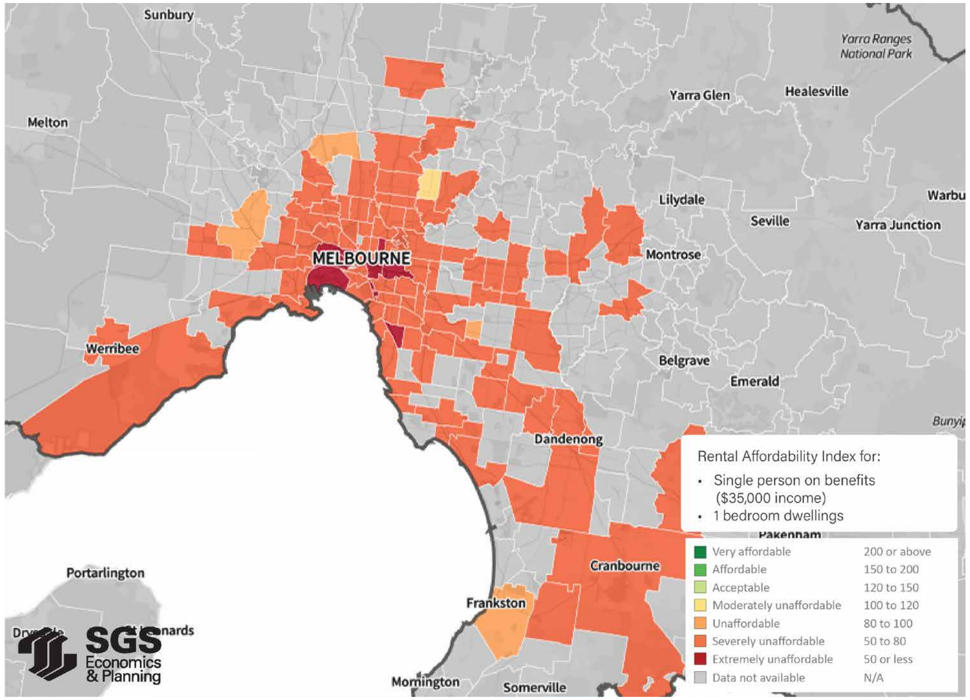
[8]Department of Social Services Payment Demographic Data 2020 https://data.gov.au/data/dataset/dss-payment-demographic-data

FIGURE 3. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 4. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Single pensioner

2.3 Single pensioner

$28,181 P.A., 1 BEDROOM
EXTREMELY UNAFFORDABLE TO SEVERELY UNAFFORDABLE RENTS IN METROPOLITAN AREAS ACROSS ALL STATES

The single pensioner household is 65 years or older and seeks to rent a one-bedroom dwelling. Retired and/or no longer active in the workforce, this person lives on the age pension for older Australians with income or assets below certain limits, with consideration for super, investments and earnings. Assumed to have no additional income from paid work, the single pensioner receives an estimated gross annual income of $28,181.

TABLE 4. RAI FOR SINGLE PENSIONER HOUSEHOLD

Index score	RAI score	Rent as a share of income
Greater Sydney	38	79%
Rest of NSW	74	41%
Greater Melbourne	46	65%
Rest of VIC	77	39%
Greater Brisbane	49	61%
Rest of QLD	54	56%
Greater Adelaide	61	49%
Rest of SA	96	31%
Greater Perth*	46	65%
Rest of WA*	46	65%
Greater Hobart	60	50%
Rest of TAS	78	39%
ACT	41	74%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

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

During the past 12 months, single pensioners became the worst-off households of all study households as they did not receive an increase in the level of subsidy received. There were, however, some one-off support payments not included in this study. This household type may have experienced increased household costs (utilities) over the period with more time at home due to restrictions, and those restrictions also limiting access to support networks.

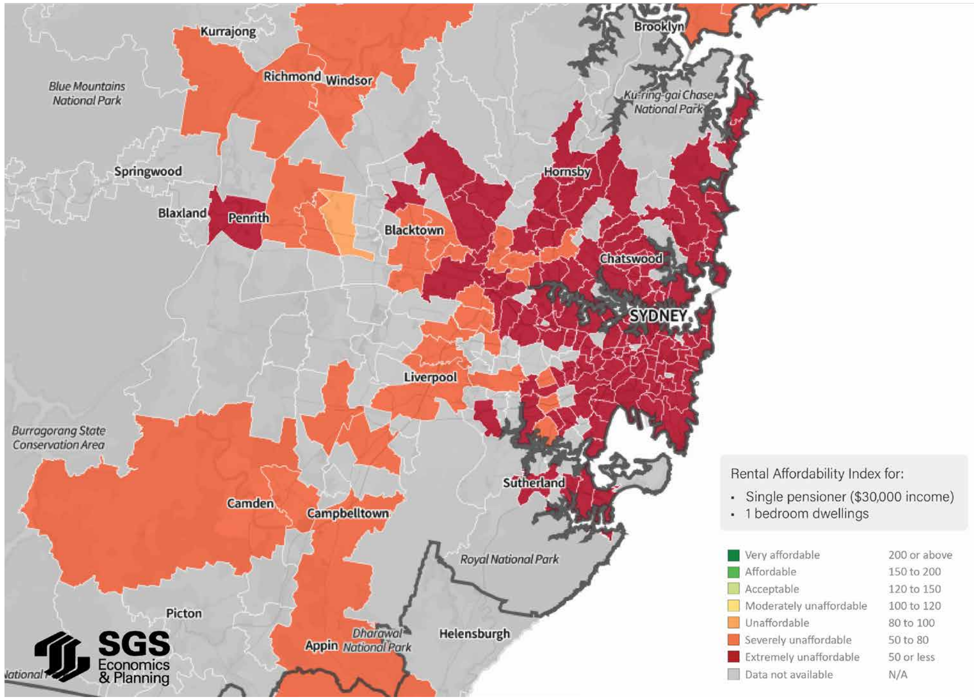
Across all regional areas, rents for the single pensioner are Unaffordable, with each state's RAI scores below the Moderately Unaffordable threshold of 100.

For the single pensioner, Greater Sydney remains the least affordable location to rent of all Australian capital cities. This household faces a RAI score of 38, indicating rents are Extremely Unaffordable, accounting for 79 per cent of total income.

ACT follows Greater Sydney as the second least affordable metropolitan region for a single pensioner household, with a RAI score of 41. Greater Melbourne, Greater Perth and the rest of WA all share a RAI score of 46.

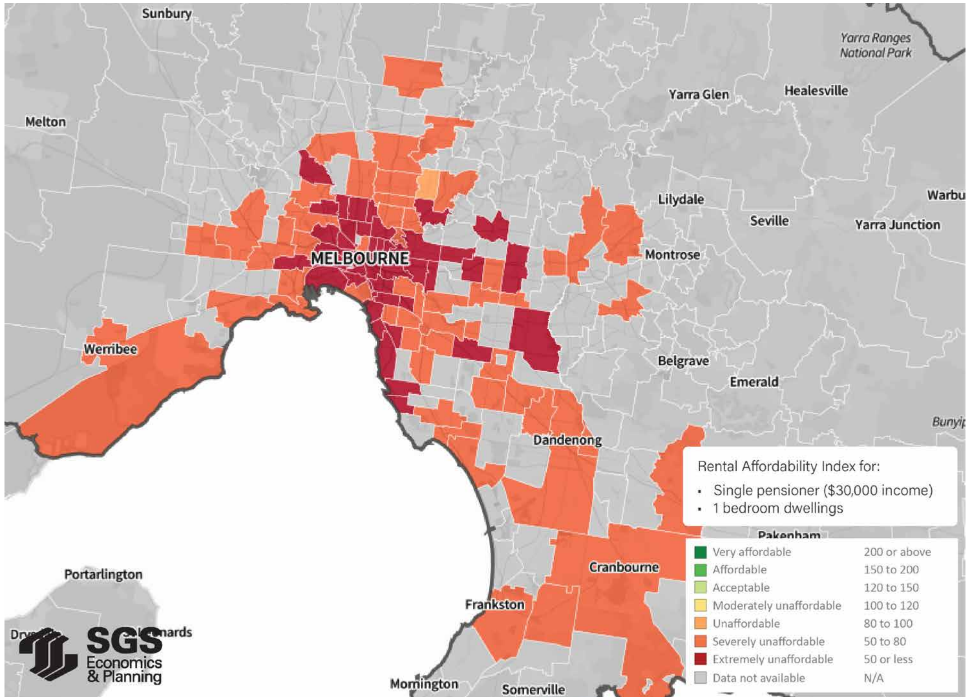
While still Severely Unaffordable, Greater Adelaide and Greater Hobart remain marginally more affordable for single pensioners compared with all other Australian cities.

FIGURE 5. GREATER SYDNEY, JUNE QUARTER 2020



Source: SGS Economics and Planning, 2020

FIGURE 6. GREATER MELBOURNE, JUNE QUARTER 2020



Source: SGS Economics and Planning, 2020

Pensioner couple

2.4 Pensioner couple

$48,443 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 $48,443.

TABLE 5. RAI FOR PENSIONER COUPLE HOUSEHOLD

Index score	RAI score	Rent as a share of income
Greater Sydney	56	53%
Rest of NSW	96	31%
Greater Melbourne	67	45%
Rest of VIC	87	34%
Greater Brisbane	71	42%
Rest of QLD	81	37%
Greater Adelaide	89	34%
Rest of SA	129	23%
Greater Perth*	80	38%
Rest of WA*	79	38%
Greater Hobart	76	40%
Rest of TAS	104	29%
ACT	58	52%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

While faring better than the single pensioner household, the couple pensioner household generally faces Unaffordable to Severely Unaffordable rents in metropolitan areas. Regional areas remain Moderately Unaffordable for this household, with only the Rest of SA offering some areas with Acceptable rents. Since the last release, Rest of TAS has dropped in affordability and is now Moderately Unaffordable.

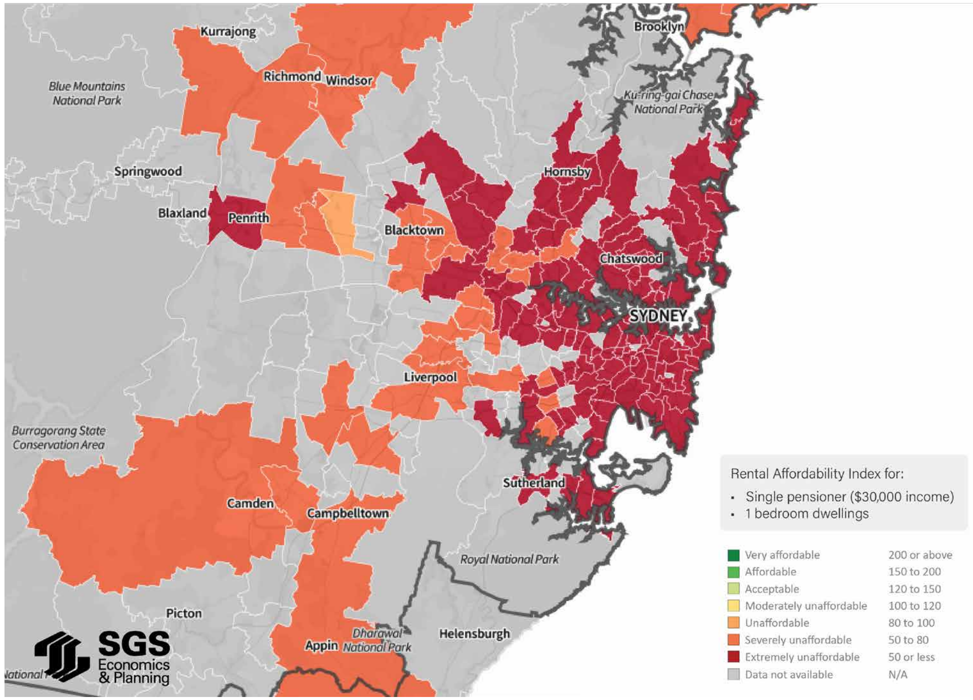
Most areas within a 10 kilometre radius of the Sydney CBD and some of the inner areas of Melbourne are Severely Unaffordable to the pensioner couple, meaning that they would have to pay over 50 per cent of their total income on rent. Adding to their financial pressure are several other costs, which may include health care costs associated with ageing. The need for walkable access to transport, local shops and services may also place limitations on this household in terms of choosing an appropriate location to live.

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

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

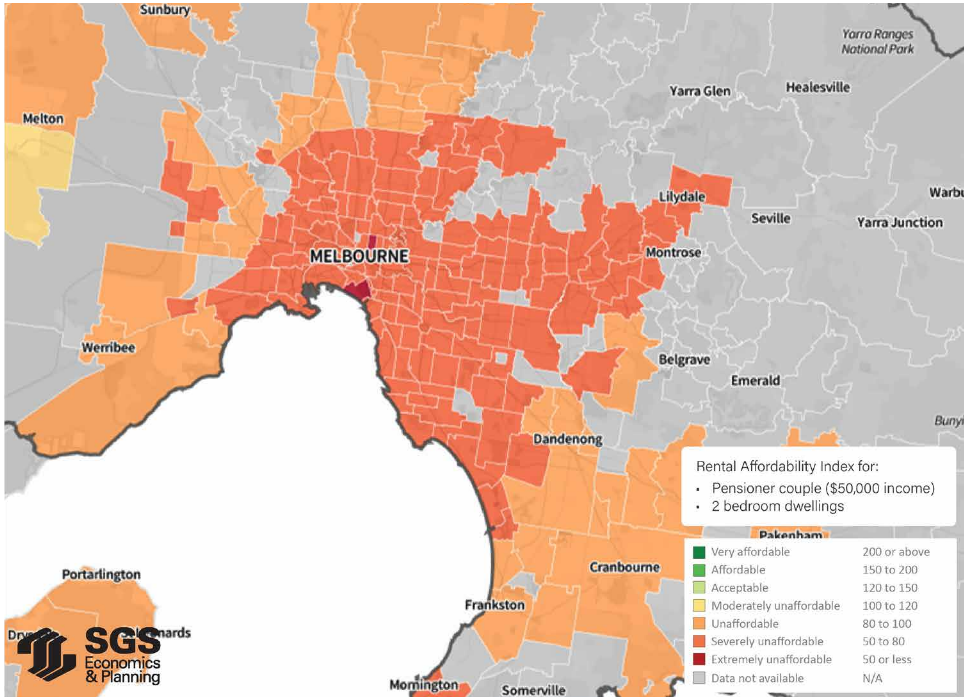
For the pensioner couple household looking to locate in Greater Sydney, rents are the least affordable, with an average RAI score of 56. ACT has a RAI score of 58 for the pensioner couple, making it the second least affordable area for this household type. This is followed closely by Greater Melbourne with a RAI score of 67.

FIGURE 7. GREATER SYDNEY JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 8. GREATER MELBOURNE JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Single part-time worker parent on benefits

2.5 Single part-time worker parent on benefits

$54,897 P.A., 2 BEDROOM
SEVERELY UNAFFORDABLE ACROSS MOST METROPOLITAN AREAS

The single parent household is comprised of a parent and one child under five and is seeking to rent a two-bedroom rental dwelling. This household receives income support in the form of a parenting payment, supplemented by casual or part time paid employment. This household also received a $550 Coronavirus supplement in April 2020. It has an estimated gross annual income of $54,897.

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

Index score	RAI score	Rent as a share of income
Greater Sydney	64	47%
Rest of NSW	109	27%
Greater Melbourne	75	40%
Rest of VIC	99	30%
Greater Brisbane	80	37%
Rest of QLD	91	33%
Greater Adelaide	100	30%
Rest of SA	146	21%
Greater Perth*	90	33%
Rest of WA*	90	33%
Greater Hobart	86	35%
Rest of TAS	117	26%
ACT	66	45%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

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

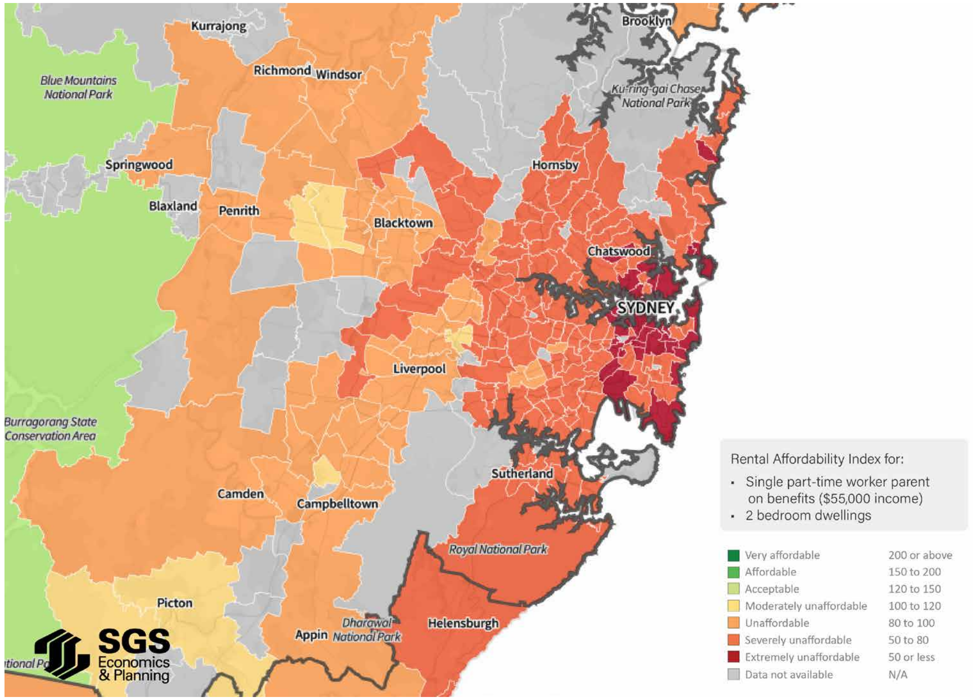
Over the last quarters, this household type may have experienced increased financial stress due to COVID-19 restrictions in some states requiring schooling from home for school age children and limiting access to childcare. Childminding commitments may have placed limits on single parent's ability to work, potentially resulting in lost income.

With an RAI score of 64, the single part-time worker parent on benefits faces Severely Unaffordable rents in metropolitan Sydney. This is followed closely by ACT as the second least affordable location for this household, with a RAI score of 66.

In Greater Melbourne, the RAI score for this household is 75, indicating that this household would be required to pay 40 per cent of their income on rent. In regional Queensland, the RAI score of 91 means that rents remain Unaffordable.

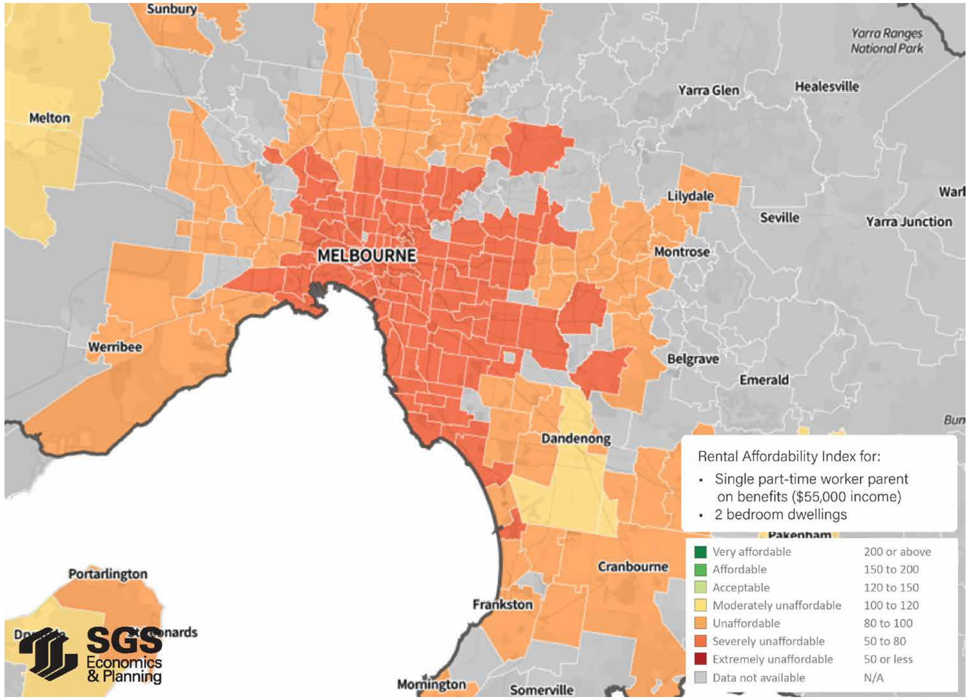
The single part-time worker parent household also faces Unaffordable rents in the metropolitan areas of Brisbane, Perth, and Hobart.

FIGURE 9. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 10. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Single full-time working parent

2.6 Single full-time working parent

$95,735 P.A., 2 BEDROOM
MODERATELY UNAFFORDABLE RENTS IN METROPOLITAN AREAS

The key worker single parent household is comprised of a single parent and child under five and is seeking to rent a two-bedroom dwelling. As a full-time teacher, the key worker parent earns an estimated $95,735[9] per annum.

TABLE 7. RAI FOR SINGLE FULL-TIME WORKING PARENT

Index score	RAI score	Rent as a share of income
Greater Sydney	114	26%
Rest of NSW	195	15%
Greater Melbourne	124	24%
Rest of VIC	163	18%
Greater Brisbane	137	22%
Rest of QLD	157	19%
Greater Adelaide	177	17%
Rest of SA	258	12%
Greater Perth*	170	18%
Rest of WA*	172	17%
Greater Hobart	149	20%
Rest of TAS	198	15%
ACT	127	24%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

The income and dwelling requirements of the single full-time working parent household fall in the acceptable range for most regions. Inner suburbs of Sydney, Melbourne, Brisbane and ACT fall across moderately unaffordable to unaffordable. The nature of being a lone carer makes it likely that a considerable proportion of earnings are go towards childcare and after school care costs for this household, so share of income available for rent is likely lower than the reported figure. This will compound the financial pressures of primary needs such as power, transport, and education for children.

Like the single part-time worker parent on benefits, this household type may have experienced increased financial stress over the March quarter due to COVID-19 restrictions in some states requiring schooling from home for school age children and limiting access to childcare. Childminding commitments may have placed limits on single parent's ability to work, resulting in lost income.

Affordability for this household type has improved slightly since the last release in both Greater Sydney and Greater Melbourne. With a RAI of 114, Greater Sydney remains Moderately Unaffordable.

On average, this household would spend an average of 26 per cent of income on rent in Sydney. Even with the improvement since the last release, this household faces Severely Unaffordable to Unaffordable rents across Sydney's inner and middle suburbs.

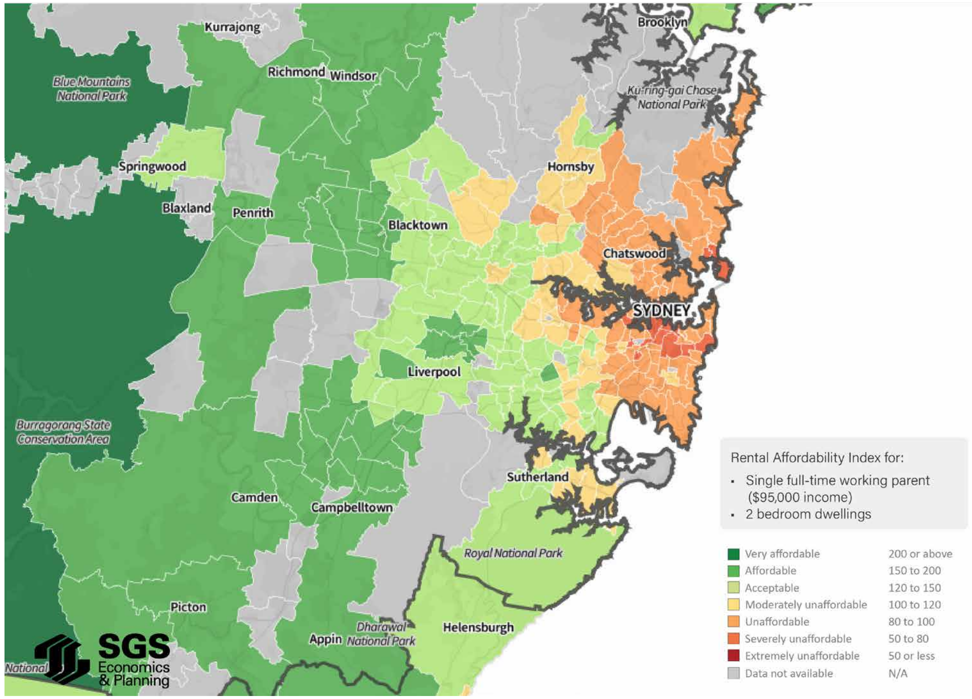
Greater Melbourne is the second least affordable location for single full-time worker parents. With a RAI score of 124, this household would see around 24 per cent of its income spent on rent.

Other metropolitan areas such as Greater Adelaide and Greater Perth now have Acceptable rents. Greater Brisbane and the ACT have both seen a marginal increase and now have Acceptable rents. This is largely due to the downward pressure on rents during the pandemic. Rents have been falling across the board in the June 2020 Qtr compared to the March Qtr.

In regional areas, RAI scores have improved marginally since the last release and are generally Affordable. Rest of SA is now showing a RAI score of 258, making it the only state showing Very Affordable.

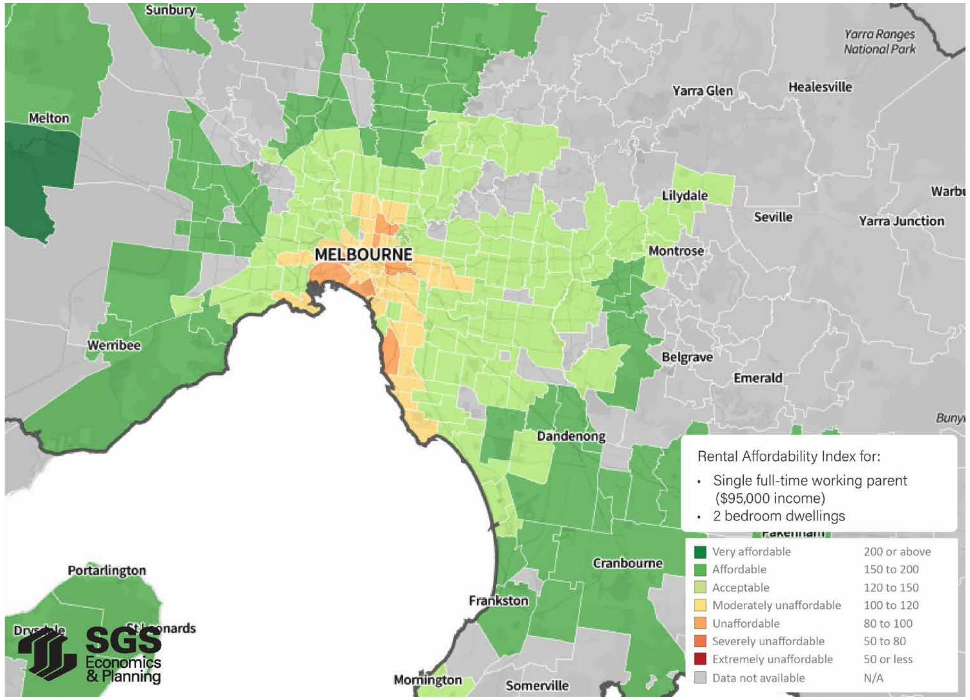
[9]This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 11. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 12. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Single income couple with children

2.7 Single income couple with children

$95,735 P.A., 3 BEDROOM
ACCEPTABLE TO UNAFFORDABLE RENTS ACROSS MOST METROPOLITAN AREAS[10]

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 $95,735[11] per annum.

TABLE 8. RAI FOR SINGLE INCOME COUPLE WITH CHILDREN

Index score	RAI score	Rent as a share of income
Greater Sydney	113	27%
Rest of NSW	161	19%
Greater Melbourne	127	24%
Rest of VIC	171	18%
Greater Brisbane	134	22%
Rest of QLD	139	22%
Greater Adelaide	154	19%
Rest of SA	205	15%
Greater Perth*	170	18%
Rest of WA*	172	17%
Greater Hobart	126	24%
Rest of TAS	167	18%
ACT	111	27%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

The single income couple with children household faces Moderately Unaffordable rents in Greater Sydney and Greater Melbourne and Acceptable or better rental affordability across other metropolitan regions.

With a RAI score of 111, the single income couple with children would pay around 30 per cent of income on rent in ACT. Greater Sydney and Greater Hobart then follow as least affordable with RAI scores of 113 and 126 respectively. Slight improvements have been seen in many regions except for Hobart and ACT.

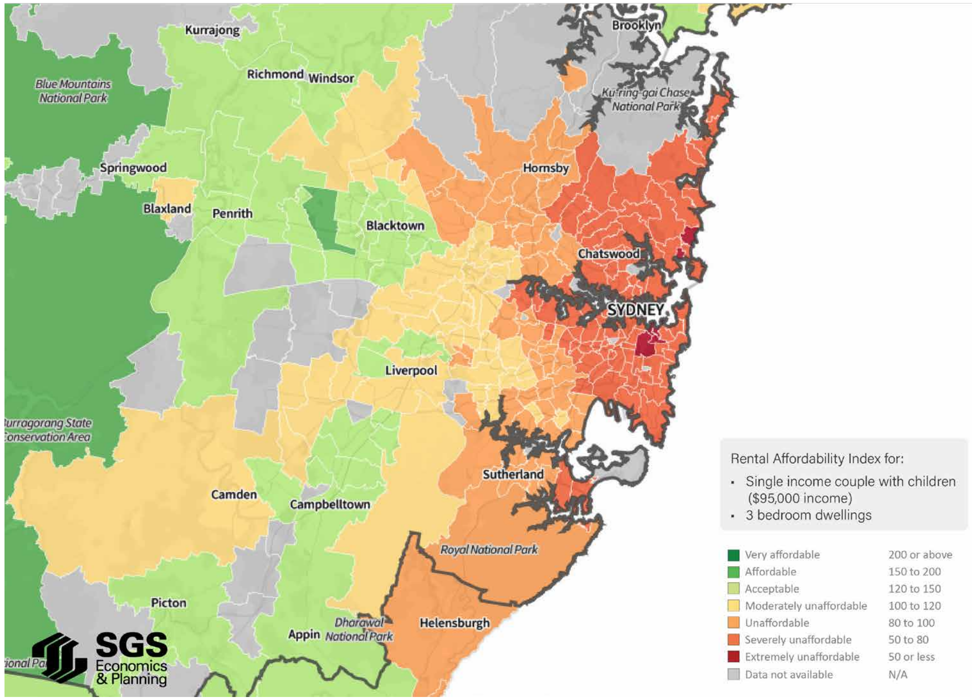
This household faces Severely Unaffordable rents across most inner and middle metropolitan areas, with some locations in Sydney being Extremely unaffordable.

In most metropolitan areas, Acceptable rents can only be found in outer suburbs (as illustrated in Figure 13 and Figure 14), which are typically less advantaged in terms of access to work and other opportunities. Given the size of this family, there is considerable additional financial pressure from day-to-day living costs.

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

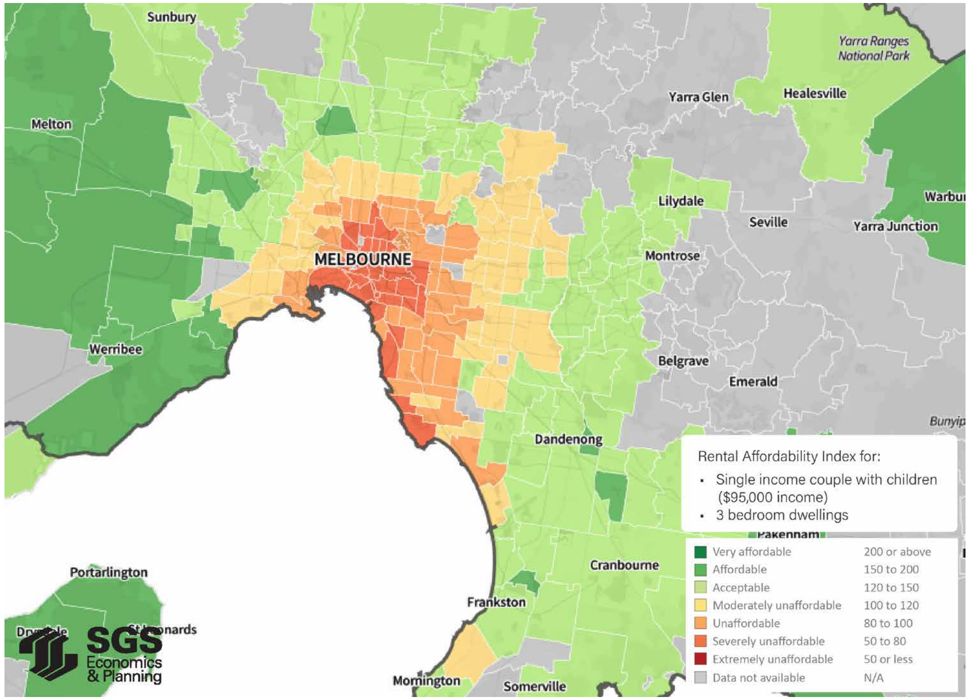
[10]Note that RAI scores appear more affordable than for single full-time working parents, despite single income couples with children requiring larger dwellings (3 bedrooms). This is due to the spatial distribution of dwelling forms, as 2 bedroom dwellings are more heavily represented (compared to 3 bedroom dwellings) in the inner regions of cities, and therefore have a higher median rent
[11]This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 13. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 14. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Dual income couple with children

2.8 Dual income couple with children

$191,469 P.A., 3 BEDROOM
AFFORDABLE TO VERY AFFORDABLE RENTS ACROSS STATES

The full-time key worker couple has two children under ten and seeks to rent a three bedroom dwelling. This household lives on two full time teachers' wages, with a combined annual income of $191,469 per annum[12].

TABLE 9. RAI FOR DUAL INCOME COUPLE WITH CHILDREN

Index score	RAI score	Rent as a share of income
Greater Sydney	226	13%
Rest of NSW	323	9%
Greater Melbourne	254	12%
Rest of VIC	341	9%
Greater Brisbane	268	11%
Rest of QLD	279	11%
Greater Adelaide	308	10%
Rest of SA	410	7%
Greater Perth*	341	9%
Rest of WA*	344	9%
Greater Hobart	251	12%
Rest of TAS	335	9%
ACT	221	14%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

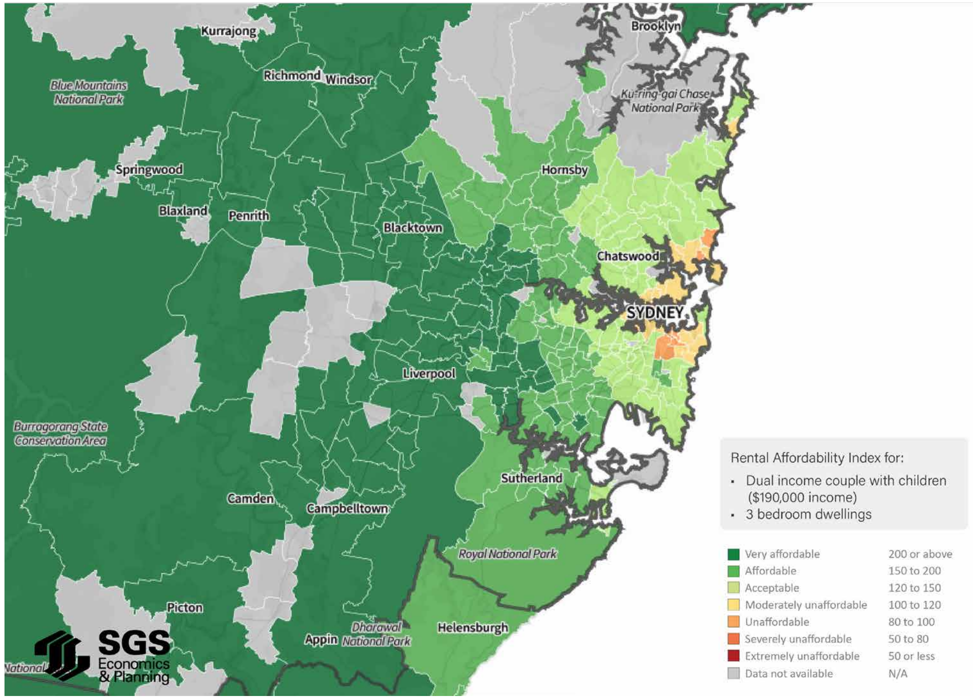
The dual income couple with children household can generally access Affordable to Very Affordable rents across most metropolitan and regional areas, a shift since the last release where rents were Acceptable to Affordable. This is apart from some inner suburbs of Greater Sydney where some areas are Unaffordable to Moderately Unaffordable.

Regional areas offer Very Affordable rents for this household, an improvement since the last release. It is worth noting some parts of regional NSW in Newport are Moderately Unaffordable.

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

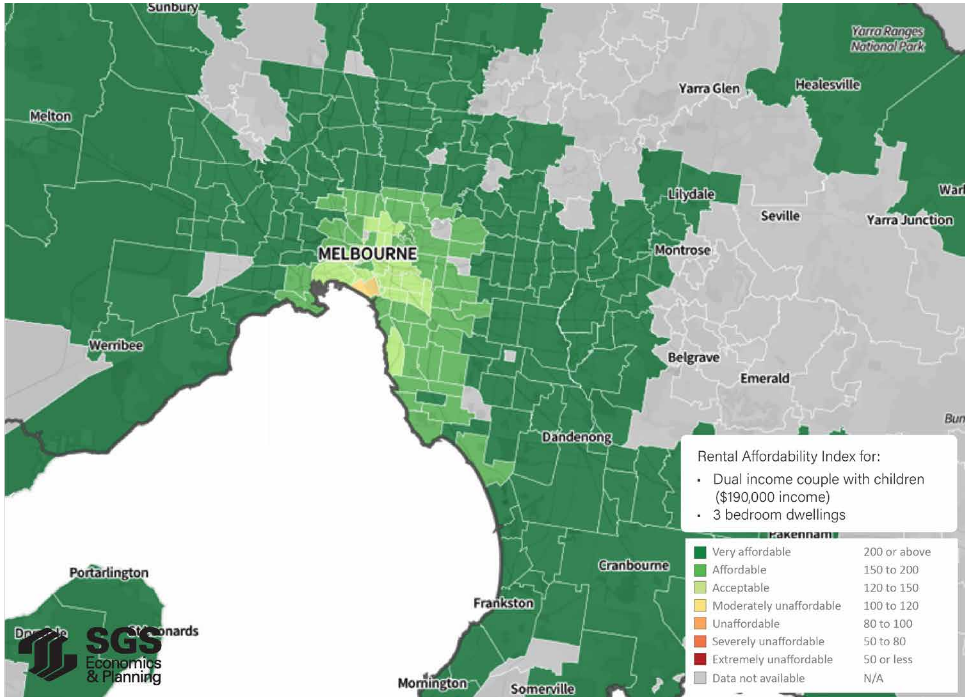
[12]This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 15. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 16. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Student sharehouse

2.9 Student sharehouse

$120,320 ($40,107 PER STUDENT) P.A., 3 BEDROOM
AFFORDABLE RENTS ACROSS METROPOLITAN AREAS AND UNAFFORDABLE TO 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 $120,320 or $40,107 per student. This release has included a COVID supplement of $550 per fortnight from 27th April.

TABLE 10. RAI FOR STUDENT SHAREHOUSE

Index score	RAI score	Rent as a share of income
Greater Sydney	139	22%
Rest of NSW	198	15%
Greater Melbourne	169	18%
Rest of VIC	228	13%
Greater Brisbane	172	17%
Rest of QLD	178	17%
Greater Adelaide	191	16%
Rest of SA	254	12%
Greater Perth*	198	15%
Rest of WA*	197	15%
Greater Hobart	158	19%
Rest of TAS	217	14%
ACT	126	24%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

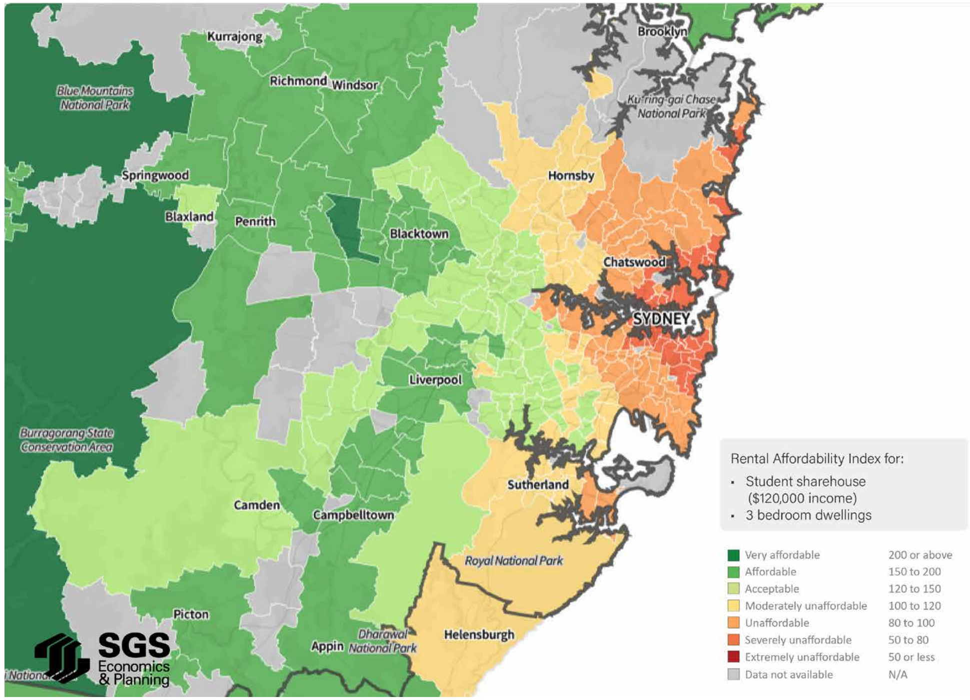
The student sharehouse faces Acceptable or better affordability when considering median rental rates across each city and region. However, affordability is Unaffordable to Severely Unaffordable when seeking to locate in the inner and middle suburbs of metropolitan areas. This forces members of this household to choose between rental stress or having to locate in areas with poorer access to inner-city tertiary institutions and part-time work.

The ACT and Greater Sydney are the least affordable locations for this household, with RAI scores of 126 and 139, requiring over 22 per cent of income to be spent on rent. Across most inner and middle suburbs of metropolitan cities, including Melbourne rents are Unaffordable to Moderately Unaffordable for the student sharehouse household.

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

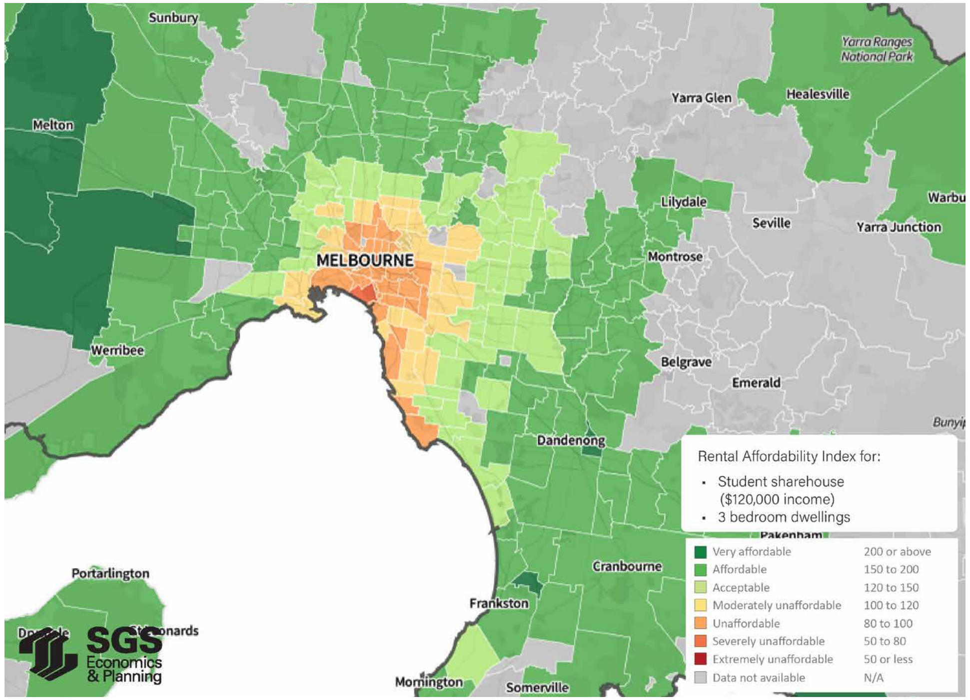
Many tertiary institutions are in high rent and central locations, a shortage of affordable homes often means students need to find accommodation further away in lower rent areas. This places additional pressure on students in terms of both travel times and costs. Additionally, the risk of turnover and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

FIGURE 17. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 18. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Minimum wage couple

2.10 Minimum wage couple

$77,043 P.A., 2 BEDROOM
UNAFFORDABLE TO SEVERELY UNAFFORDABLE ACROSS METROPOLITAN REGIONS

The minimum wage couple household is comprised of a full-time working couple, both earning the national minimum wage. 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 $77,043.

TABLE 11. RAI FOR MINIMUM WAGE COUPLE HOUSEHOLD

Index score	RAI score	Rent as a share of income
Greater Sydney	90	33%
Rest of NSW	153	20%
Greater Melbourne	106	28%
Rest of VIC	139	22%
Greater Brisbane	112	27%
Rest of QLD	128	23%
Greater Adelaide	141	21%
Rest of SA	205	15%
Greater Perth*	127	24%
Rest of WA*	126	24%
Greater Hobart	120	25%
Rest of TAS	165	18%
ACT	93	32%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

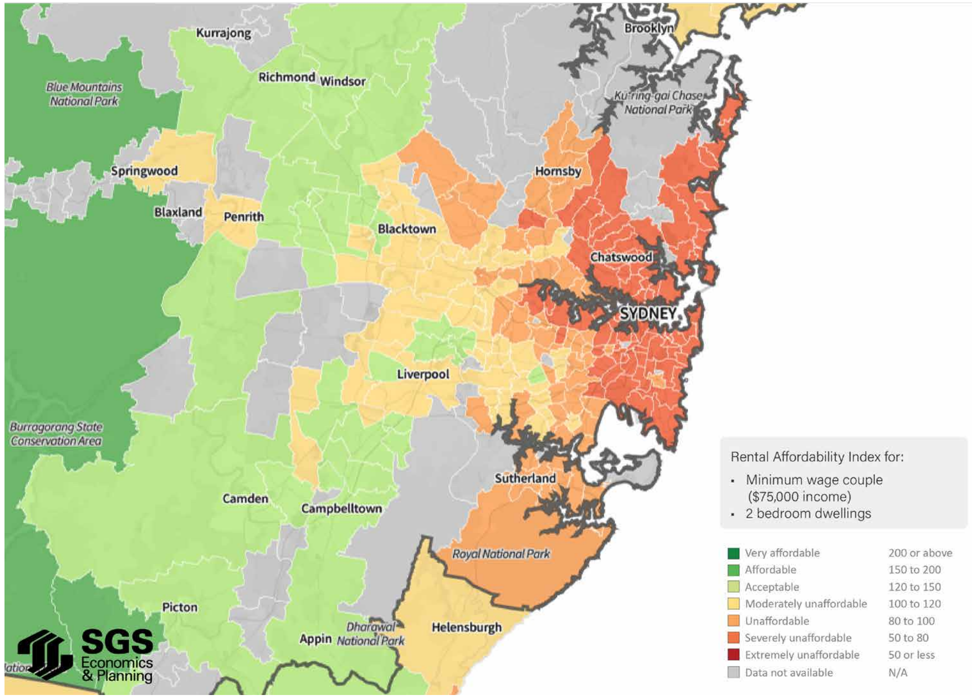
The minimum wage couple faces Unaffordable to Severely Unaffordable rents across metropolitan regions in Australia.

Rents are Unaffordable for this couple in both Greater Sydney and the ACT, with RAI scores of 90 and 93 respectively. In Greater Brisbane, affordability has worsened to Moderately Unaffordable, with a RAI score of 112. Greater Melbourne has an overall Moderately Unaffordable RAI score of 106, with inner and middle suburbs closer to Severely Unaffordable to Unaffordable. In contrast, affordability across regional areas is generally Acceptable to Affordable for this household.

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

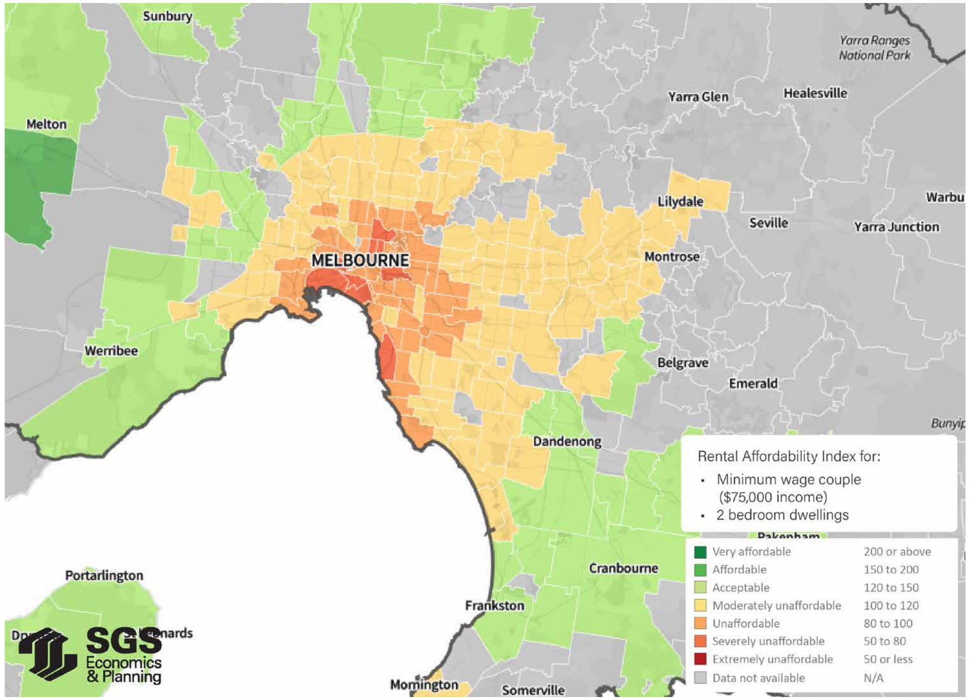
It should be noted that minimum wage workers are often employed on a casual basis. This is associated with lower income certainty, which can place these households in additional stress (as rent paid will not change in periods of lower income).

FIGURE 19. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 20. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Hospitality worker

2.11 Hospitality worker

$59,335 P.A., 1 BEDROOM
UNAFFORDABLE TO MODERATELY UNAFFORDABLE ACROSS MOST 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 $59,335 per annum[13].

TABLE 12. RAI FOR HOSPITALITY WORKER

Index score	RAI score	Rent as a share of income
Greater Sydney	85	35%
Rest of NSW	151	20%
Greater Melbourne	96	31%
Rest of VIC	145	21%
Greater Brisbane	98	31%
Rest of QLD	117	26%
Greater Adelaide	119	25%
Rest of SA	193	16%
Greater Perth*	99	30%
Rest of WA*	110	27%
Greater Hobart	125	24%
Rest of TAS	161	19%
ACT	80	37%

Source: SGS Economics and Planning (2020)
*RAI has been calculated using median rents for all dwellings rather than one bedroom due to data unavailability

Across the nation's metropolitan areas, except for Greater Hobart, rents for the hospitality worker household are Unaffordable. With a RAI score of 80, ACT is the least affordable city for the hospitality worker, requiring households to pay around 37 per cent of their income on rent. Inner areas of Canberra are Severely unaffordable with outer areas Unaffordable to Moderately Unaffordable.

Greater Sydney is the second least affordable city for hospitality workers with a RAI score of 85, requiring 35 per cent of income to be spent on rent. Inner and middle areas of Sydney are Severely unaffordable.

In Greater Melbourne and Greater Brisbane, hospitality workers face Unaffordable rents with RAI scores of 96 and 98 respectively, requiring households to pay up to 31 percent of income on rent.

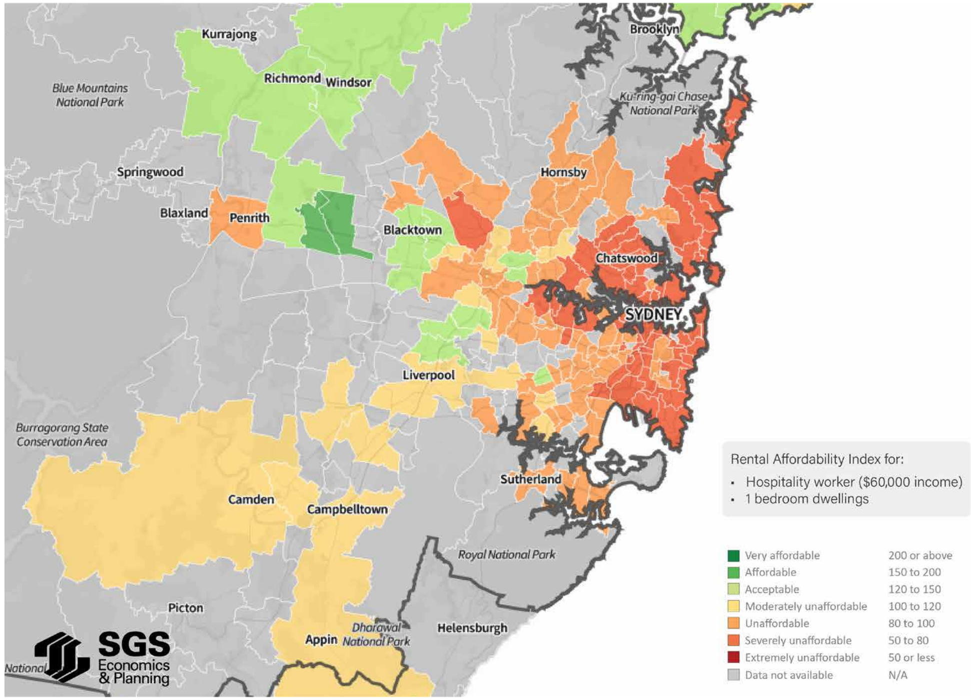
Given the greater concentration of restaurants, bars and eateries in metropolitan areas, unaffordability in Australia's cities has implications for the capacity of hospitality workers to live near their place of work. Given the often unpredictable, early and/or late hours of work for this household type,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

COVID-19 has disproportionately affected hospitality and service industry workers. Once government support payments (JobKeeper and the Coronavirus Supplement) are scaled back, these workers will be the hardest hit.

The hospitality sector faces a recovery period with the additional costs of remaining COVID – safe as well as lower revenue driven by a slower economy and lack of tourism. However, some post COVID factors, such as reduced tourism and possibly lower demand for inner-urban living, may soften the blow.

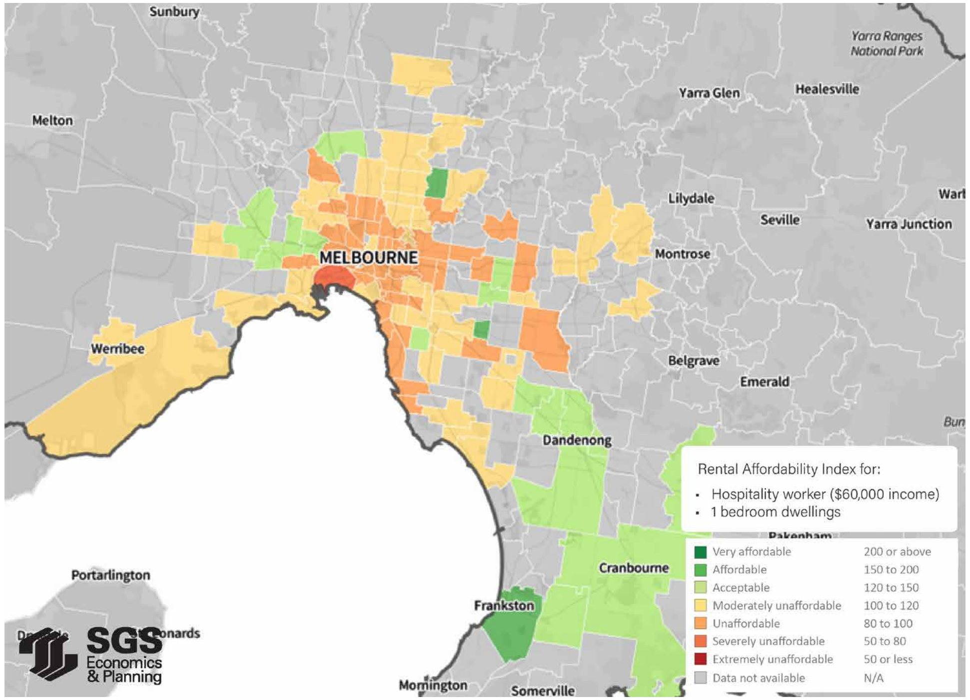
[13]This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

FIGURE 21. GREATER SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

FIGURE 22. GREATER MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

03 National trends

3.1 Background

Nationwide, the proportion of households renting is on the rise, having increased from 27 per cent to 32 per cent between 1997 and 2018[14]. Over the same period, the proportion of public housing tenants halved, from 6 per cent to 3 per cent[15]. Housing costs for renting households have also increased over the same period, relative to owners. Renters currently spend an average of 20 per cent of their income on housing costs, while owners with a mortgage pay 16 per cent. AHURI estimates that 1.3 million households need additional housing assistance[16].

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

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

There is less social and affordable housing stock available than there was a decade ago. As a result, more low-income Australians are pushed into the private rental market and pay unaffordable rents. As it stands, 43 per cent of all low-income households are in housing stress, compared to 35 per cent in 2008. This rises to 48 per cent for households in NSW[17].

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 for local average income households, although affordability has improved since the last release. This short-term improvement is however dominated by a more persistent trend of declining affordability, with the three-year trend for Greater Hobart showing a decrease in affordability of 9.4 per cent.

It remains the only capital city in Australia where rental affordability for the average income household is below the critical threshold of 100, with a RAI score of 96 in June 2020. This means that an average income household would pay 31% of their income if renting at the median rental rate. Although household incomes in Tasmania are significantly lower than the national average, rents are only marginally lower than mainland averages. The gap between income and rent has been widening over the past three years.

[14] Australian Bureau of Statistics. (2019). Housing Occupancy and Costs, 2017-18
[15] Australian Bureau of Statistics. (2019). Housing Occupancy and Costs, 2017-18
[16] Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) Modelling housing need in Australia to 2025, AHURI Final Report No. 287, Australian Housing and Urban Research Institute Limited, Melbourne.
[17] ABS Census Data. Cat 4130.0- Housing Occupancy and Costs, 2017-18 (table 21): Rental Affordability, Lower Income Renter Households, National Housing and Homelessness Agreement basis

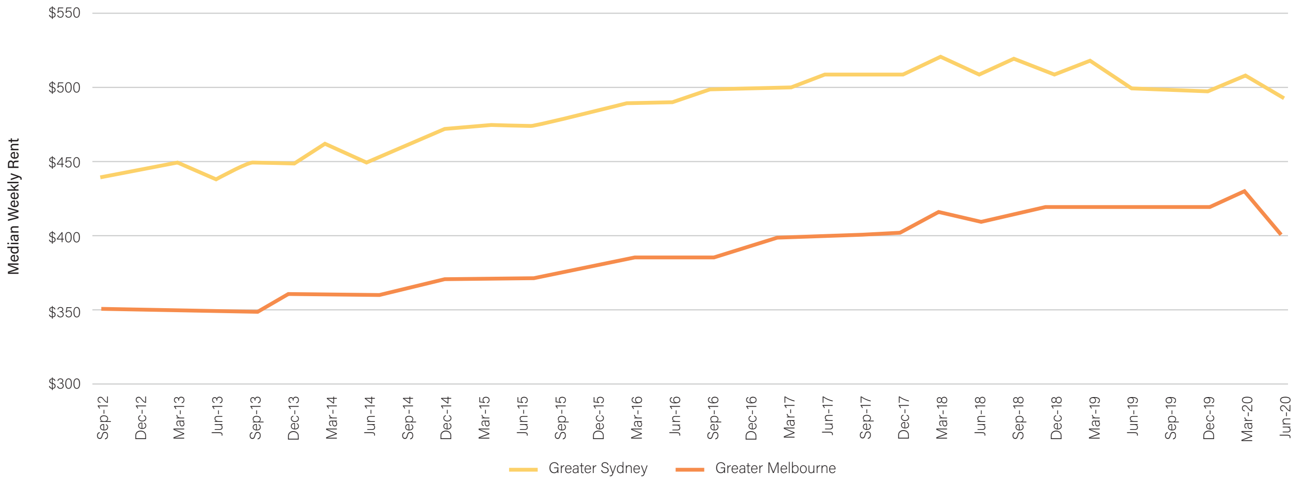
With a RAI score of 114, **Greater Adelaide** is the second least affordable capital city, as incomes in Greater Adelaide have failed to keep pace with rising rents. This means that an average income household would now pay 26 per cent of their income if renting at the median rental rate.

Conversely, **Greater Sydney** and **Greater Melbourne** have seen significant improvements in affordability for average income households, with their RAI scores improving by 5.7 and 8.9 per cent over the past year, respectively. The affordability scores of 126 for Greater Sydney and 140 for Greater Melbourne, which both indicate acceptable rental affordability, are the highest observed for the cities in the eight years measured by the Rental Affordability Index. The stark improvements have been driven by a year of static rents, followed by steep declines due to the effects of the COVID-19 pandemic on Australia's two largest cities in the second quarter of 2020 (see Figure 23). The collapse of international tourism and student demand has meant that rental rates for one bedroom and two bedroom dwellings have experienced the greatest decline, therefore leading to the greatest improvement in affordability for households who require these forms of housing such as singles, couples without children, or small families.

Despite the lower rental rates, the difference for very low-income households is negligible, as they still face severely unaffordable rents in most metropolitan areas.

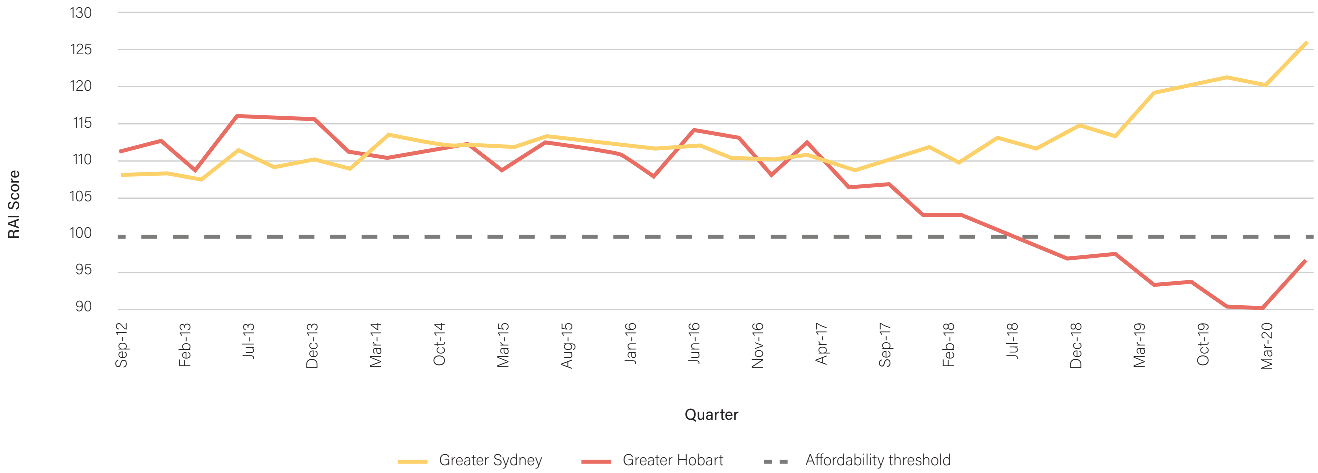
A comparison of RAI scores in Greater Hobart and Greater Sydney over recent years (see Figure 24) shows that while the two cities have shared similar levels of rental affordability in the past, the gap between their RAI scores has widened considerably between 2017 and 2020. Also, while both cities have seen an improvement in overall RAI scores in 2020 it should be noted that low income households may still be experiencing Extremely to Severely Unaffordable rents. An example of this can be seen within the Single Person on JobSeeker payment profiles which still face Extremely to Severely unaffordable rents within both Sydney and Hobart.

FIGURE 23. MEDIAN RENTAL RATES IN – SYDNEY AND MELBOURNE (2012-2020)



Source: SGS Economics and Planning (2020)

FIGURE 24. RAI COMPARISON – SYDNEY AND HOBART (2014-2020)



Source: SGS Economics and Planning (2020)

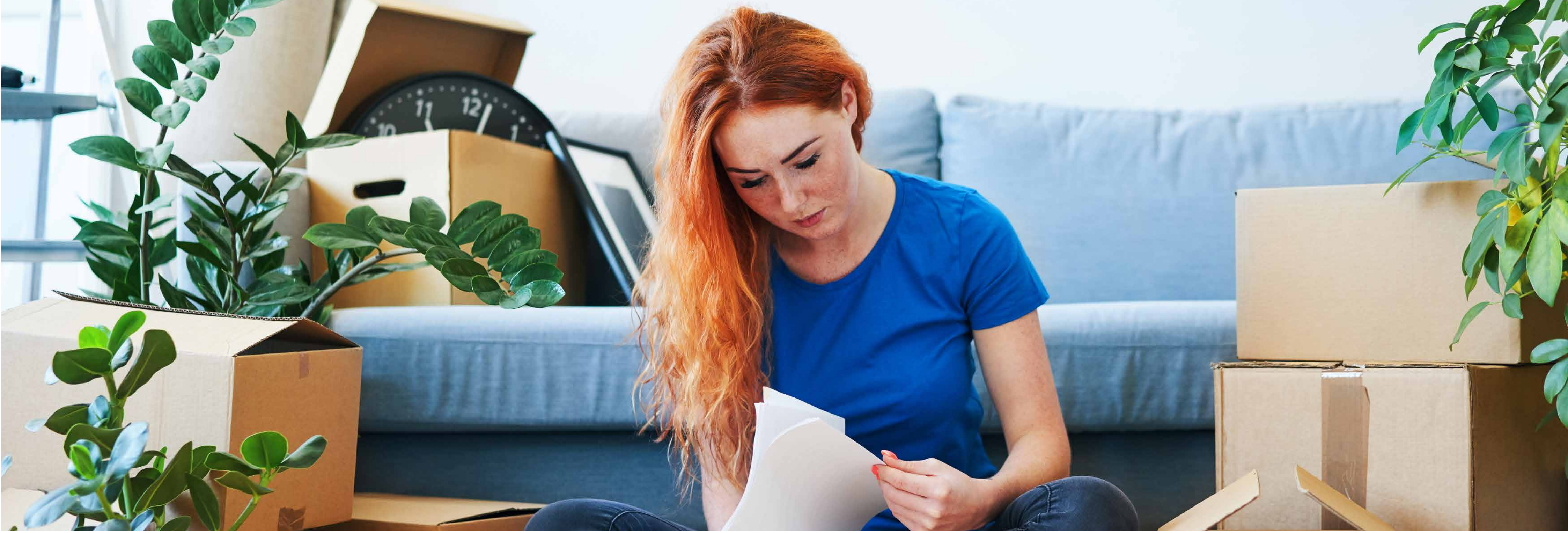
TABLE 13. NATIONAL RAI TRENDS – METROPOLITAN AREAS

Region	2012		2013				2014				2015				2016			
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Greater Sydney	108	108	108	111	109	110	109	113	113	112	112	113	113	112	112	112	110	110
Greater Brisbane	113	114	114	118	118	118	116	119	119	118	115	117	116	116	113	117	117	117
Greater Adelaide	109	111	111	112	115	115	116	114	117	117	111	113	114	117	114	118	117	117
Greater Hobart	111	113	108	115	115	115	111	111	111	112	109	112	112	111	108	114	113	108
Greater Melbourne	127	128	129	130	132	129	130	130	128	127	127	127	127	126	126	127	129	127
Greater Perth	105	104	102	103	104	106	107	106	110	111	113	115	119	122	124	127	132	135
ACT	118	118	118	121	124	125	123	131	133	134	128	133	131	130	129	128	128	128
Affordability threshold	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

continued below

Region	2017				2018				2019				2020		Trend since last release	2 yr trend	3 year trend
	1	2	3	4	1	2	3	4	1	2	3	4	1	2			
Greater Sydney	111	109	110	111	110	113	112	115	114	119	120	121	121	126	5.7%	11.6%	15.5%
Greater Brisbane	115	120	121	121	119	123	123	122	120	128	124	123	121	129	1.5%	5.2%	8.3%
Greater Adelaide	117	117	117	117	116	114	114	114	111	112	113	114	111	114	1.3%	-0.5%	-3.1%
Greater Hobart	112	106	107	102	102	101	99	97	97	93	94	90	90	96	3.4%	-4.3%	-9.4%
Greater Melbourne	126	127	127	126	124	127	126	125	127	129	130	131	129	140	8.9%	10.3%	10.3%
Greater Perth	137	139	142	144	143	144	143	144	143	143	143	141	140	145	1.6%	0.5%	4.1%
ACT	127	128	128	129	121	122	122	116	116	118	117	115	116	119	1.5%	-1.9%	-6.5%
Affordability threshold	100	100	100	100	100	100	100	100	100	100	100	100	100	100			

Source: SGS Economics and Planning (2020)
Note: Results may differ from previous RAI releases due to Census 2016 update.



Other key metropolitan area trends include:

- Since the last release, only Greater Sydney has shifted from Moderately Unaffordable to Acceptable rents.
- The trend of improving rental affordability in **Greater Brisbane** has continued.
- After two steep declines in rental affordability in the **Australian Capital Territory** in the December quarters of 2017 and 2018, affordability has remained relatively stable. The ACT has a current RAI score of 119, which is Moderately Unaffordable, but bordering on Acceptable.
- **Greater Perth** remains the most affordable capital city in Australia based on average incomes and median rents. Affordability has remained stable over the past two years.
- For **low-income households** in metropolitan areas across Australia the situation remains untenable.

TABLE 14. NATIONAL RAI SUMMARY – METROPOLITAN AREAS (JUNE 2020)

Region	RAI	Share of hhold income spent on rent	Relative unaffordability
Greater Sydney	126	24%	Acceptable rents
Greater Brisbane	129	23%	Acceptable rents
Greater Adelaide	114	26%	Moderately unaffordable rents
Greater Hobart	96	31%	Unaffordable rents
Greater Melbourne	140	21%	Acceptable rents
Greater Perth	145	21%	Acceptable rents
ACT	119	25%	Moderately unaffordable rents

Source: SGS Economics and Planning (2020)

3.3 Rest of state areas

Key rest of state area trends include:

— **Regional TAS** has further declined in affordability over the past year and remains the least affordable of the rest of state areas studied. **Regional WA** also recorded a slight decrease in affordability, moving from a score of 157 to 155.
— **Regional NSW** and **Regional QLD** are the second least affordable rest of state areas.
— **Regional VIC** and **Regional SA** have remained relatively unchanged since the previous release.

TABLE 15. NATIONAL RAI TRENDS – REST OF STATE AREAS

Region	2012		2013				2014				2015				2016			
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Rest of NSW	119	119	119	120	121	121	121	124	124	125	124	125	126	125	123	124	124	124
Rest of QLD	110	112	114	116	118	118	119	121	122	122	121	122	120	120	121	123	122	122
Rest of SA	127	128	129	129	131	132	129	130	130	134	129	129	132	131	132	134	136	137
Rest of Tas.	118	119	118	123	117	120	122	119	122	123	124	126	122	120	119	120	120	121
Rest of Vic.	121	123	124	125	126	123	123	123	124	124	124	124	125	122	123	125	126	126
Rest of WA	97	87	82	107	104	100	107	99	120	125	132	134	140	145	145	149	152	154
Affordability threshold	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

continued below

Region	2017				2018				2019				2020		Trend since last release	2 yr trend	3 year trend
	1	2	3	4	1	2	3	4	1	2	3	4	1	2			
Rest of NSW	121	121	123	122	121	122	121	123	121	122	123	120	122	124	1.6%	1.9%	2.2%
Rest of QLD	122	123	123	122	122	123	122	120	120	120	120	118	119	123	2.4%	-0.2%	0.0%
Rest of SA	137	138	138	138	133	133	135	134	134	134	136	134	132	136	0.9%	2.1%	-1.5%
Rest of Tas.	122	122	123	121	125	121	118	114	122	116	114	111	110	114	-1.4%	-5.8%	-6.5%
Rest of Vic.	126	125	125	124	123	124	124	121	123	120	122	119	120	121	0.6%	-2.2%	-3.1%
Rest of WA	154	153	156	153	151	157	155	156	156	157	158	153	154	155	-1.6%	-1.8%	0.9%
Affordability threshold	100	100	100	100	100	100	100	100	100	100	100	100	100	100			

Source: SGS Economics and Planning (2020)

TABLE 16. NATIONAL RAI SUMMARY – REST OF STATE AREAS (JUNE 2020)

Region	RAI	Share of hhold income spent on rent	Relative unaffordability
Rest of NSW	124	24%	Acceptable rents
Rest of QLD	123	24%	Acceptable rents
Rest of SA	136	22%	Acceptable rents
Rest of Tas.	114	26%	Moderately unaffordable rents
Rest of Vic.	121	25%	Acceptable rents
Rest of WA	155	19%	Affordable rents

Source: SGS Economics and Planning (2020)

04 State trends

4.1 New South Wales

Greater Sydney

The average rental household in Greater Sydney, at June 2020, has a gross income of $108,300 per annum.

With a RAI score of 126, rental affordability has improved across Greater Sydney since its most recent decline in the December quarter of 2016. However, the difference this makes for very low-income households is negligible.

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

Sydney's inner city harbour suburbs feature in the top least affordable postcodes. The average rental household generally must travel at least 15- 40km from the CBD to areas such as Hornsby, Blacktown, Liverpool, and Campsie to find Acceptable rents. Kingsford and Daceyville are the only suburb within a 15km radius of the CBD to offer Acceptable rents. Since the last release, several suburbs in the North and the East of the City have become moderately unaffordable, including Maroubra, Mossman and Clovelly.

Conversely, many suburbs in the Parramatta and North West regions which were Moderately Unaffordable a year ago, such as West Ryde, Parramatta, and Westmead, now have Acceptable affordability for the average rental household. This is also true of some Inner West suburbs, including those from Stanmore to Ashfield.

Sydney's top 5 least affordable postcodes are listed below in Table 17. This list is considerably different to the previous release RAI release, as inner suburban locations (e.g. Kirribilli, Milsons Point, Pyrmont) have experienced significantly cheaper rents since the onset of the COVID-19 pandemic in the second quarter of 2020.

Rest of NSW

The average rental household in regional NSW has a gross income of $73,100 per annum.

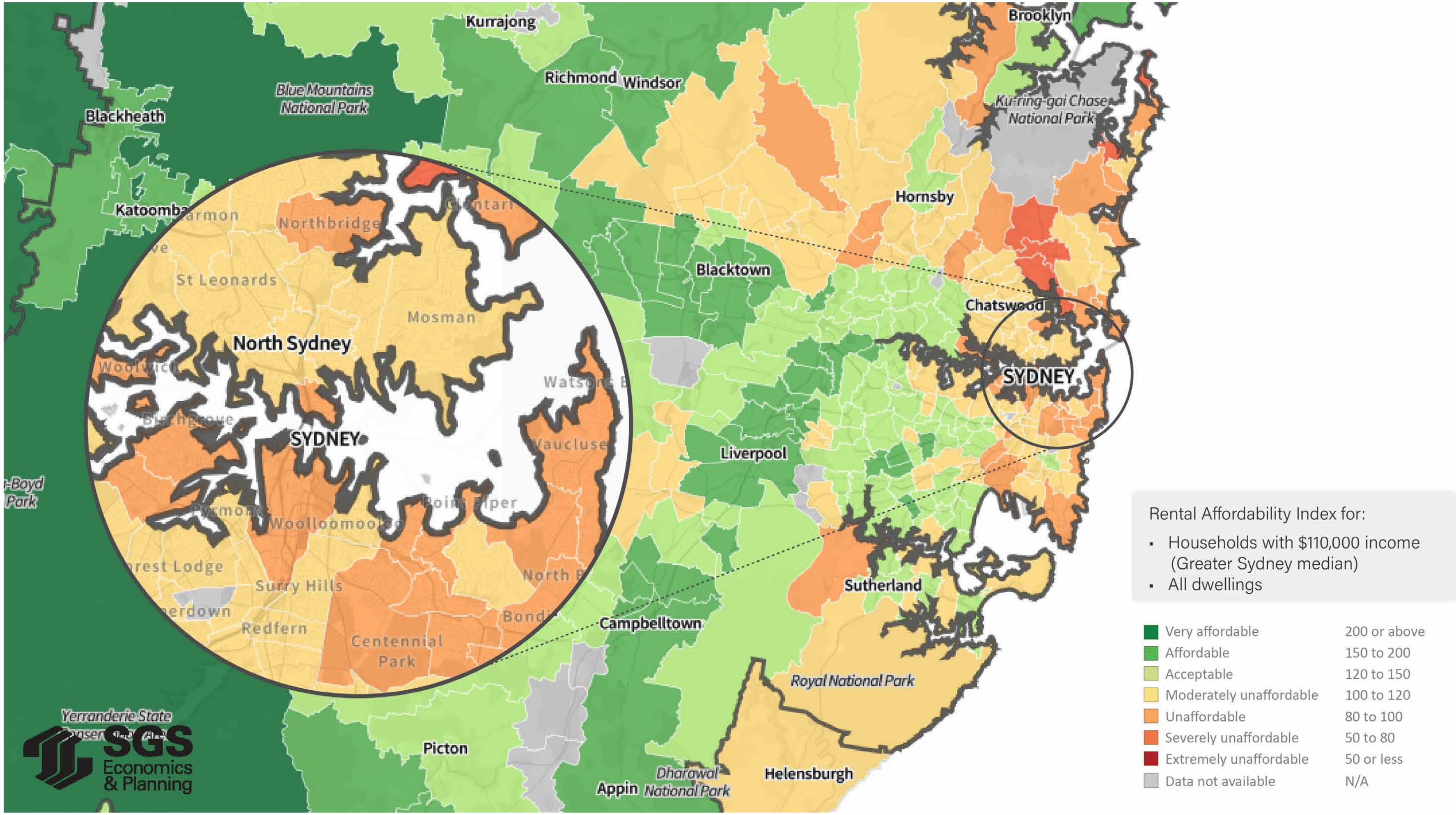
With a RAI score of 124, the average household seeking to rent in regional NSW would face rent levels at 24 per cent of its total income. Rents remain Acceptable to Affordable across regional NSW.

TABLE 17. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER SYDNEY (JUNE QUARTER, 2020)

Rank	Postcode	Suburbs	RAI score	Rent as share of avg hhld income
1	2092	Seaforth	65	46%
2	2085	Belrose, Belrose West	67	45%
3	2086	Frenchs Forest	77	39%
4	2087	Forestville, Killarney Heights	77	39%
5	2027	Darling Point, Edgecliff, Point Piper	85	35%

Source: SGS Economics and Planning (2020)
Note: RAI has been calculated using a rounded gross income of $110,000
Only postcodes with greater than 80 records are considered for the top 5 list.
Data for all dwellings now available for NSW.

FIGURE 25. INNER AND MIDDLE SYDNEY, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

4.2 Victoria

Greater Melbourne

The average rental household in Greater Melbourne has a gross income of $97,000 per annum.

With a RAI score of 140 in the June quarter of 2020, Greater Melbourne has increased in affordability. The 8.9 per cent increase in RAI score over the past 12 months has almost entirely been driven by the decline in rents in the second quarter of 2020, caused by the onset of the COVID-19 pandemic.

The average rental household seeking to rent in Greater Melbourne faces paying around 22 per cent of its total income if renting at the median rate. This is considered Acceptable.

Spatially, however, the change has not been even across Greater Melbourne with some areas remaining or becoming Unaffordable while others have become Acceptable or Affordable.

Over the past year, affordability has improved in the inner city, inner north east, and tertiary education precincts. Areas which were previously Unaffordable or Moderately Unaffordable, but are now Acceptable, include the Melbourne CBD, West Melbourne, Southbank, South Yarra, and Carlton. This pattern extends further south east to Hawthorn, Malvern, and Glen Iris. The same can be seen in Melbourne's north-east in the suburbs in and around Alphington and Ivanhoe.

While inner city suburbs have improved, middle ring suburbs in the north-east corridor such as Kew East, Balwyn North, and Eltham South out to Warrandyte have shifted from Moderately Unaffordable to Unaffordable. Other notable areas of worsening affordability include Airport West and Keilor Park in Melbourne's west, and the eastern suburbs of Ringwood, Springvale, and Elsternwick.

Areas on Melbourne's Outer South East have also seen declining affordability, with areas such as Cranbourne and Pakenham, which were previously Affordable, shifting to Acceptable. Coastal suburbs Brighton, Brighton East, Hampton, and Beaumaris have remained Unaffordable.

Melbourne's top 5 least affordable postcodes are listed in Table 5. Notable changes since the previous release of RAI are the inclusion of postcodes 3104 and 3188 (Balwyn North and Hampton) which have seen significant decreases in affordability, and the removal of Port Melbourne.

Rest of Victoria

The average rental household in regional Victoria has a gross income of $69,700 per annum.

With a RAI score of 121, rental affordability in regional Victoria has marginally increased in the last 12 months but rents remain just within Acceptable levels. The average rental household seeking to rent in regional Victoria faces rent levels at around 24 per cent of its total income if renting at the median rental rate.

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

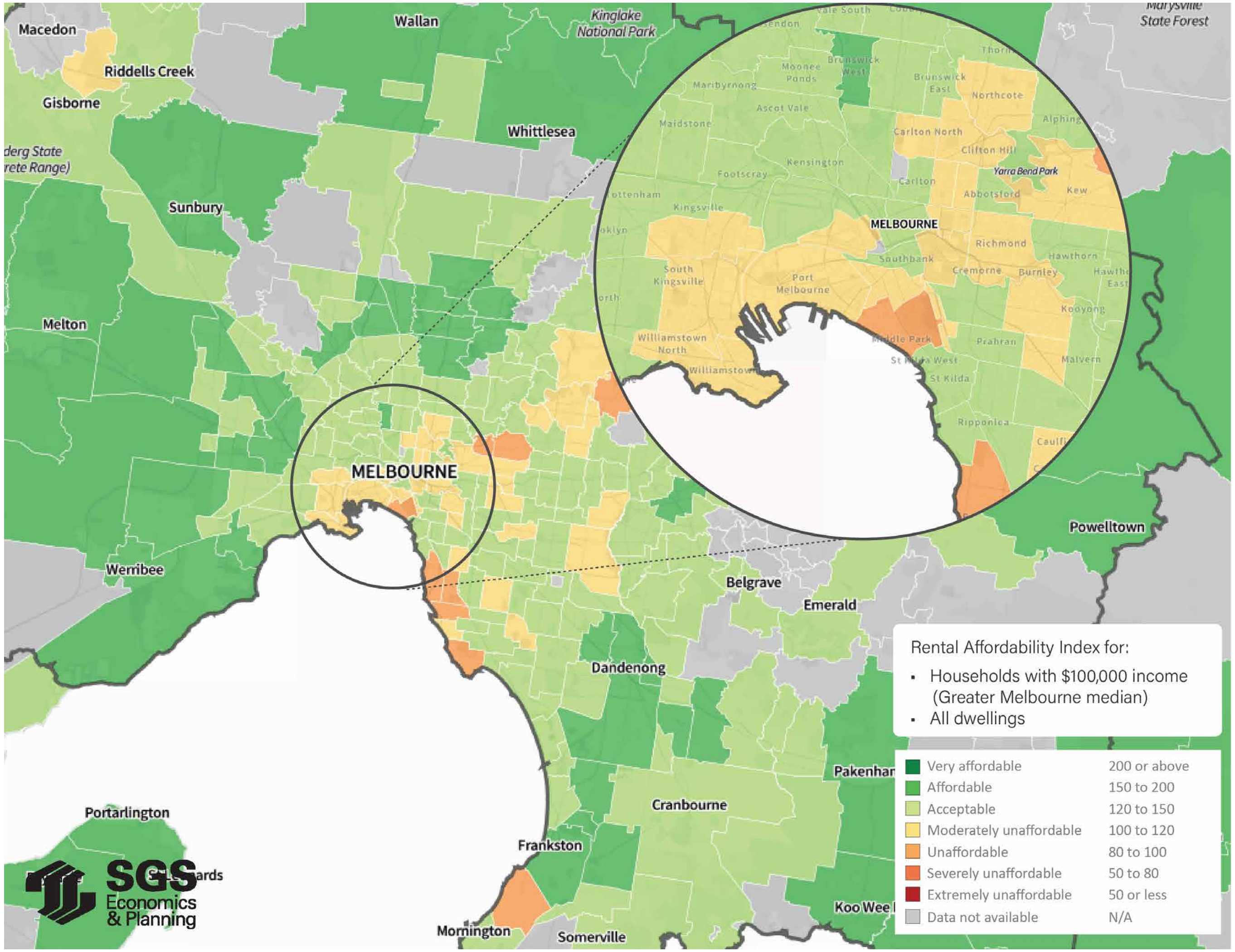
Notable changes in affordability, which occurred gradually over the past year, include decreasing affordability in the core areas of regional centres, such as Geelong, Bendigo, Ballarat, and Shepparton. Conversely, the effects of the COVID-19 pandemic can be seen in improved affordability in the second quarter of 2020, particularly in coastal towns such as Ocean Grove, Torquay, and Warrnambool.

TABLE 18. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE QUARTER, 2020)

Rank	Postcode	Suburbs	RAI score	Rent as share of avg hhld income
1	3187	Brighton East	84	36%
2	3186	Brighton	89	34%
3	3206	Albert Park, Middle Park	89	34%
4	3104	Balwyn North	95	32%
5	3188	Hampton	99	30%

Source: SGS Economics and Planning (2020)
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.

FIGURE 26. INNER AND MIDDLE MELBOURNE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

4.3 Queensland

Greater Brisbane

The average rental household in Greater Brisbane has a gross income of $90,000 per annum.

Affordability in Greater Brisbane continues to make gains. At 129, the RAI score for Brisbane is the highest recorded for the metropolitan area since the inception of the Index. Brisbane has experienced fluctuations across the year; however, it has resulted in a slight increase from 128 in 2019. Having increased from 111 in the March quarter of 2011, affordability in Brisbane are now considered Acceptable.

The average household seeking to rent in Greater Brisbane would be facing paying 23 per cent of its total income if renting at the median rate.

Many postcodes in inner to middle Brisbane remain Moderately Unaffordable to Unaffordable. Since the last release, some inner to middle suburbs have shifted from Acceptable to Moderately Unaffordable (East Brisbane and Toowong) with others remaining Moderately Unaffordable or Unaffordable. Areas to the North West of the Brisbane CBD around Samford Village which were previously Moderately Unaffordable and are now Severely Unaffordable.

In contrast, some middle to outer suburbs have improved with Ashgrove and Murarrie shifting from Unaffordable to Moderately Unaffordable. Alderley, Hendra and Mansfield have also shifted from Moderately Unaffordable to Acceptable since the last release.

Rest of Queensland

The average rental household in regional Queensland has a gross income of $81,000 per annum.

Affordability has fluctuated in regional Queensland since the last release, resulting in a slight increase in affordability during the second quarter of 2020. Overall, the level of affordability has remained relatively steady since the first quarter of 2016.

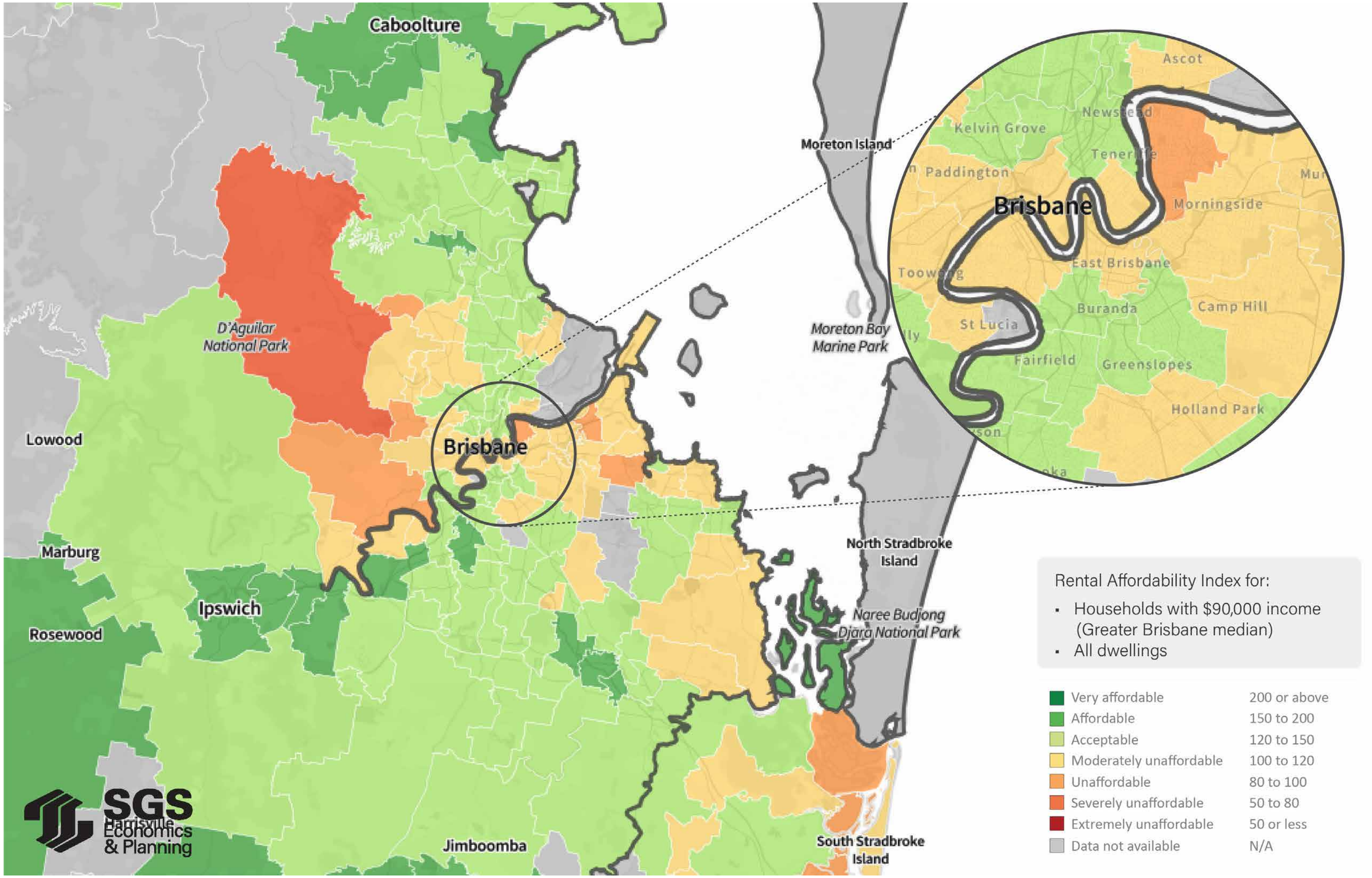
Regional Queensland has a RAI score of 123, a level of rental affordability less than its metropolitan counterpart. The average rental household seeking a dwelling face rents at 24 per cent of its total income.

Surfers Paradise on the Gold Coast, which is considered a part of regional Queensland in RAI analysis, has improved slightly and shifted from Unaffordable to Moderately Unaffordable. Although the area of Southport has become slightly less affordable, surrounding inner suburbs such as Bundall, Benowa, and Ashmore have seen an improvement in affordability.

Maroochydore and Noosa are generally Moderately Unaffordable to Unaffordable, even when applying Greater Brisbane incomes. With the areas of Unaffordability spreading inland from Noosa toward Pomona in the last 12 months.

Within Moranbah as well as parts of the Cairns and Toowoomba Regions, localities which were previously Acceptable on the Index have shifted to be Moderately Unaffordable. In contrast, some areas of Cairns have improved shifting from Moderately Unaffordable to Acceptable.

FIGURE 27. GREATER BRISBANE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

4.4 South Australia

Greater Adelaide

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

With a RAI score of 113, Greater Adelaide is the second least affordable capital city, as incomes in Greater Adelaide have failed to keep pace with rising rents.

The average household in Greater Adelaide seeking to rent faces paying around 26 per cent of household income if renting at the median rate. This makes Adelaide the second least affordable capital city.

The spread of unaffordability continues to increase with almost all inner and middle suburbs now Moderately Unaffordable to Unaffordable. Since the previous release, many eastern suburbs, including Urrbrae, Myrtle Bank, Glenunga, Beaumont and Burnside have shifted from Extremely Unaffordable to Severely Unaffordable.

Adelaide's coastal suburbs from West Lakes through to Hallett Cove in the south remain Unaffordable to Moderately Unaffordable and have seen a further decline since the last release.

Some of the north eastern suburbs, such as Salisbury Heights and Brahma Lode have shifted from Moderately Unaffordable to Acceptable.

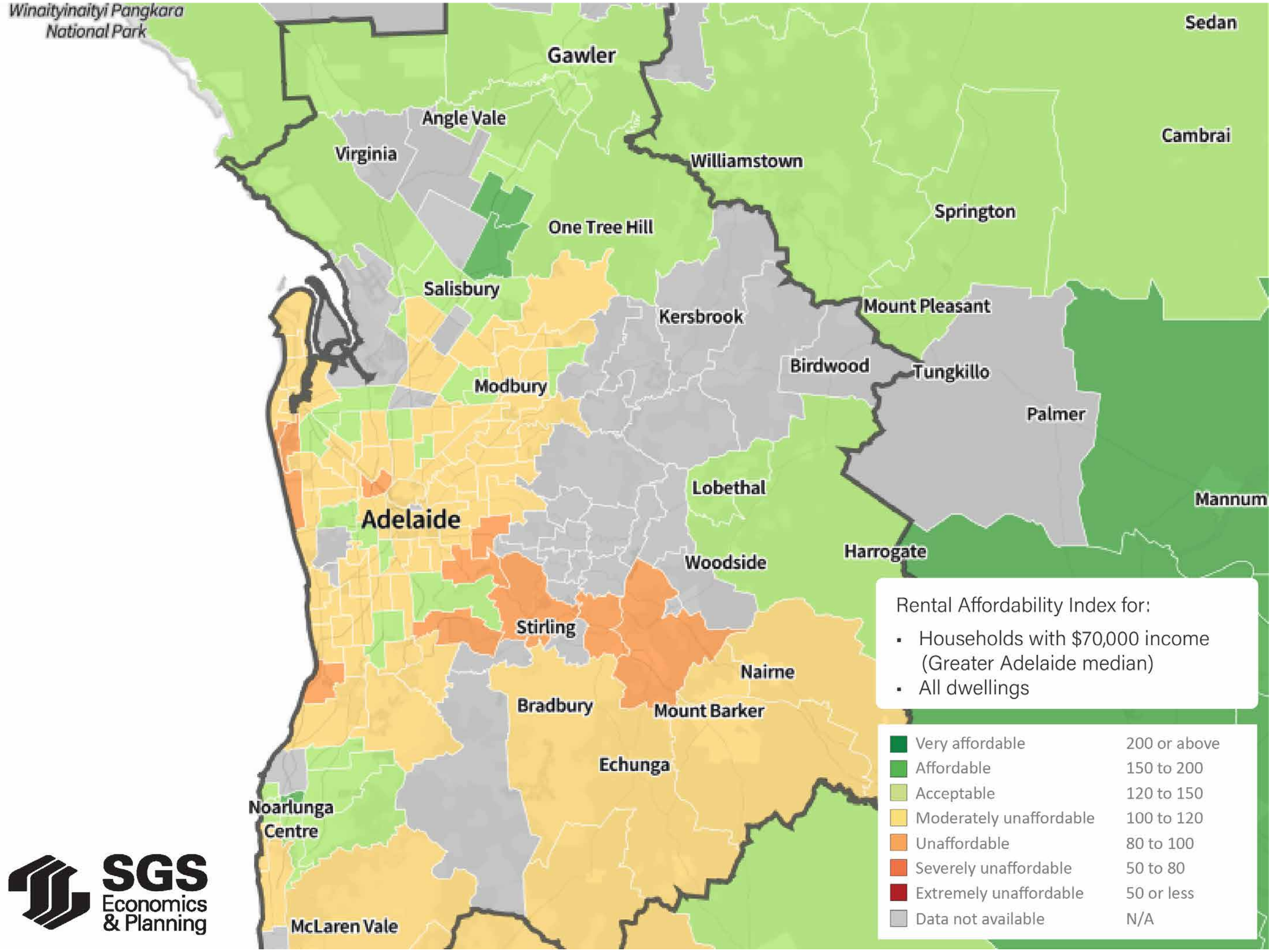
Rest of SA

The average rental household in regional South Australia has a gross income of $62,194 per annum.

With a RAI score of 135, affordability in regional SA has remained Acceptable for average income households since early 2016. The average income household seeking to rent faces paying around 22 per cent of household income if renting at the median rate. For household incomes at or below $40,000 there is only one town that has acceptable affordability in regional SA – Peterborough.

Fast growing outer areas such as Mt Barker and Lobethal continue to have Moderately Unaffordable rents. Strathalbyn however, has shifted from Unaffordable to Acceptable.

FIGURE 28. GREATER ADELAIDE, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

4.5 Tasmania

Greater Hobart

The average rental household in Greater Hobart has a gross income of $66,000 per annum.

High rents, relative to household incomes, mean that Greater Hobart is the least affordable metropolitan area in Australia. Affordability has increased since the last release, largely due to the downward pressure that the COVID-19 pandemic has placed on rents. However, affordability is still much lower than in other capital cities. It remains the only capital city in Australia where rental affordability for the average income household is below the critical threshold of 100, with a RAI score of 96 in June 2020.

The average rental household in Greater Hobart now faces paying around 31 per cent of its total income if renting a dwelling at the median rate.

The onset of the COVID-19 pandemic has resulted in significantly improved affordability in several parts of the city, including central Hobart, South Hobart, Taroona, Geilston Bay, Risdon and Lindisfarne. These areas have shifted from being Extremely unaffordable to Severely unaffordable.

Areas such as Hobart, Sandy Bay, North Hobart and Kingston remain unaffordable.

Notably, the only suburbs of Hobart with Acceptable or better affordability are the fringe urban areas of Granton, Gagebrook, Bridgewater, and Brighton.

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 very few new rentals in these areas over recent quarters.

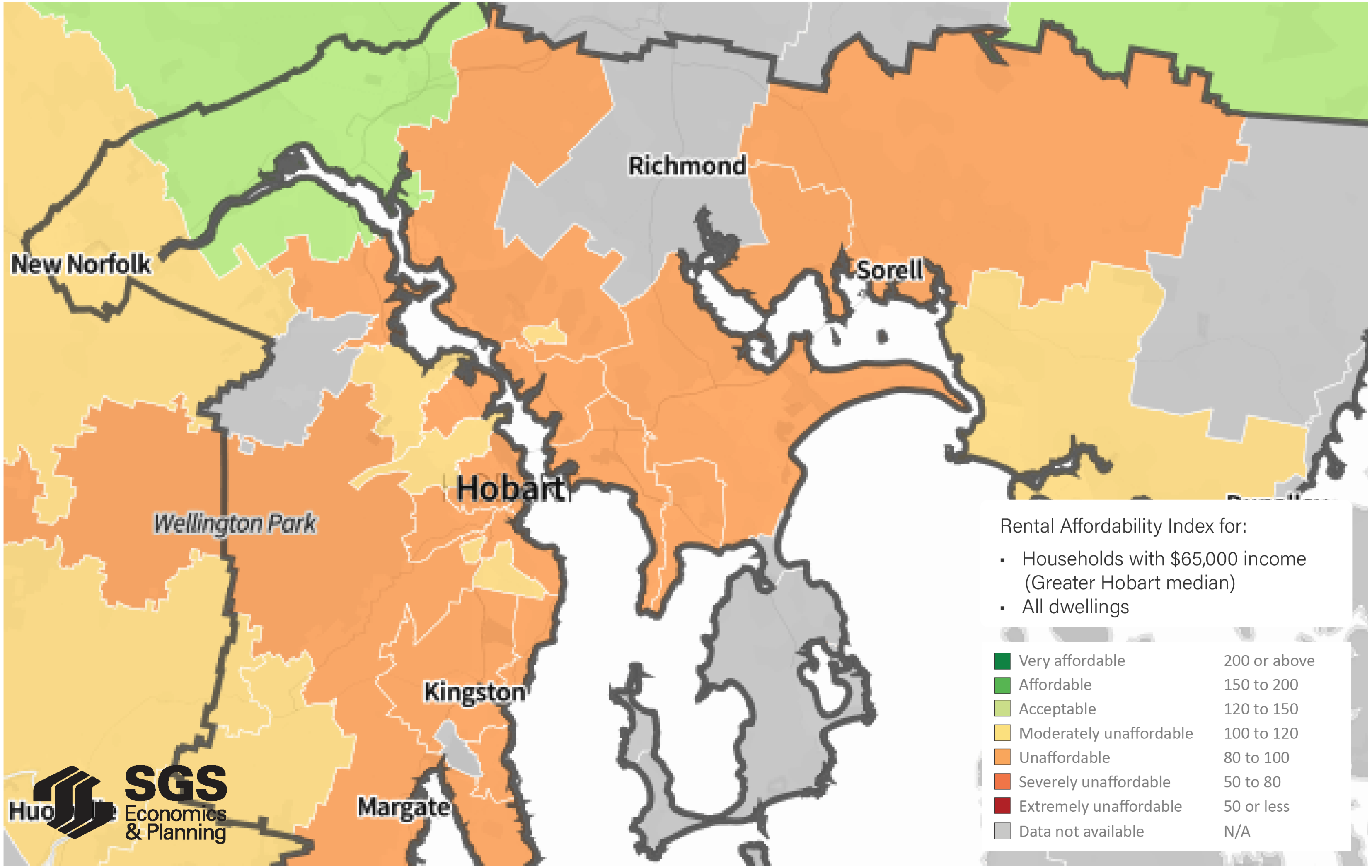
Rest of Tasmania

The average rental household in regional Tasmania has a gross income of $57,000 per annum.

Regional Tasmania has a RAI score of 114, which represents a decline in affordability over the last year (from a score of 116). The average rental household faces paying around 26 per cent of their income if renting a dwelling at the median rate.

Towns in northern and eastern Tasmania, including Devonport, remain at Acceptable rents. Launceston has shifted to mostly Acceptable, with exceptions from the suburbs of Legana, Kings Meadows and Youngtown which are Moderately Unaffordable.

FIGURE 29. GREATER HOBART, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

4.6 Western Australia

Greater Perth

The average rental household in Greater Perth has a gross income of $88,300 per annum.

With a RAI score of 145, rental affordability in Greater Perth has remained stable. The average rental household in Greater Perth faces paying around 21 per cent of its total income if renting at the median rate. This reflects the relatively high household incomes in Perth and declining rental rates in recent years. However, it should be noted that the situation is much less affordable for lower income households.

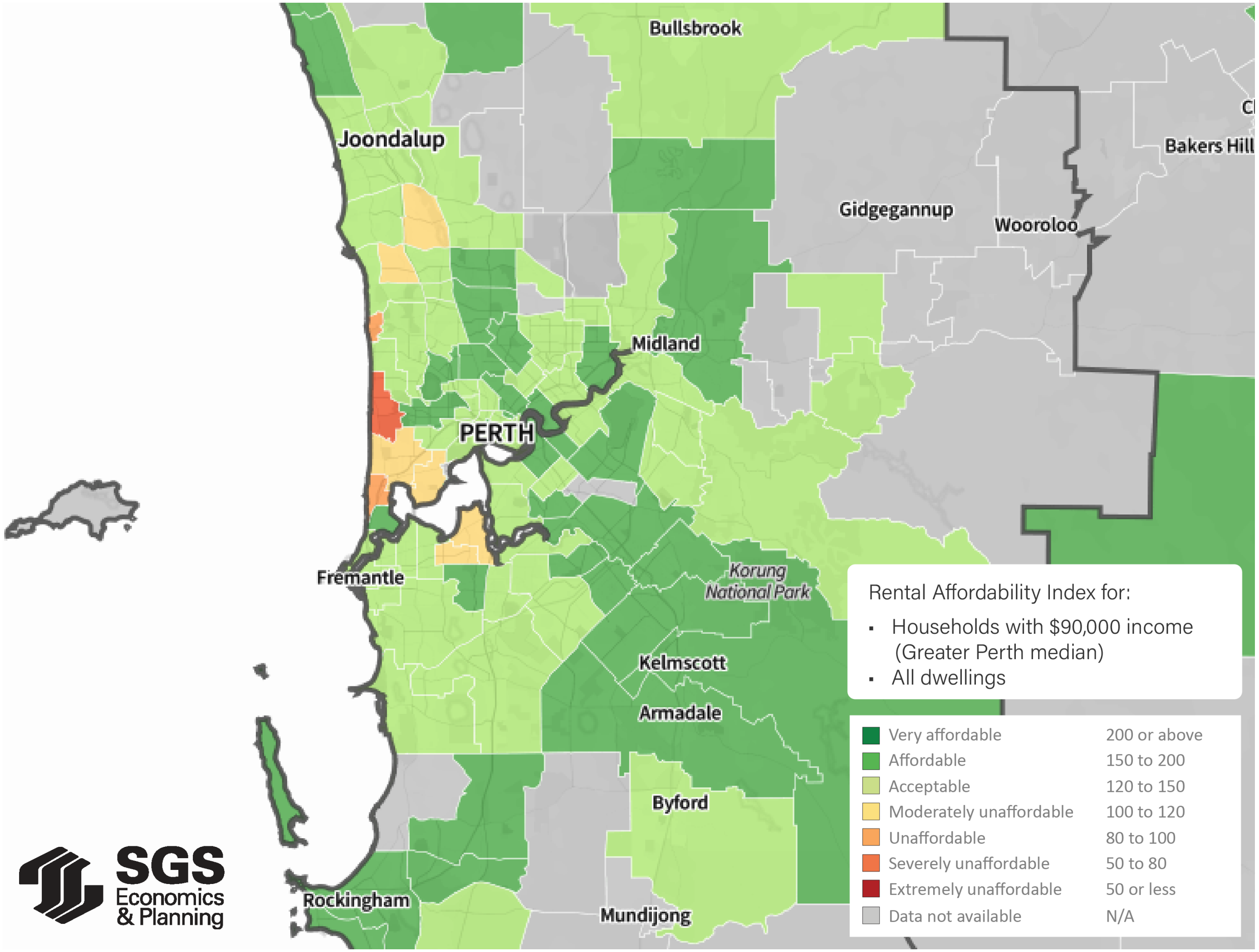
The geographic spread of affordability across greater Perth remains uneven. Coastal and south western suburbs from City Beach to Cottesloe and Dalkeith range from Moderately Unaffordable to Severely Unaffordable. Conversely, most remaining areas of the city have Acceptable or better affordability. Since the last release, there has been some improvement in coastal suburbs such as City Beach, which shifted from Extremely Unaffordable to Severely Unaffordable. Fremantle, while still Unaffordable, has also seen some marginal improvement since the last release.

Rest of WA

The average rental household in regional Western Australia has a gross income of $94,300 per annum.

Regional WA has a RAI score of 155 and the average rental household faces rent around 19 per cent of its total income. Following rapidly improving affordability between 2014 and 2017, the trend of the past three years suggest that affordability has stabilised.

FIGURE 30. GREATER PERTH, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

4.7 ACT

The average rental household in the Australian Capital Territory has a gross income of $103,000 per annum.

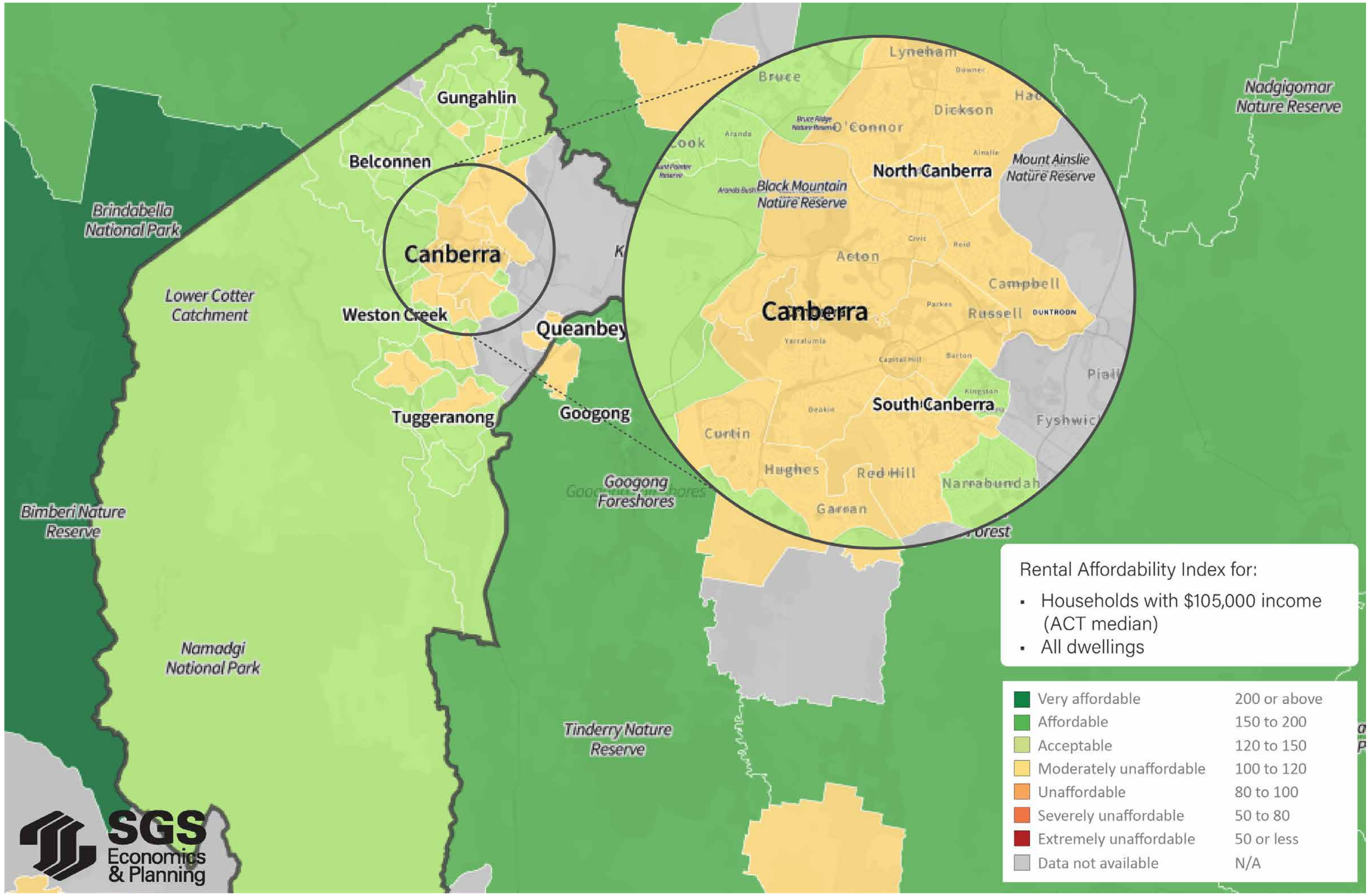
With a RAI score of 119, the ACT is Moderately Unaffordable to the average ACT rental household, although bordering on Acceptable. Following a steep decline during 2018, affordability in recent quarters has remained stable or begun to improve across the Territory.

Central Canberra shifted from Unaffordable to Moderately Unaffordable and areas of Gungahlin from Moderately Unaffordable to Acceptable over the past year. Tuggeranong and Woden remain Moderately Unaffordable for the average rental household.

Although the average rental household income in the ACT is relatively high, incomes have been growing at a slower rate than Greater Melbourne or Sydney. Low-income households in the ACT face particularly unaffordable rents, as rents are pushed up by the overall high-income earning workforce.

The COVID-19 pandemic, and subsequent restrictions, did not impact the ACT as heavily as Victoria and NSW. Canberra has therefore not experienced the same degree of downward pressure on rents as Melbourne and Sydney.

FIGURE 31. ACT, JUNE QUARTER, 2020



Source: SGS Economics and Planning, 2020

Appendix 1

The following provides information on state and territory specific methodological considerations, including exclusion parameters used to exclude outliers and erroneous data. Across all states, where no valid data was available, a RAI score was not calculated.[19]

Metropolitan and rest of state analysis

Australian Capital Territory

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

New South Wales

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

Northern Territory

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

Queensland

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

[19]Where 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.

Services Australia (2020) Available online: https://www.servicesaustralia.gov.au/organisations/about-us/corporate-publications-and-resources/guide-australian-government-payments/historical-versions-guide-australian-government-payments

MELBOURNE
Level 14, 222 Exhibition Street
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

CANBERRA
Level 2, 28-36 Ainslie Avenue
Canberra ACT 2601
+61 2 6257 4525
sgsact@sgsep.com.au

HOBART
PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

SYDNEY
209/50 Holt Street
Surry Hills NSW 2010
+61 2 8307 0121
sgsnsw@sgsep.com.au

SGS Economics & Planning

Certified B Corporation