

Rental Affordability Index

KEY FINDINGS

NOVEMBER
2017 RELEASE





Independent
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INTRODUCTION

1.1 BACKGROUND AND AIM

National Shelter, Community Sector Banking and SGS have released the Rental Affordability Index (RAI) on a biannual basis since 2015. The RAI is a price index for housing rental markets. It is an easy to understand indicator of rental affordability relative to household incomes and is applied to geographic areas across Australia.

This report has been prepared in support of the fifth RAI release. To better illustrate the situation for vulnerable groups, this release continues to assess the rental affordability situation for eight Australian household types, with a focus on aged and key worker cohorts.

1.2 PUBLICATION INFORMATION

The RAI covers all states with available data. The Northern Territory does not form part of this release as rental bond data was not available to develop the RAI. The RAI tracks rental affordability relative to income for all households, but focuses specifically on very low and low income households. The indices are provided at metropolitan and balance of state levels. More detailed information is available at the postcode or LGA level across Australia in each quarter, where there is reliable data.

An interactive map of the RAI at the small geographical area level can be found at the following website:

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

This report presents the preliminary findings of the November 2017 release of the RAI. It provides an update of the May 2017 RAI report by providing analysis of data from the two most recent available quarters, March and June 2017. The report relies on rental bond data up to and including the June quarter of 2017.

1.3 ACKNOWLEDGEMENTS

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

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

1.4 METHOD

It is generally accepted that if housing costs exceed 30 per cent of a low income household's (lowest 40 per cent of households across all income bands) gross income, the household is experiencing housing stress (30/40 rule). That is, housing is unaffordable and housing costs consume a disproportionately high amount of household income.

The RAI uses the 30 per cent of income rule. Rental affordability is calculated using the following equation:

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

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

¹Qualifying income refers to the income required to pay rent where rent is 30% of income

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

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

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

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

TABLE 1. RENTAL AFFORDABILITY INDEX AND SEVERITY OF RENTAL UNAFFORDABILITY

INDEX SCORE	SHARE OF INCOME SPENT ON RENT	RELATIVE UNAFFORDABILITY
<50	60% or more	Extremely unaffordable rents
50-80	38-60%	Severely unaffordable rents
80-100	30-38%	Unaffordable rents
100-120	25-30%	Moderately unaffordable rents
120-150	20-25%	Acceptable rents
>150	15% or less	Affordable rents

Source: SGS Economics and Planning, 2017

INCOME

Regional analysis

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

²Data from the 2016 Census will be used in the next RAI release.

Household income is sourced from 2011 census data.² The measure of household income used is **total household income of renting households**. This measure is the combined total personal weekly incomes of each resident present in a household on census night.

The ABS time series of Average Weekly Earnings (Cat 6302.0) is a measure of personal weekly income that is used to index the 2011 weekly household incomes. ABS average weekly earnings data is available bi-annually.

Intermediate quarters are interpolated using a geometric average. If data for the most recent quarter is unavailable, income is assumed to grow at the average quarterly growth rate of preceding quarters.

MEDIAN RENTS

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

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

SMALL AREA ANALYSIS

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

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



TABLE 2. EIGHT LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES

HOUSEHOLD TYPE	INDICATIVE GROSS ANNUAL INCOME	INDICATIVE DWELLING SIZE
Single pensioner	\$26,600	1 bdr
Pensioner couple	\$45,800	2 bdr
Single person on benefits	\$17,400	1 bdr
Single part-time worker parent on benefits	\$37,800	2 bdr
Single full-time working parent	\$89,700	2 bdr
Single income couple with children	\$89,700	3 bdr
Dual income couple with children	\$179,500	3 bdr
Student sharehouse	\$75,300	3 bdr

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

The interactive online RAI map provides the function to input income and bedroom data to gauge the rental affordability situation for different household types (see link under ‘publication information’ above) based on these incomes.

To calculate a RAI for each household type in each metropolitan and rest of state area (as reported in Chapter 4 of this document), key worker incomes were scaled to reflect proportional differences in earnings by region.

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

STATE-SPECIFIC METHODOLOGICAL CONSIDERATIONS

The RAI has been developed as stand-alone evidence for each state and, while inter-state comparisons of indices have been made, these should be interpreted with caution as rental data differs across geographic areas. The above-described method has been adjusted slightly for each state based on the availability of data. The appendix includes an overview of state-specific considerations.



NATIONAL TRENDS

2.1 METROPOLITAN AREAS

- Greater Sydney is not only the least affordable of all the metropolitan areas but remains at a record low despite a marginal improvement.
- Greater Brisbane has seen an improvement in affordability since the last release.
- Greater Perth has seen a marginal improvement since last release.
- Greater Hobart is the second least affordable capital city in Australia, very close behind Greater Sydney. Rental affordability fluctuates in Hobart.
- The ACT has made substantial improvements in rental affordability since 2012.
- The situation remains untenable for low income households in metropolitan areas across Australia.

TABLE 4. NATIONAL RAI SUMMARY - METROPOLITAN AREAS

REGION	RAI (JUNE 2017)	SHARE OF HHOLD INCOME SPENT ON RENT	RELATIVE UNAFFORDABILITY
Greater Sydney	105	29%	Moderately unaffordable rents
Greater Brisbane	121	25%	Moderately unaffordable rents
Greater Adelaide	119	25%	Moderately unaffordable rents
Greater Hobart	106	28%	Moderately unaffordable rents
Greater Melbourne	127	24%	Acceptable rents
Greater Perth	144	21%	Acceptable rents
ACT	136	22%	Acceptable rents

TABLE 3. NATIONAL RAI TRENDS - METROPOLITAN AREAS

Region	2012		2013				2014				2015				2016				2017		Trend since last release
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	
Greater Sydney	107	107	105	108	106	106	105	109	107	109	107	108	107	107	105	108	108	104	104	105	0.9%
Greater Brisbane	114	115	115	120	119	120	118	121	120	119	116	118	118	117	115	118	119	118	116	121	2.1%
Greater Adelaide	110	111	112	113	116	116	117	115	118	118	112	114	115	118	116	119	119	118	118	119	0.7%
Greater Hobart	111	112	108	115	115	115	111	110	111	112	109	112	112	111	108	114	113	108	113	106	-1.7%
Greater Melbourne	127	128	129	130	131	129	129	129	128	126	127	127	126	125	125	127	128	126	126	127	0.2%
Greater Perth	107	107	105	106	107	107	109	109	114	115	117	119	123	126	128	132	136	140	142	144	3.1%
ACT	112	113	114	113	113	117	121	122	122	126	129	129	128	136	138	139	133	139	137	136	-2.0%

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

2.2 REST OF STATE AREAS

- Like metropolitan Sydney, regional NSW remains the least affordable of the rest of state areas studied despite a marginal improvement since last release.
- Victoria remains the only state to have a lower RAI in its rest of state area than in its greater metropolitan area.
- The rest of state areas of Adelaide, Queensland, Tasmania, Perth and Victoria have had very similar RAI scores for the past two years.

TABLE 5. NATIONAL RAI TRENDS - REST OF STATE AREAS

Region	2012		2013				2014				2015				2016				2017		Trend since last release
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	
Rest of NSW	107	109	109	109	110	111	108	113	114	112	109	110	111	111	112	112	110	109	109	110	0.9%
Rest of QLD	109	112	114	117	118	119	120	122	123	122	122	123	121	121	121	123	123	123	123	124	0.8%
Rest of SA	125	127	128	128	130	132	129	130	130	134	129	129	133	131	133	135	136	138	138	139	0.7%
Rest of Tas.	117	118	118	122	117	119	121	118	121	122	123	125	121	120	118	119	120	120	121	122	1.4%
Rest of Vic.	118	119	120	122	123	119	119	120	120	120	120	121	122	118	119	121	122	122	123	121	-0.2%
Rest of WA	97	88	83	108	106	102	108	101	122	128	135	138	144	149	149	153	157	158	158	157	-0.7%

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

TABLE 6. NATIONAL RAI SUMMARY - REST OF STATE AREAS

REGION	RAI (JUNE 2017)	SHARE OF HHOLD INCOME SPENT ON RENT	RELATIVE UNAFFORDABILITY
Rest of NSW	105	29%	Moderately unaffordable rents
Rest of QLD	121	25%	Moderately unaffordable rents
Rest of SA	119	25%	Moderately unaffordable rents
Rest of Tas.	106	28%	Moderately unaffordable rents
Rest of Vic.	127	24%	Acceptable rents
Rest of WA	144	21%	Acceptable rents



STATE TRENDS

3.1 NEW SOUTH WALES

GREATER SYDNEY

The median rental household in Greater Sydney has a gross income of \$90,600 per annum.

With a RAI of 105 in the June quarter of 2017, Greater Sydney continues to be the least affordable of the regions studied. It has only had a marginal improvement in affordability since the last release.

The average rental household in Greater Sydney spends around 29 per cent of its total income on rent; only 1 per cent less than the affordability threshold of 30 per cent.

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



REST OF NSW

The median rental household in regional NSW has a gross income of \$62,900 per annum.

With a RAI of 110, regional NSW has not improved in affordability since the last release, and remains the least affordable of the rest of state areas studied.

The average household seeking to rent in regional NSW would face rent levels at 27 per cent of total income.

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

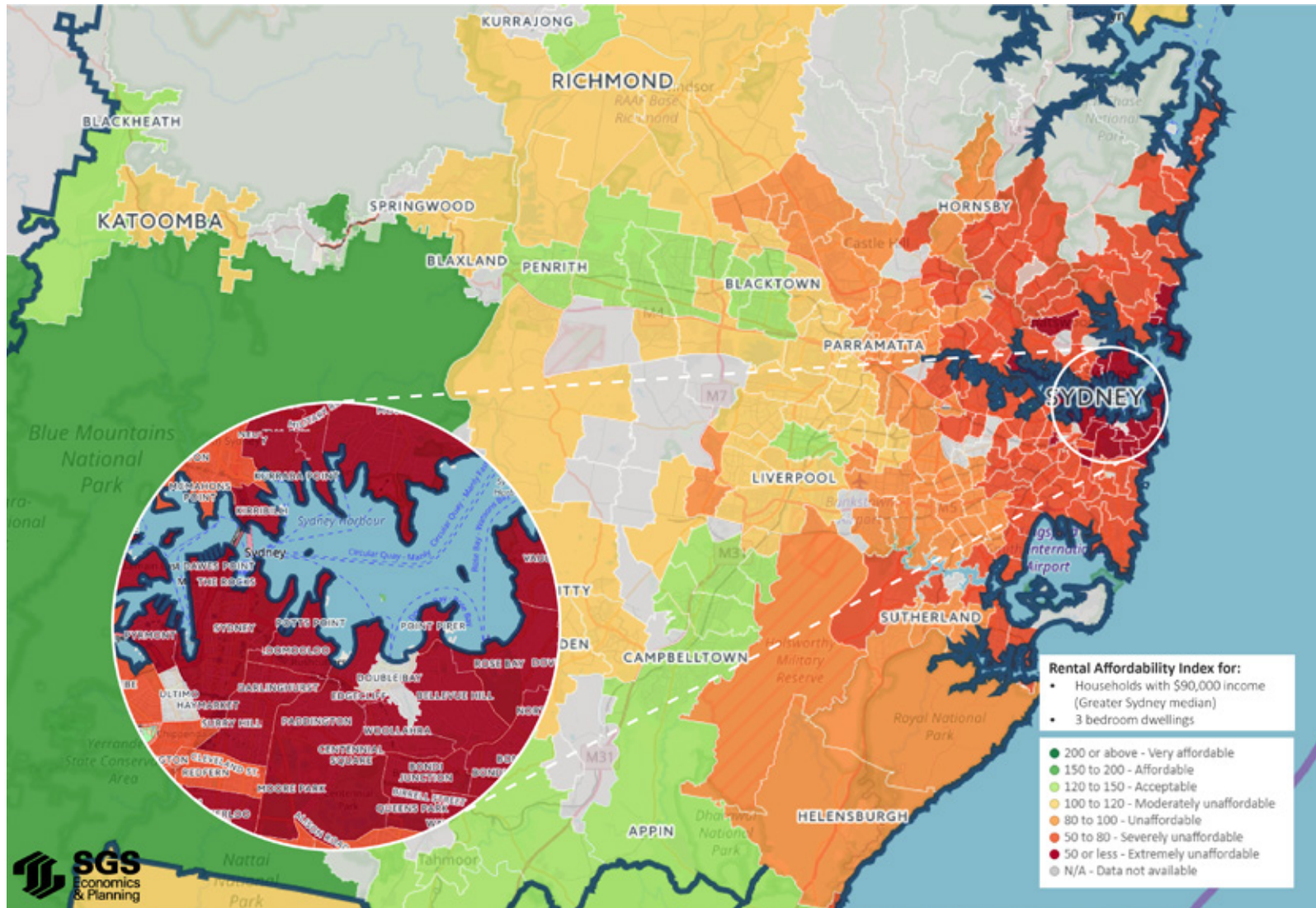
TABLE 7. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER SYDNEY (JUNE QUARTER, 2017)

RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	2000	Sydney, Darling Harbour, Dawes Point, Haymarket, Millers Point, The Rocks	35	87%
2	2027	Darling Point, Edgecliff, Point Piper	35	87%
3	2021	Centennial Park, Moore Park, Paddington	41	73%
4	2024	Bronte, Charing Cross, Waverley	42	72%
5	2061	Kirribilli, Milsons Point	42	72%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$90,000 as well as median rents for 3 bedroom dwellings only due to limited data availability for NSW.

FIGURE 1. INNER AND MIDDLE SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017
 Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

3.2 VICTORIA

GREATER MELBOURNE

The median rental household in Greater Melbourne has a gross income of \$87,800 per annum.

With a RAI of 127 in the June quarter of 2017, the RAI in Greater Melbourne has seen a very slight increase in affordability since the last release. The average household seeking to rent faces housing costs at around 24 per cent of its total income.

There have been no significant changes in the geographic spread of affordability in Greater Melbourne since the last release. Unaffordability is extending northwards, however, with the Coburg and Coburg North areas now considered Moderately Unaffordable. To the north-east Eltham and Greensborough are now also considered Moderately Unaffordable.

REST OF VICTORIA

The median rental household in regional Victoria has a gross income of \$61,000 per annum.

With a RAI of 121, affordability has slightly increased in regional Victoria since the last release. The average household seeking to rent faces rent levels at around 25 per cent of its total income.

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

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

TABLE 8. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE QUARTER, 2017)

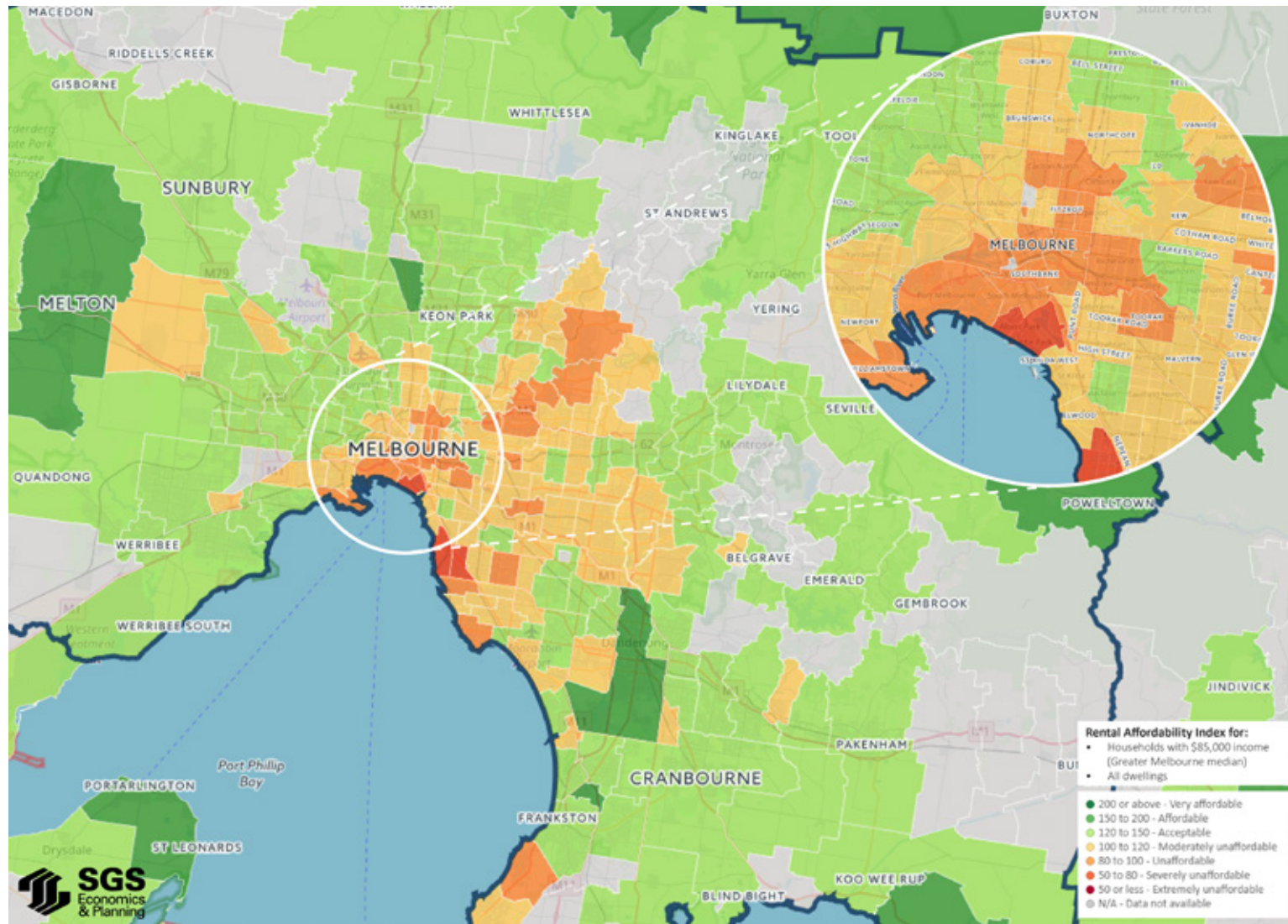
RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	3206	Albert Park, Middle Park	73	41%
2	3187	Brighton East	74	41%
3	3186	Brighton	84	36%
4	3193	Beaumaris, Black Rock	88	34%
5	3207	Port Melbourne	90	34%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$85,000



FIGURE 2. INNER AND MIDDLE MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017
 Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

3.3 QUEENSLAND

GREATER BRISBANE

The median rental household in Greater Brisbane has a gross income of \$83,500 per annum.

Affordability in Greater Brisbane has improved since the last release, increasing from 118 to 121 in the June quarter of 2017. The average household seeking to rent in Greater Brisbane would be facing rents at 25 per cent of its total income.

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

REST OF QUEENSLAND

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

With a current RAI of 124, rental affordability has remained relatively unchanged since the December quarter of 2016. The average rental household seeking a dwelling faces rents at 24 per cent of its total income.

The situation is relatively similar in the Gold Coast area with rents considered Moderately Unaffordable to Unaffordable along the coast out to Tweed Heads.

TABLE 9. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER BRISBANE (JUNE QUARTER, 2017)

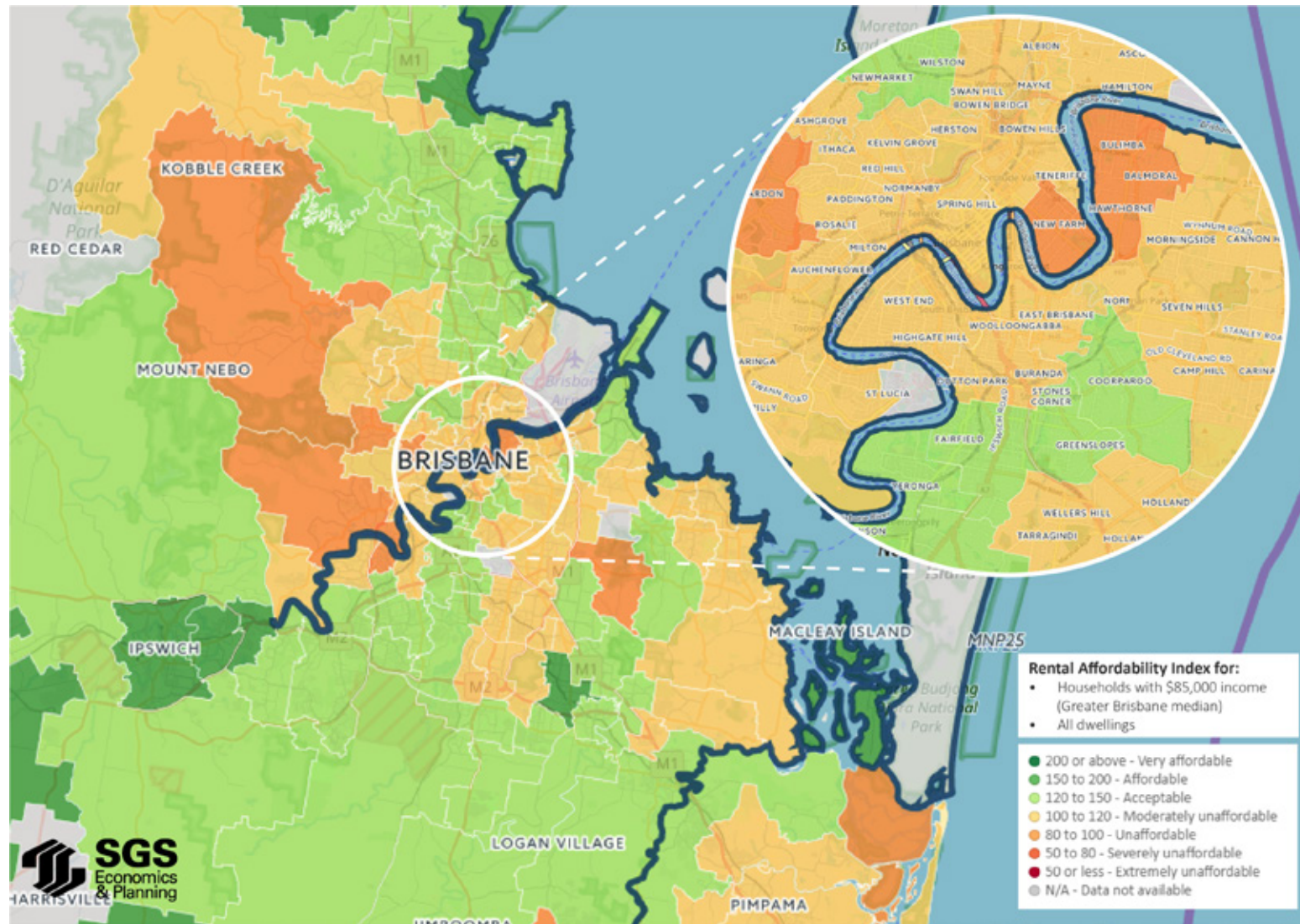
RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	4520	Armstrong Creek, Samsonvale, Kobbie Creek	89	34%
2	4037	Eatons Hill	93	32%
3	4069	Pinjarra Hills, Kenmore, Brookfield, Chapel Hill	93	32%
4	4156	MacKenzie, Burbank	93	32%
5	4171	Bulimba, Balmoral, Hawthorne	94	32%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$85,000



FIGURE 3. GREATER BRISBANE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017
 Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

3.4 SOUTH AUSTRALIA

GREATER ADELAIDE

The median rental household in Greater Adelaide has a gross income of \$65,900 per annum.

With a RAI of 119, the average household in Greater Adelaide seeking to rent faces rents at around 25 per cent of household income.

There has been some change in the geographic spread of affordability in Greater Adelaide since the last release. The situation in the foothill areas of Belair, Flagstaff Hill out to Happy Valley and Chandlers Hill has worsened since last release and are now considered Unaffordable.

This is also true of the foreshore areas of West Lakes, Tennyson and out to Henley Beach South which have moved from Moderately Unaffordable to Unaffordable.

REST OF SA

The median rental household in regional South Australia has a gross income of \$60,100 per annum.

TABLE 10. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER ADELAIDE (JUNE QUARTER, 2017)

RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	5152	Stirling, Crafers, Crafers West, Cleland	89	34%
2	5025	Finders Park, Kidman Park	90	33%
3	5153	Echungga, Flaxley, Macclesfield, Jupiter Creek, Ironbank	91	33%
4	5020	West Lakes Shore	94	32%
5	5052	Belair, Glenalta	94	32%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$65,000

Regional SA continues to see an upward trend in rental affordability. With a RAI of 139, regional SA is at its most affordable since at least mid-2012 (the RAI extends back to Quarter 3 2012).

The fast-growing outer towns of Mt Barker, Nairne and Strathalbyn have become Moderately Unaffordable. Since the last release the suburb of Echungga has decreased further in affordability, becoming Unaffordable.

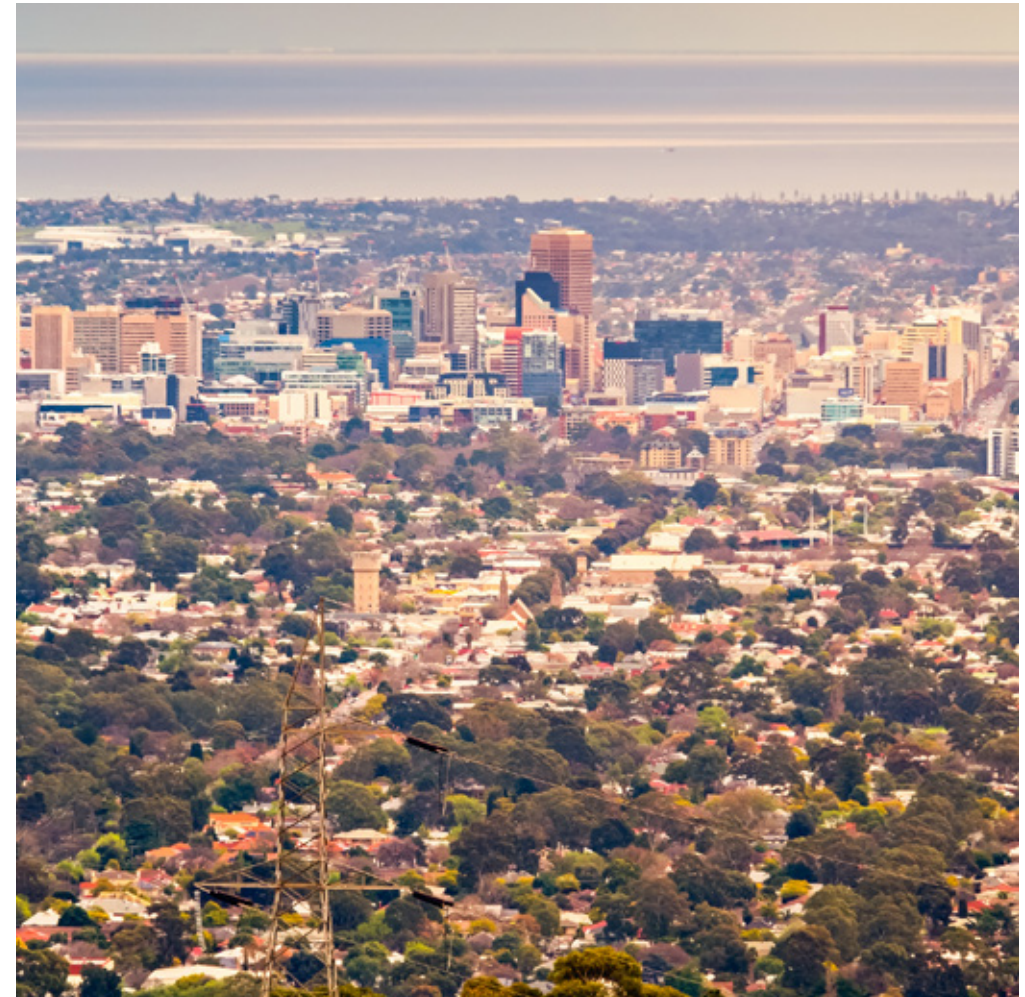
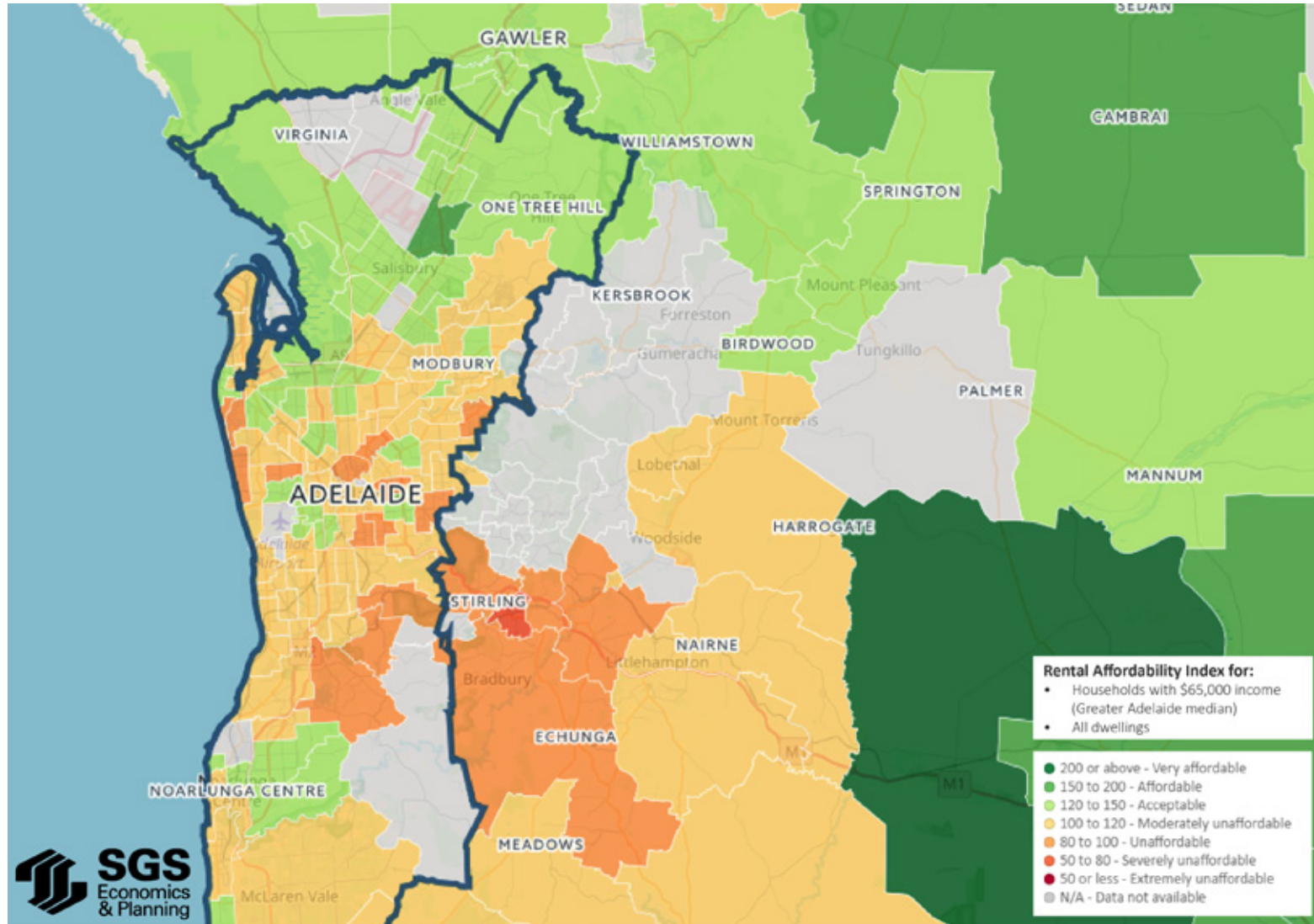


FIGURE 4. GREATER ADELAIDE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017
 Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

3.5 TASMANIA

GREATER HOBART

The median rental household in Greater Hobart has a gross income of \$60,900 per annum.

With a RAI of 106, affordability in Greater Hobart has fallen to its lowest level since the September quarter of 2012. The average rental household in Greater Hobart face rents at around 28 per cent of its total income.

The current low affordability is in line with the booming housing market and shortage of rental housing. Greater Hobart remains the second least affordable metropolitan area of those studied and is now close to the level seen in Sydney. Lower incomes and high rental yields are driving factors.

While rental affordability in Hobart tends to fluctuate across quarters, the geographic spread of affordability has remained relatively unchanged. However, since the last release parts of Kingston have shifted from Moderately Unaffordable to Unaffordable.

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

TABLE 11. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER HOBART (JUNE QUARTER, 2017)

RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	7004	Battery Point	82	36%
2	7005	Dynnyrne, Lower Sandy Bay, Sandy Bay	82	36%
3	7017	Grasstree Hill, Otago, Honeywood, Old Beach	90	33%
4	7053	Taroona, Bonnet Hill	91	33%
5	7000	South Hobart	94	32%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$60,000

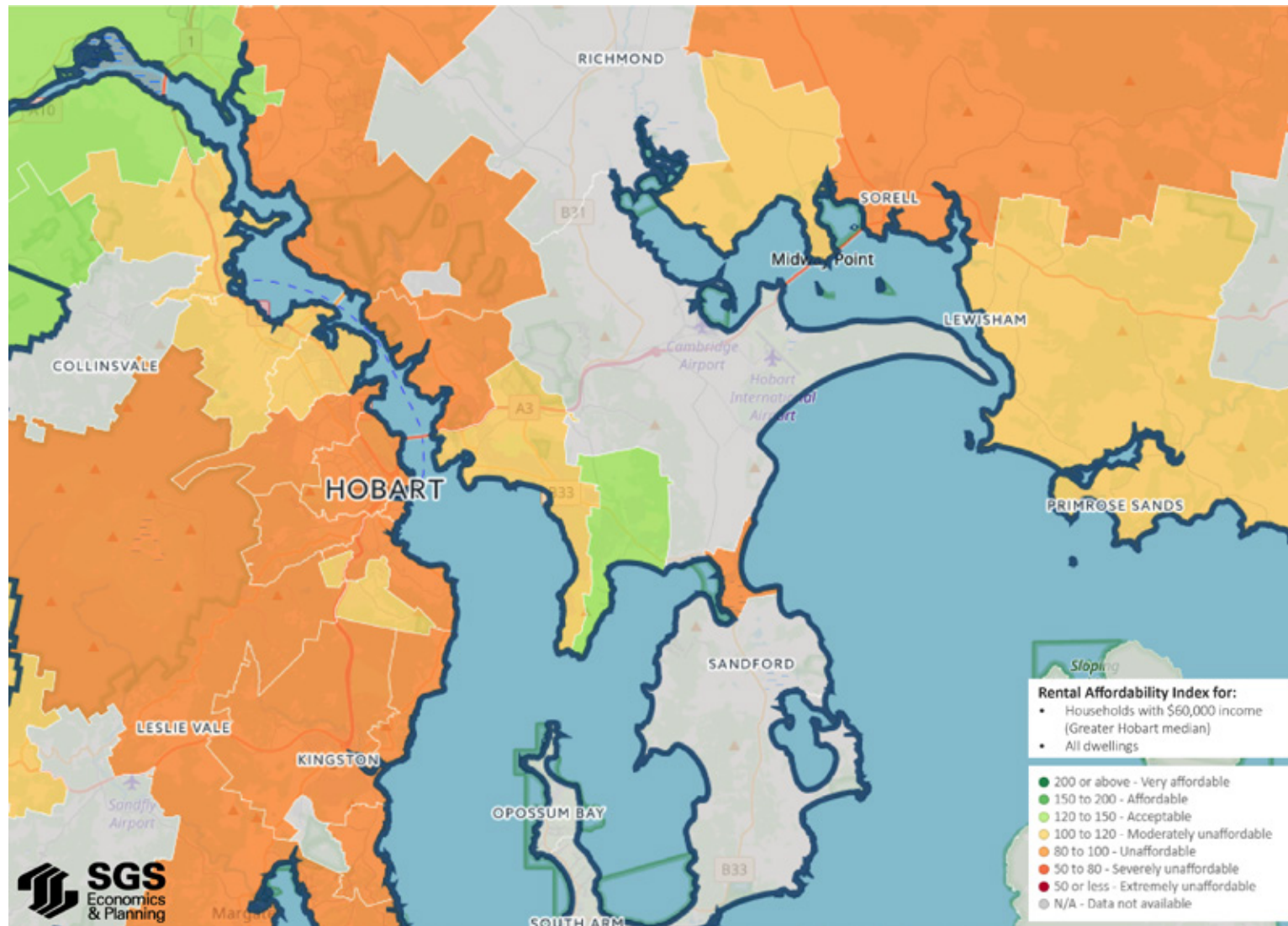
REST OF TASMANIA

The median rental household in regional Tasmania has a gross income of \$52,800 per annum.

Regional Tasmania has a RAI of 122, indicating a slight improvement since the last release. The average household seeking to rent would be facing rent levels at around 25 per cent of its income.



FIGURE 5. GREATER HOBART, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

3.6 WESTERN AUSTRALIA

GREATER PERTH

The median rental household in Greater Perth has a gross income of \$86,000 per annum.

With a RAI of 144, affordability in Greater Perth continues to improve. The average rental household in Greater Perth face rents at around 21 per cent of its total income. Despite this, the situation is likely to be much less affordable for lower income households.

The geographic spread of affordability across greater Perth is uneven, with some inner city areas Moderately Unaffordable. Along the West Coast Highway, rents range from Moderately Unaffordable to Severely Unaffordable in the suburbs of City Beach and Cottesloe.

REST OF WA

The median rental household in regional WA has a gross income of \$91,000 per annum.

Regional Western Australia has an RAI of 157, representing a slight decrease in affordability since the last release. The average household seeking to rent would be facing rent levels at around 19 per cent of its income.

TABLE 12. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER PERTH (JUNE QUARTER, 2017)

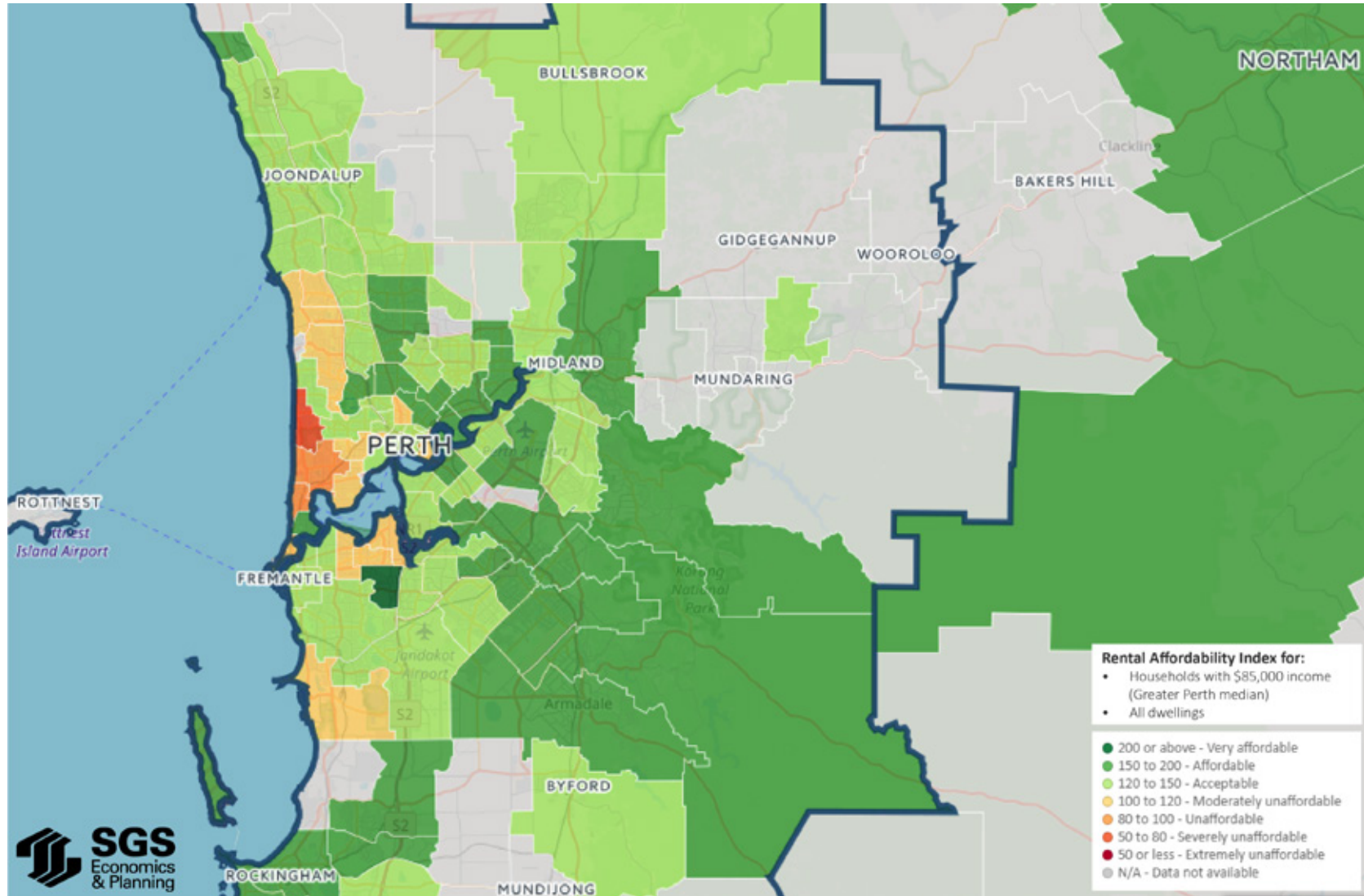
RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	6015	City Beach	60	50%
2	6011	Peppermint Grove, Cottesloe	82	37%
3	6010	Claremont, Mount Claremont, Swanbourne, Karrakatta	93	32%
4	6159	North Fremantle	102	29%
5	6166	Munster, Henderson, Wattleup, Coogee	107	28%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$85,000



FIGURE 6. GREATER PERTH, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

3.7 ACT

This is the first RAI release that includes data for Canberra. The median rental household in the Australian Capital Territory has a gross income of \$104,500 per annum.

With a RAI of 136, rents in the ACT are considered to be Acceptable to the average income rental household. Affordability has moreover improved substantially in recent years, having been as low as 113 in the June quarter of 2011.

The inner central business district and inner suburbs remain Moderately Unaffordable, however, with RAI scores ranging from 105 to 119.

The high overall RAI in the ACT is driven by the relatively high income of the ACT's average rental household. Low income households in the ACT face particularly unaffordable rents, however, as rents are pushed up by the overall high income earning workforce.

TABLE 13. TOP 5 LEAST AFFORDABLE POSTCODES IN ACT (JUNE QUARTER, 2017)

RANK	POSTCODE	SUBURBS	RAI SCORE	RENT AS SHARE OF INCOME
1	2601	City, Acton	105	29%
2	2605	Hughes, Curtin, Garran	110	27%
3	2600	Yarralumla, Deakin, Russell, Barton	119	25%
4	2902	Kambah	119	25%
5	2904	MacArthur, Gowrie, Fadden, Monash	119	25%

Source: SGS Economics and Planning (2017)

Note: RAI has been calculated using a rounded gross income of \$85,000

Increased rental affordability in ACT in recent years is likely the result of slowing economic growth. The ACT's GDP growth fell to 0.8 per cent in 2013-14 as a result of cuts to the public service. Reduced demand for rental properties and lower incomes brought about by a slowing economy has caused an upward trend in rental affordability in recent years (see Figure 7 and Figure 8).

Due to a recovering economy there has been a slight decline in rental affordability in more recent quarters.

FIGURE 7. ACT RAI TRENDS, MARCH 2011 TO JUNE 2017 QUARTERS

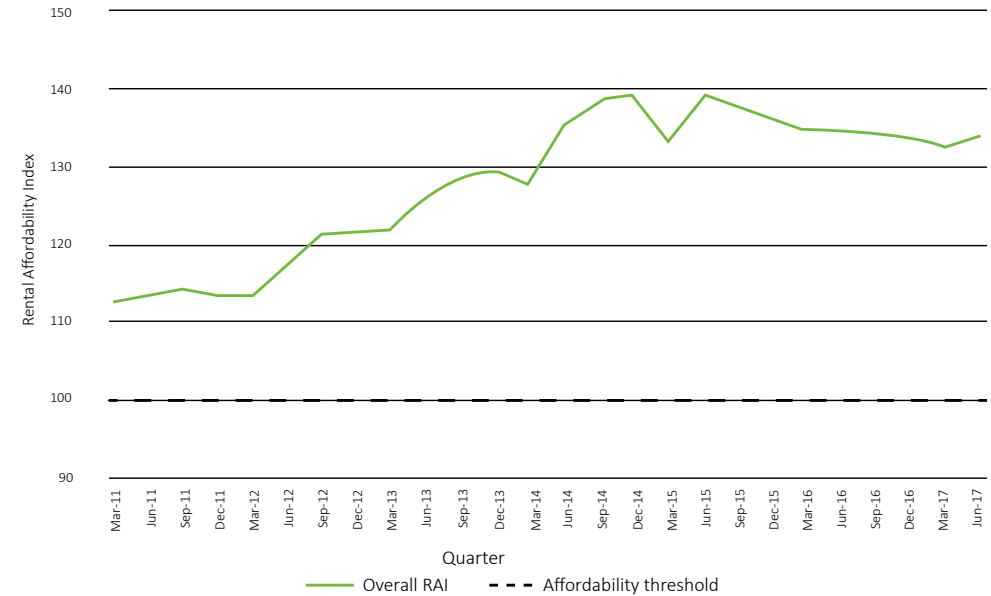


FIGURE 8. ACT AND AUSTRALIA GDP GROWTH, JUNE 2011 TO JUNE 2016

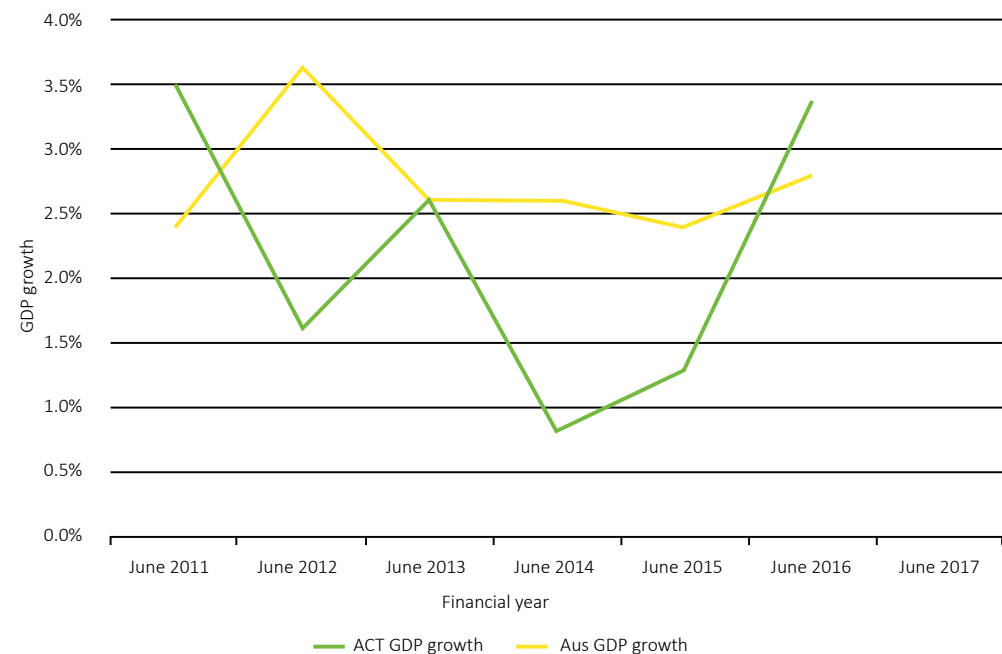
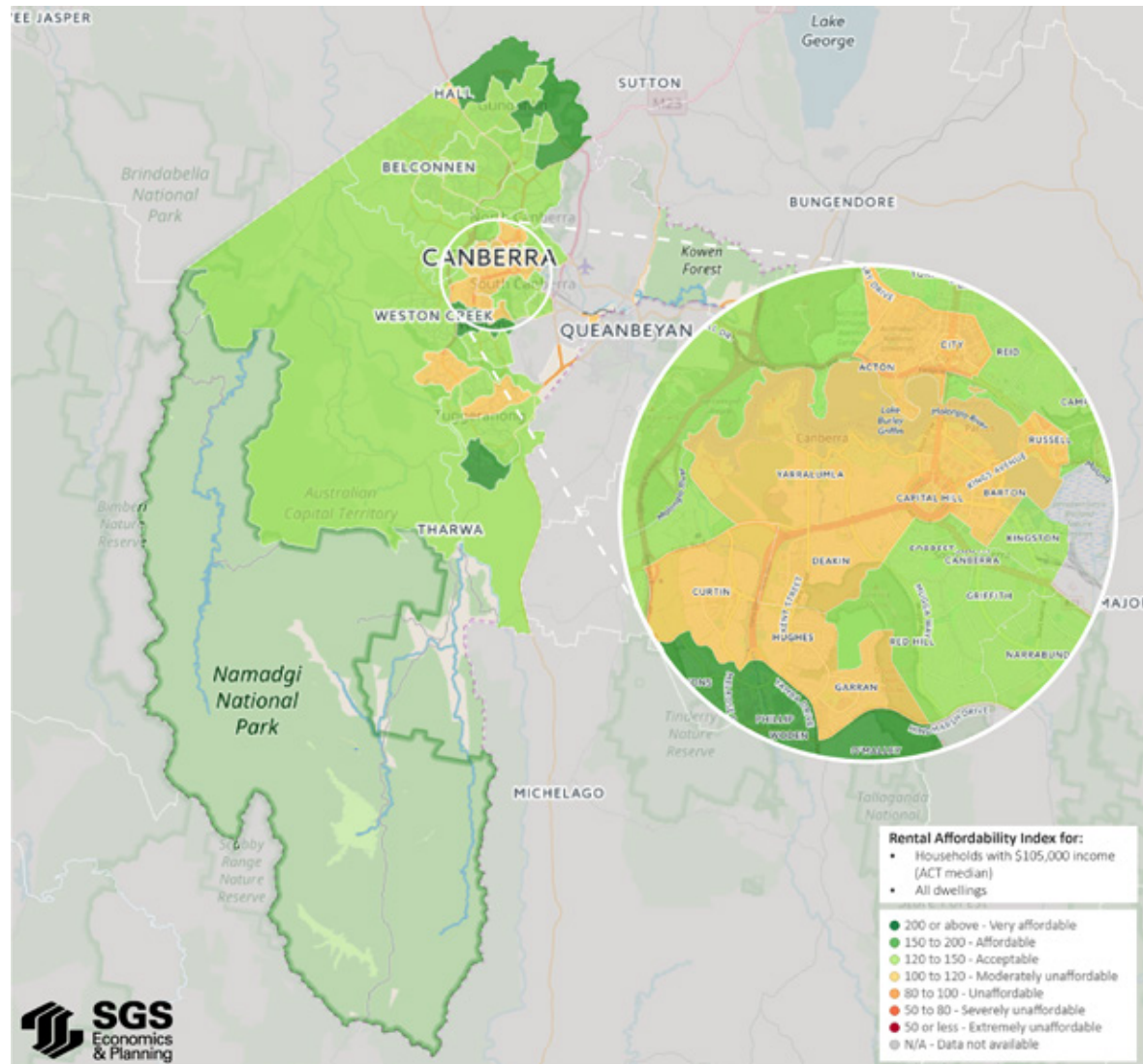


FIGURE 9. ACT, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017
 Visit <http://www.sgsep.com.au/maps/thirdspace/#map1> for interactive map

SNAPSHOT OF LOWER INCOME HOUSEHOLDS

4.1 INTRODUCTION

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

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

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

Affordability has been reported for each household type based on gross, median incomes estimated for a particular household adjusted to its location (i.e.. metropolitan or rest of state area).³

It must be noted that the household types and their typical income level and dwelling size are indicative. They are moreover not representative of all vulnerable and/or lower income household types.

It is also important to note that the RAI only considers the cost of rents against income. Many of these households have, or may have, considerable additional financial pressures placed upon them, including locational and travel costs, childcare costs (this is especially true for single working parents and dual income couple parents), and other day-to-day living costs.

Income support levels are based on the federal Department of Human Services payment rates as at October 2017.

Working households are assumed to rely on key worker incomes. A full-time secondary teacher income was used as the typical key worker income. The income is based on ABS (2016) Average Australian Employee Earnings and Hours data,⁴ scaled up to Greater Sydney levels based on personal weekly income.

Total household income estimates are based on gross income, including Commonwealth Rent Assistance. The eligibility of very low income households to access discounted rents has not been factored into this analysis.

Note: analysis by household type has not been undertaken for WA as rental data is not available by bedroom type.

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

³Note: The household profiles found on the RAI interactive map found at <http://www.sgsep.com.au/maps/thirdspace/#map1> use Australia-wide average incomes for each lower income household type.

⁴Data Cube 13: Full Time managerial employees paid at the adult rate. Available online: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6306.0May%202016?OpenDocument>

4.2 SINGLE PENSIONER

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

Extremely unaffordable rents in metropolitan areas across all states

The single pensioner household is 65 years or older and is assumed to rent alone in a 1 bedroom dwelling. Retired and/or no longer active in the workforce, this person lives on the age pension for older Australians with income or assets below certain limits, with consideration for super, investments and earnings. Assumed to have no additional income from paid work, the single pensioner receives an estimated gross annual income of \$26,600.

TABLE 14. RAI FOR SINGLE PENSIONER HOUSEHOLD

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	31	97%
Rest of NSW	77	39%
Greater Melbourne	44	68%
Rest of VIC	85	35%
Greater Brisbane	45	67%
Rest of QLD	55	55%
Greater Adelaide	65	46%
Rest of SA	97	31%
Greater Perth*	45	67%
Rest of WA*	46	65%
Greater Hobart	67	45%
Rest of TAS	90	33%
ACT	41	73%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 1 bdr due to data unavailability

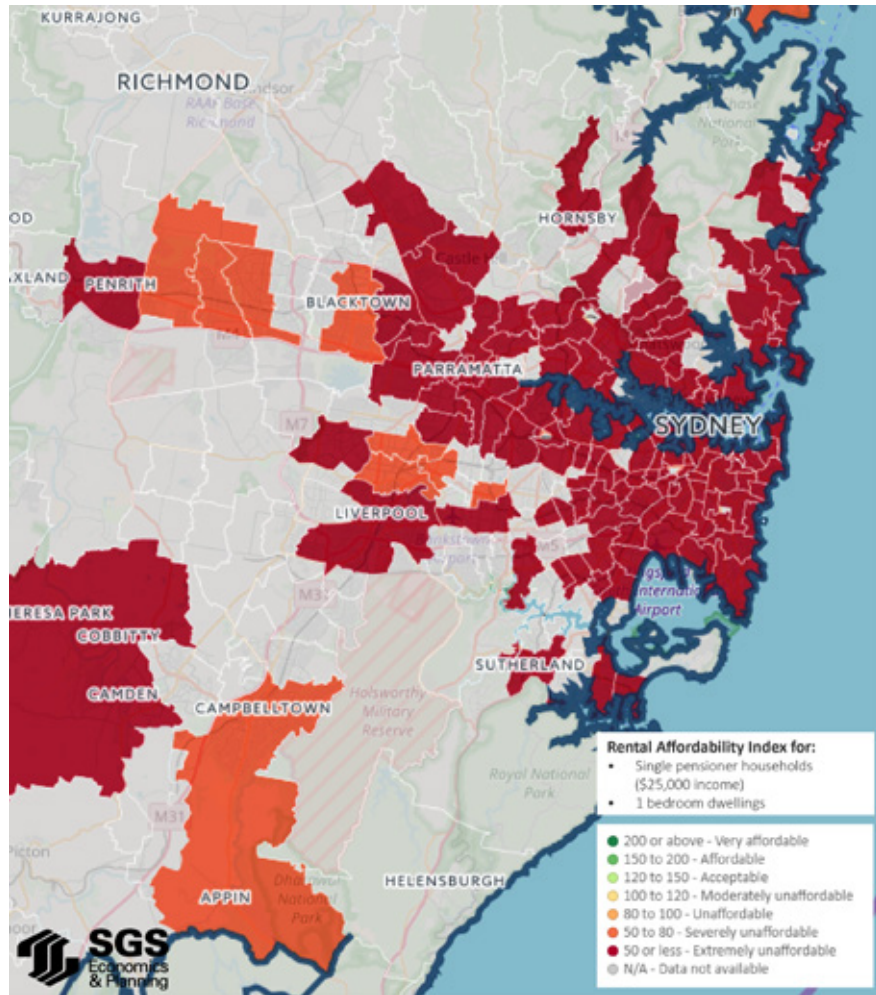
Across the nation, the single pensioner household is facing Severely Unaffordable and Extremely Unaffordable rents. For the most part, locating in metropolitan areas (which is where one bedroom dwellings are generally available) would require 60 per cent or more of the pensioner's income to be spent on rent. Housing pressures on this household type are likely to be compounded by a range of other pressures, including healthcare costs associated with ageing.



For this household type, Greater Sydney is the least affordable location to rent of all Australian cities. The single pensioner household faces a RAI of 31, making rents Extremely Unaffordable. The ACT follows closely as the second least affordable place for a single pensioner household, with a RAI of 41.

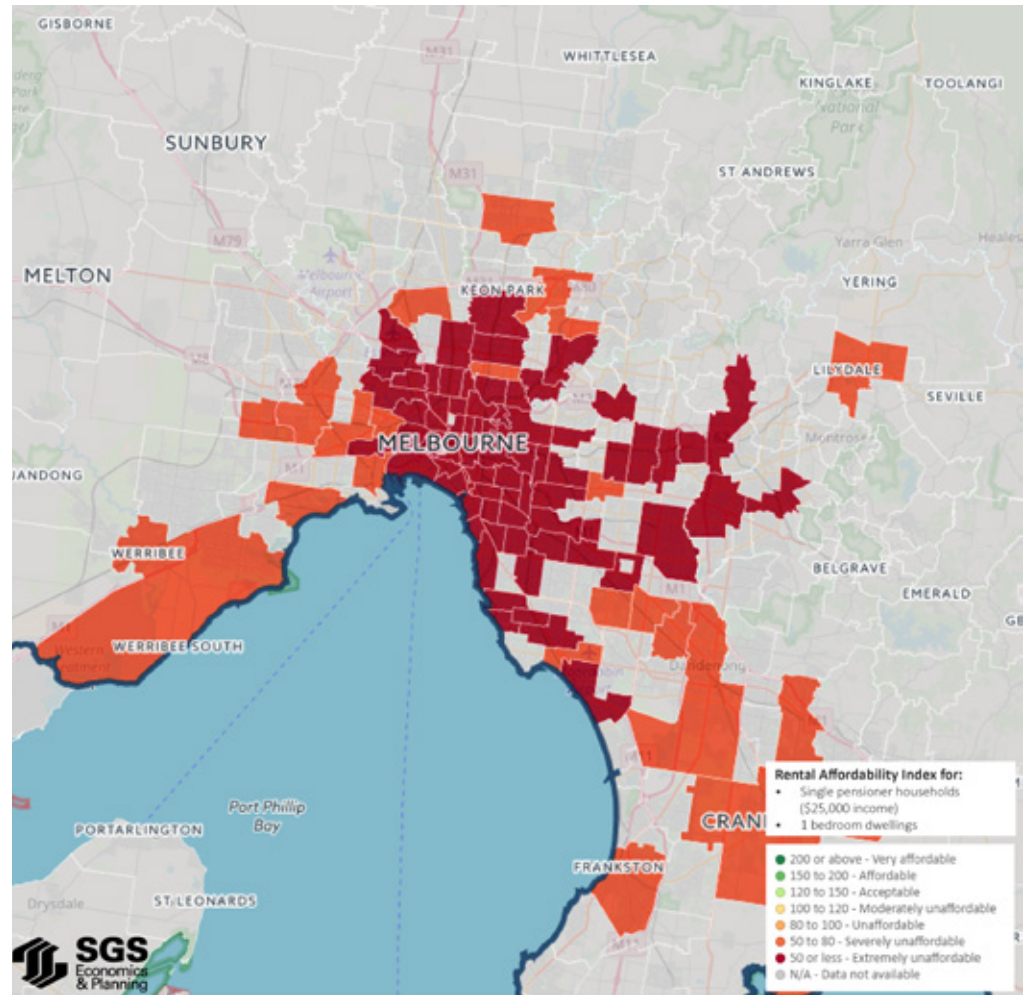


FIGURE 10. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 11. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

4.3 PENSIONER COUPLE

\$45,800 p.a., 2 bedroom

Extremely Unaffordable to Severely Unaffordable rents in metropolitan areas

The pensioner couple household is comprised of a couple that is 65 years or older renting a 2 bedroom dwelling. One member of the household is assumed to still be active in casual or part-time employment. This additional income combined with the household's pensioner payment totals an estimated gross annual income of \$45,800.

TABLE 15. RAI FOR PENSIONER COUPLE HOUSEHOLD

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	51	59%
Rest of NSW	100	30%
Greater Melbourne	63	48%
Rest of VIC	106	28%
Greater Brisbane	68	44%
Rest of QLD	85	35%
Greater Adelaide	89	34%
Rest of SA	133	23%
Greater Perth*	77	39%
Rest of WA*	79	38%
Greater Hobart	85	35%
Rest of TAS	117	26%
ACT	61	49%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 2 bdr due to data unavailability

Across the nation, the couple pensioner household is facing Unaffordable and Severely Unaffordable rents. Most areas within a 10 kilometre radius of the Sydney CBD and some of the inner areas of Melbourne are Extremely Unaffordable to the pensioner couple, meaning that they would have to pay more than 60 per cent of their total income on rent. Adding to the financial pressure on this household are a number of other costs, which may include health care costs associated with ageing.



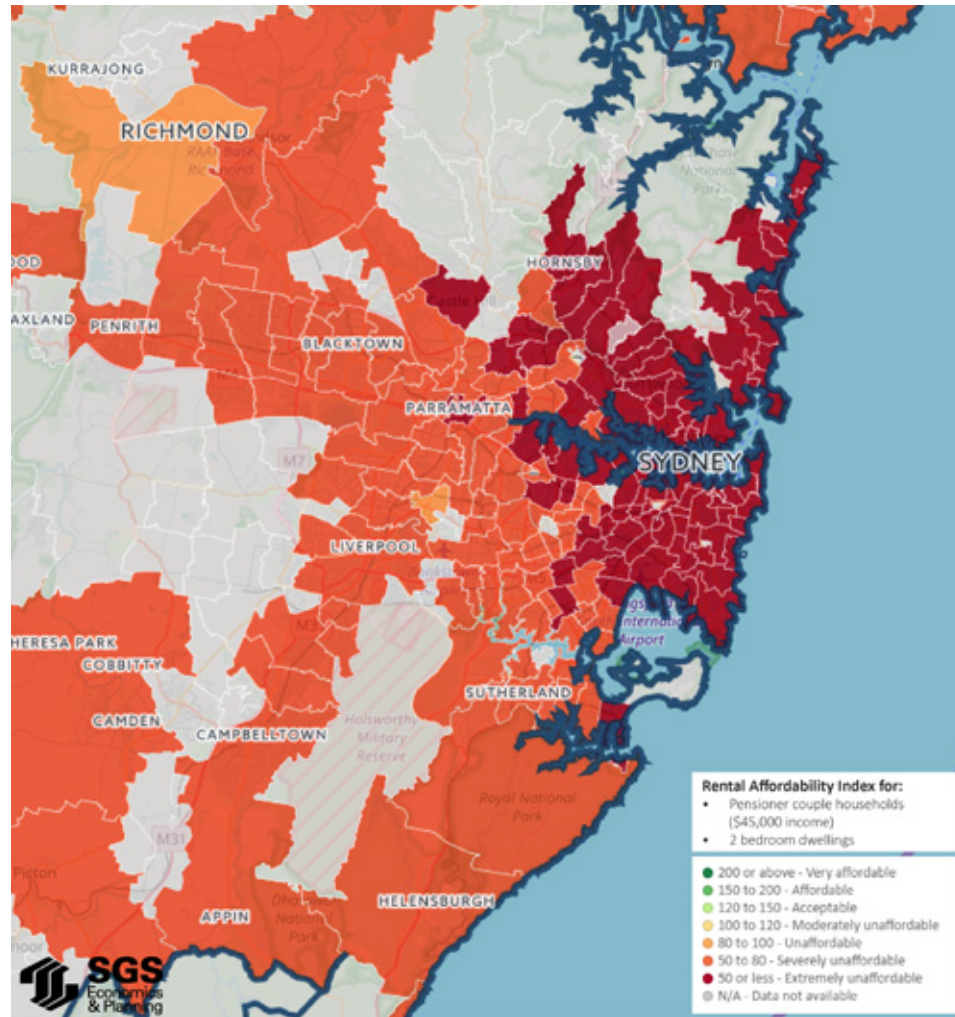
Given one member of this household has been assumed to retain part-time or casual employment, a pensioner couple solely dependent on a pensioner payment would face a much higher level of rental unaffordability.

For the pensioner couple household looking to locate in the inner suburbs of Sydney, rents are Severely Unaffordable with an average RAI of 51. In regional Sydney rents remain Unaffordable with a RAI of 80.

The ACT has a RAI of 59 for the pensioner couple, making it the second least affordable area for this household type.

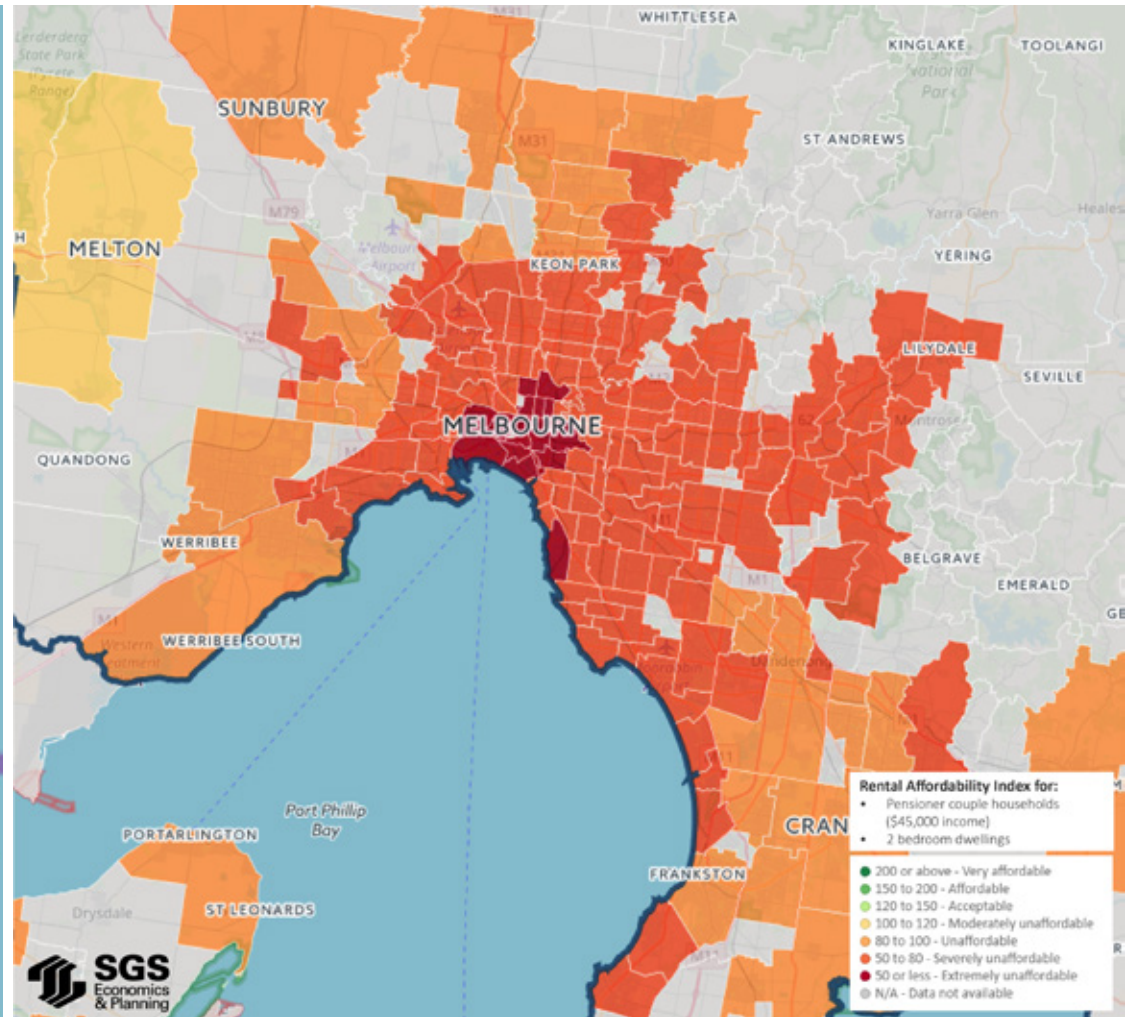


FIGURE 12. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 13. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

In Greater Melbourne rents are also Severely Unaffordable for the pensioner couple, with an RAI of 63. In regional areas while the situation improves, rents remain Unaffordable with an average RAI of 106.

4.4 SINGLE PERSON ON BENEFITS

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

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

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

TABLE 16. RAI FOR SINGLE PERSON ON BENEFITS

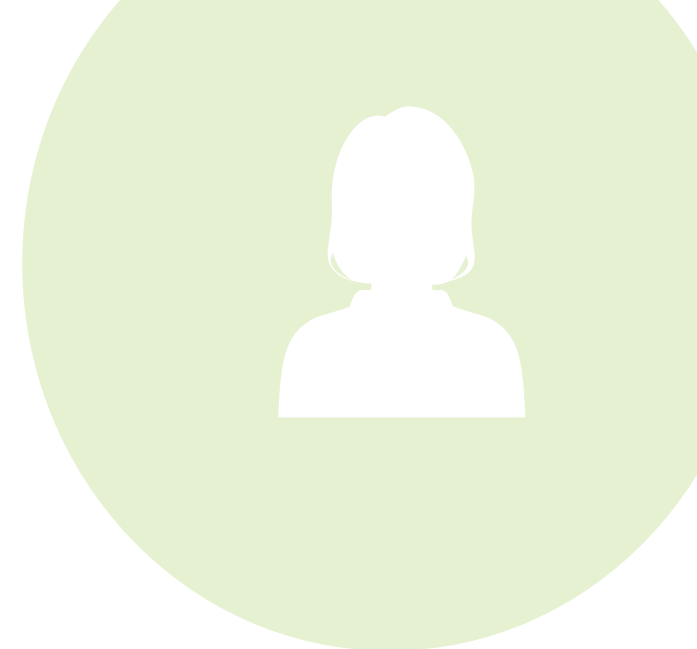
	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	20	150%
Rest of NSW	50	60%
Greater Melbourne	29	103%
Rest of VIC	56	54%
Greater Brisbane	29	103%
Rest of QLD	36	83%
Greater Adelaide	42	71%
Rest of SA	63	48%
Greater Perth*	29	103%
Rest of WA*	30	100%
Greater Hobart	44	68%
Rest of TAS	59	51%
ACT	27	111%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 1 bdr due to data unavailability

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

A single person on benefits faces the greatest financial challenge of all household types examined by this study when looking to rent in metropolitan and regional areas. All states

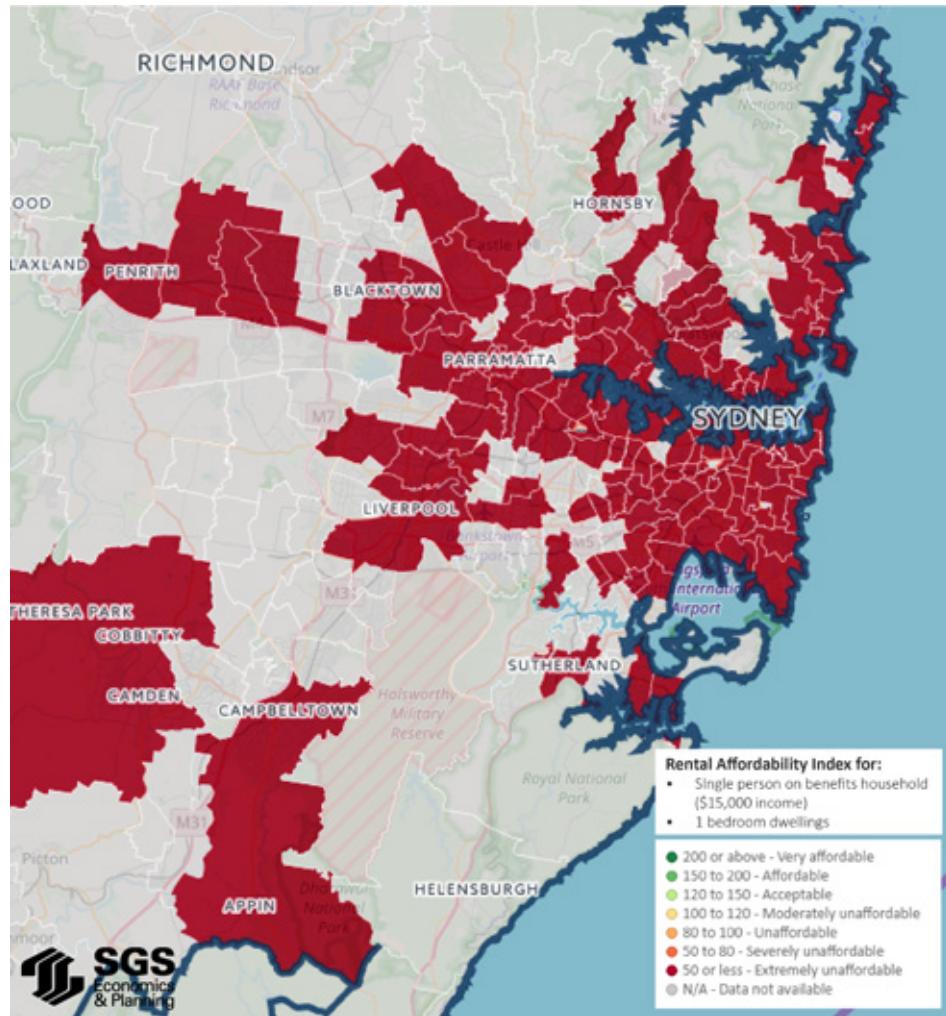


examined have a RAI 50 or below in metropolitan areas, making rents well above the threshold for Extremely Unaffordable.

For a single person on benefits looking to locate in metropolitan Sydney the average RAI is 20 and 50 in regional areas. ACT is the next least affordable area for this household with an average RAI of 27.

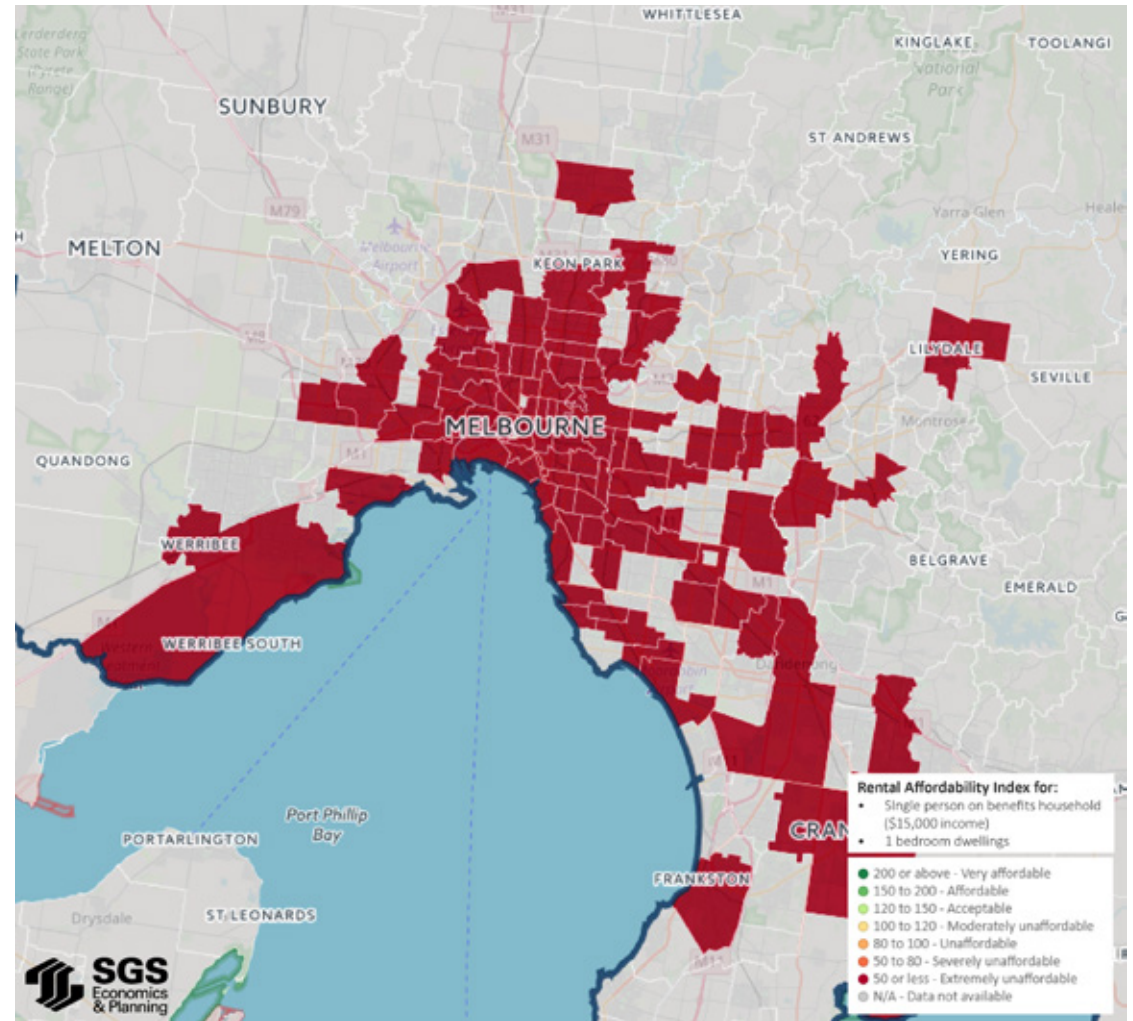


FIGURE 14. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 15. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

4.5 SINGLE PART-TIME WORKER PARENT ON BENEFITS

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

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

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

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

TABLE 17. RAI FOR SINGLE PART-TIME WORKER ON PARENT BENEFITS

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	42	71%
Rest of NSW	82	37%
Greater Melbourne	52	58%
Rest of VIC	87	34%
Greater Brisbane	56	54%
Rest of QLD	70	43%
Greater Adelaide	73	41%
Rest of SA	110	27%
Greater Perth*	63	48%
Rest of WA*	65	46%
Greater Hobart	70	43%
Rest of TAS	97	31%
ACT	51	59%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 2 bdr due to data unavailability

With a RAI of 42, the single part-time worker parent on benefits household seeking a home in metropolitan Sydney faces Extremely Unaffordable rents. This is followed closely by the ACT as the second least affordable location for this household, with a RAI of 51.



In metropolitan Melbourne, the RAI for this household is 52, indicating that this household would be required to pay up to 58 per cent of their income on rent. In regional Victoria the RAI is 87 and rents are Unaffordable.

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

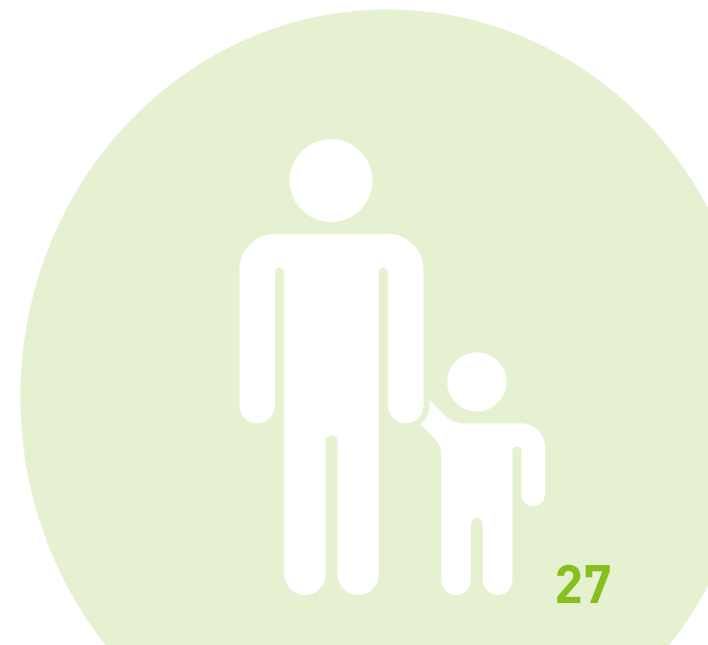
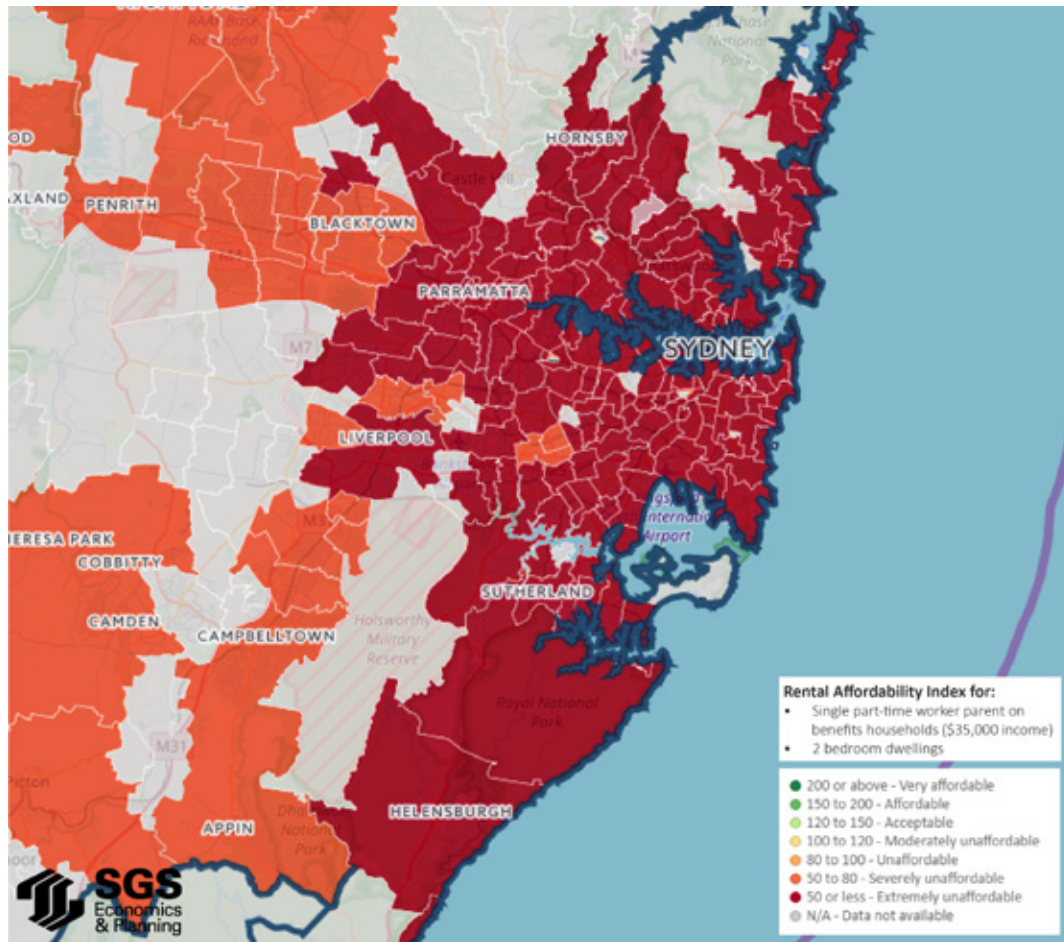
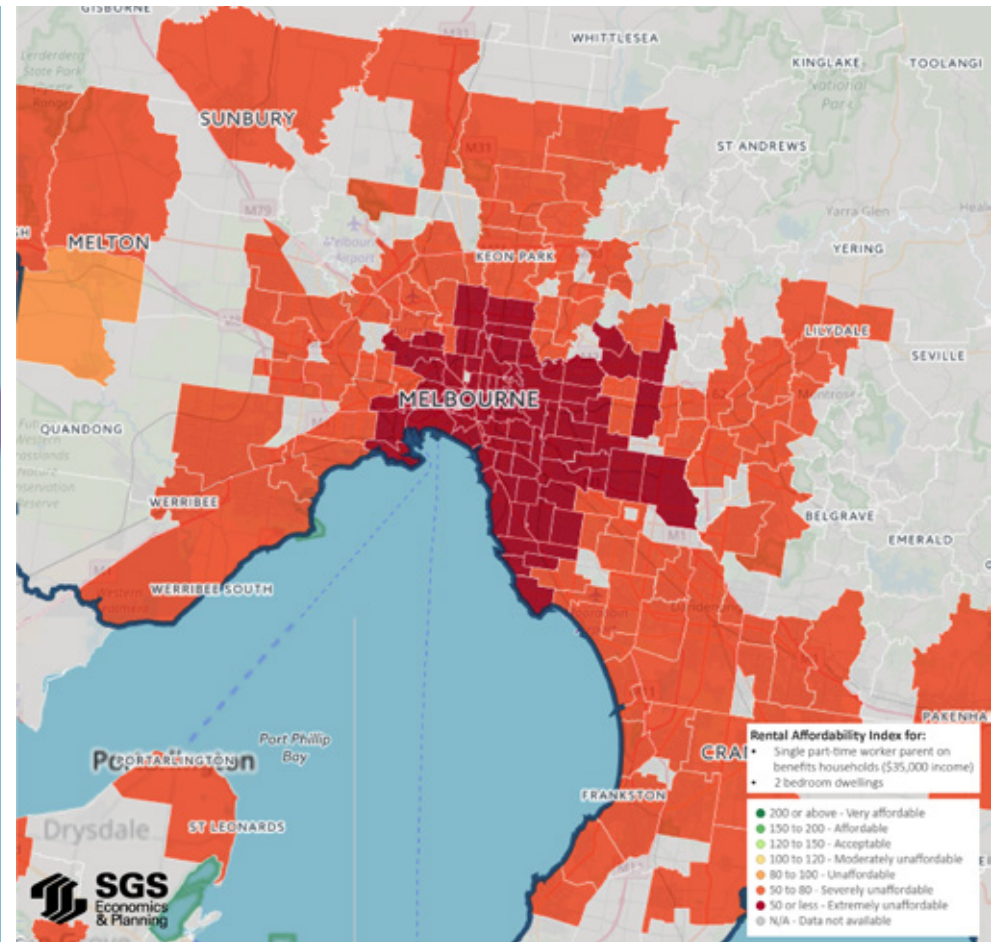


FIGURE 16. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 17. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

4.6 SINGLE FULL-TIME WORKING PARENT

\$89,700 p.a., 2 bedroom

Moderately unaffordable to Severely Unaffordable rents in metropolitan areas

The key worker single parent household is comprised of a single parent and child under 5, both of whom rent a 2 bedroom dwelling. As a full-time teacher, the key worker parent earns an estimated \$89,700 per annum⁵ (ABS, 2016).

TABLE 18. RAI FOR SINGLE FULL-TIME WORKING PARENT

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	100	30%
Rest of NSW	197	15%
Greater Melbourne	113	27%
Rest of VIC	190	16%
Greater Brisbane	127	24%
Rest of QLD	158	19%
Greater Adelaide	170	18%
Rest of SA	250	12%
Greater Perth*	151	20%
Rest of WA*	154	19%
Greater Hobart	167	18%
Rest of TAS	223	13%
ACT	122	25%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 2 bdr due to data unavailability

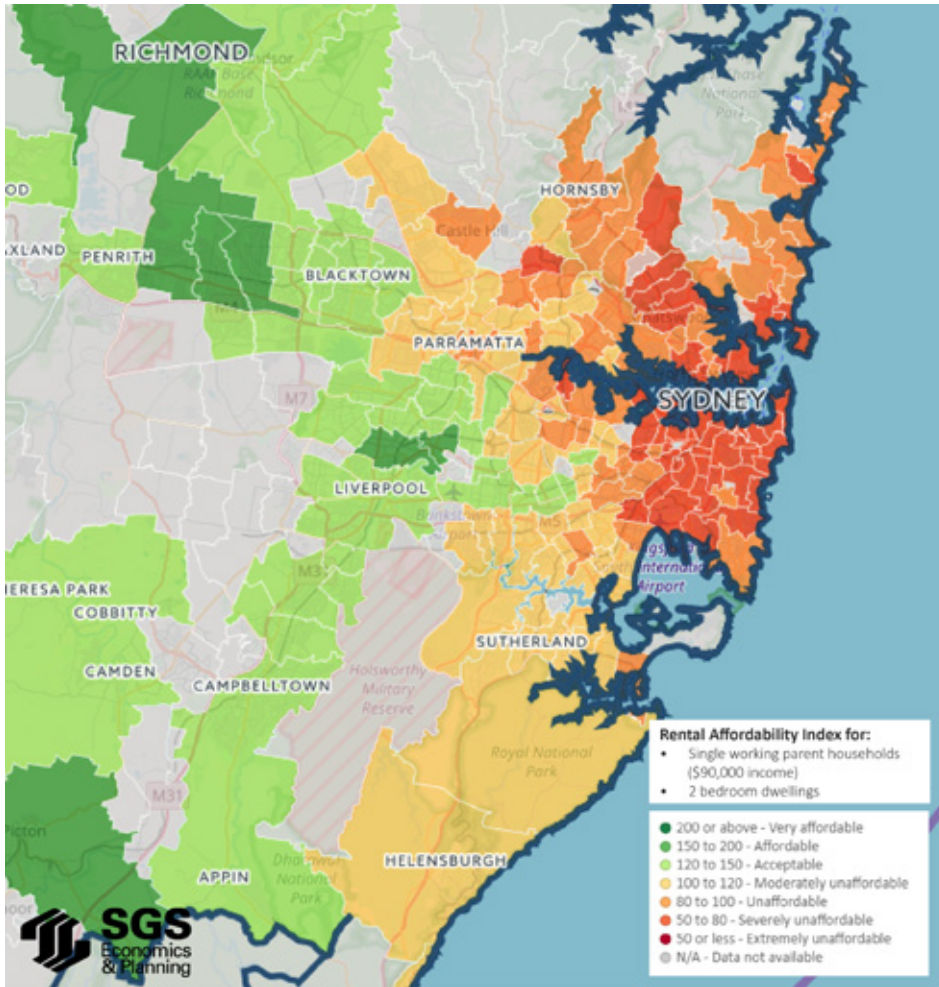
Given the full-time worker status of the parent, a considerable proportion of earnings is likely to go towards childcare and after school care costs for this household, indicating that financial pressures would in reality be very high.

Metropolitan Sydney is the least affordable of all areas covered by this study. The average RAI for a single working parent is 100, indicating Moderately Unaffordable rents, with up to 30 per cent of income spent on rent.

⁵This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

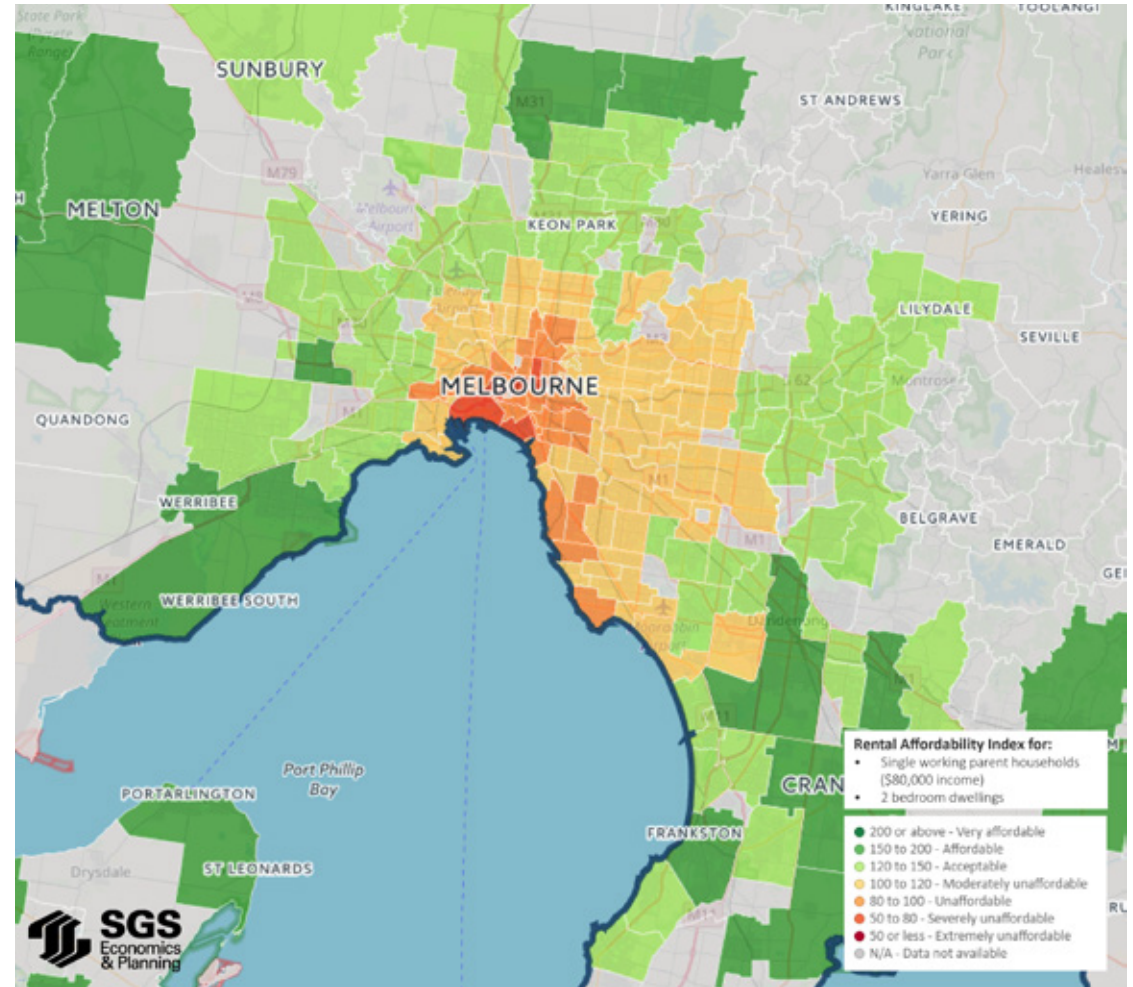


FIGURE 18. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 19. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

For a single working parent household seeking a home in metropolitan Melbourne the RAI is 113 and Moderately Unaffordable. Metropolitan Melbourne is the second least affordable area for the single working parent household.

4.7 SINGLE INCOME COUPLE WITH CHILDREN

\$89,700 p.a., 3 bedroom

Severely Unaffordable rents in inner and middle metropolitan areas

The single income couple with children consists of one key worker, one stay at home parent, and two children, one of whom is under 5. This household lives in a 3 bedroom rental dwelling. This household lives on a single key worker income of \$89,700 per annum⁶.

TABLE 19. RAI FOR SINGLE INCOME COUPLE WITH CHILDREN

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	104	29%
Rest of NSW	158	19%
Greater Melbourne	119	25%
Rest of VIC	158	19%
Greater Brisbane	124	24%
Rest of QLD	139	22%
Greater Adelaide	148	20%
Rest of SA	196	15%
Greater Perth*	151	20%
Rest of WA*	154	19%
Greater Hobart	143	21%
Rest of TAS	186	16%
ACT	110	27%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 2 bdr due to data unavailability

The single income couple with children household faces Severely to Extremely Unaffordable rents across most inner and middle metropolitan areas, with implications for access to work and other opportunities.

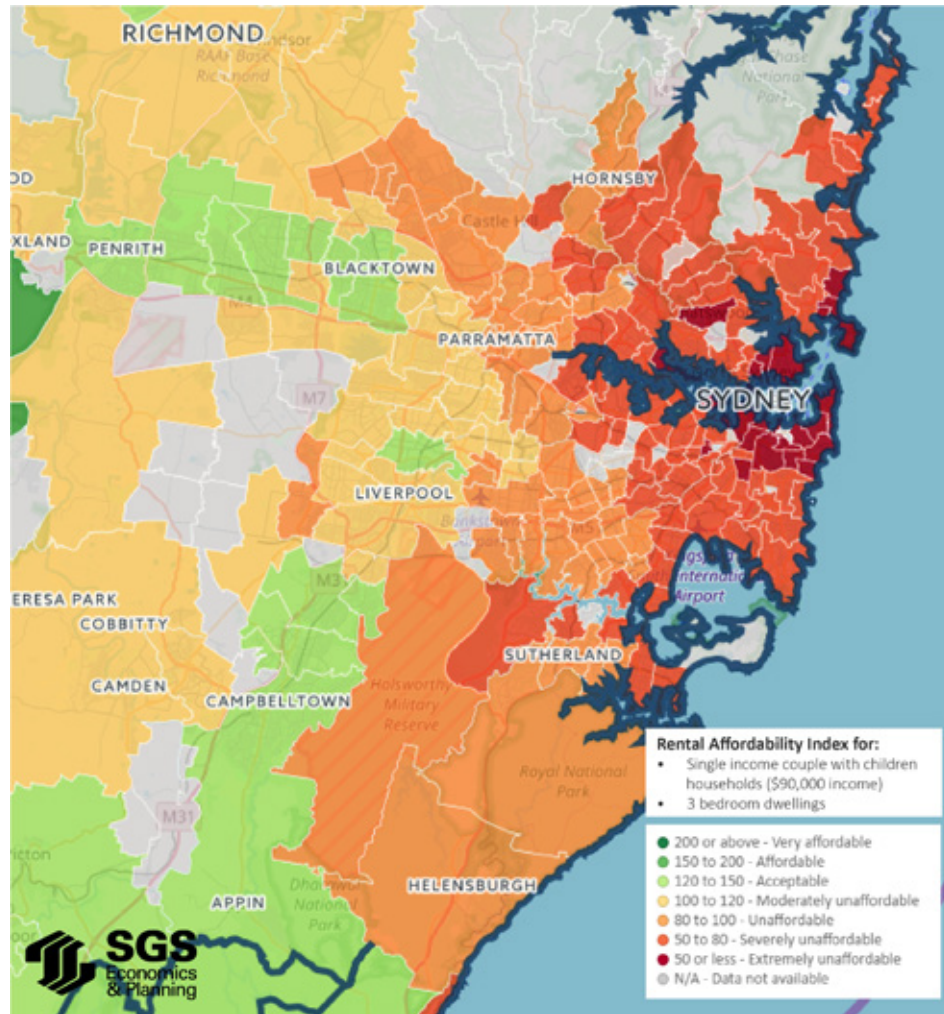
⁶ This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.



Rents have varying degrees of Unaffordability in other parts of metropolitan areas, with some outer suburbs having Acceptable rents. Given the size of this family, there is considerable additional financial pressure from day-to-day living costs.

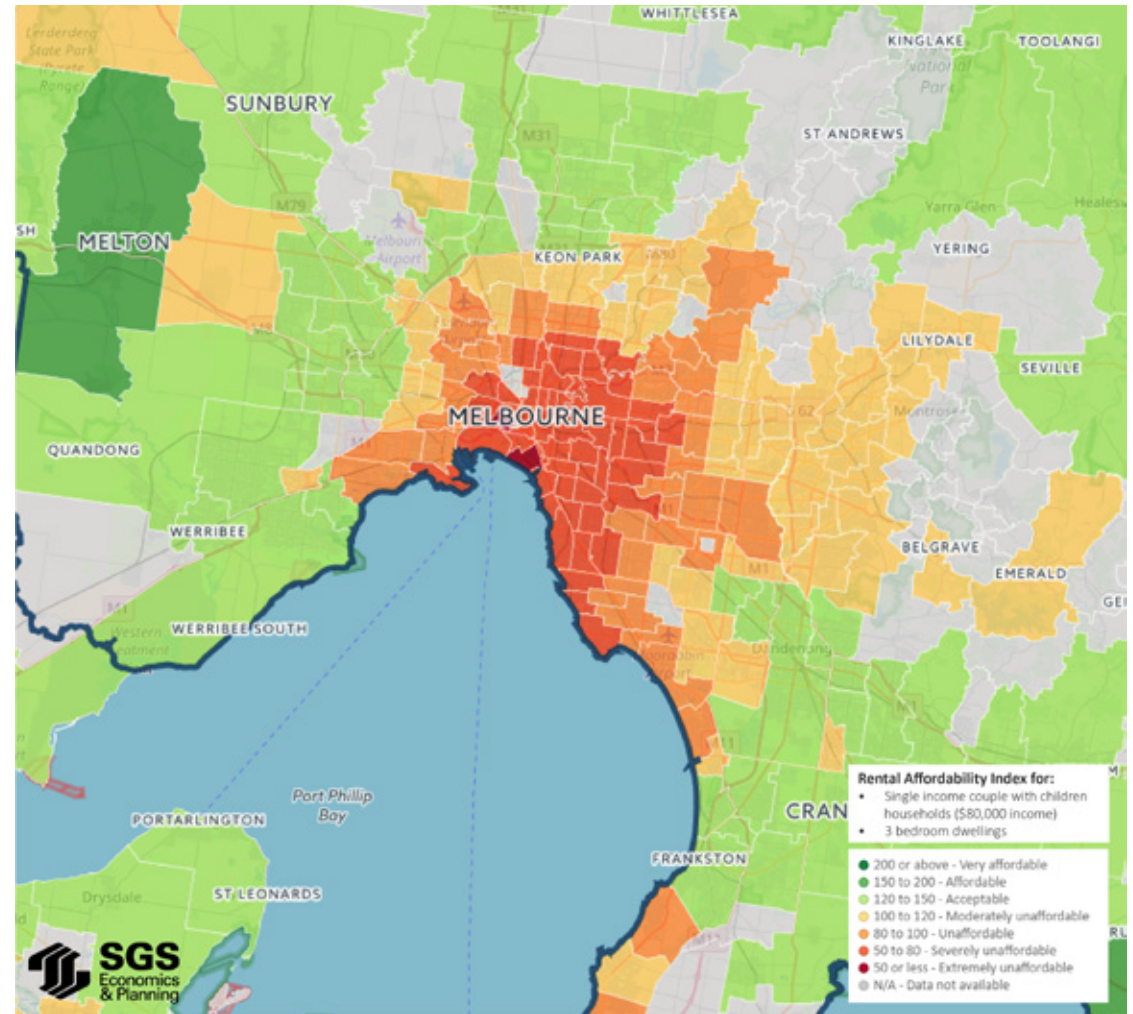


FIGURE 20. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 21. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

Metropolitan Melbourne has an average RAI of 119 with rents Moderately Unaffordable. In the inner and middle suburbs rents are Severely Unaffordable for this household.



4.8 DUAL INCOME COUPLE WITH CHILDREN

\$179,500 p.a., 3 bedroom

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

The full time key worker couple has 2 children under 10 and rents a 3 bedroom dwelling. This household lives on two full time teachers' wages, with a combined annual income of \$179,500 per annum⁷.

TABLE 20. RAI FOR DUAL INCOME COUPLE WITH CHILDREN

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	207	14%
Rest of NSW	316	9%
Greater Melbourne	238	13%
Rest of VIC	317	9%
Greater Brisbane	248	12%
Rest of QLD	277	11%
Greater Adelaide	296	10%
Rest of SA	393	8%
Greater Perth*	301	10%
Rest of WA*	308	10%
Greater Hobart	285	11%
Rest of TAS	371	8%
ACT	221	14%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 3 bdr due to data unavailability

Rents are generally Acceptable to Very Affordable for this household in metropolitan and regional areas, with the exception of Sydney, which remains Unaffordable in inner and middle ring suburbs.

⁷ This has been adjusted for different metropolitan/rest of state areas to reflect differences in earning across geographic locations in Australia.

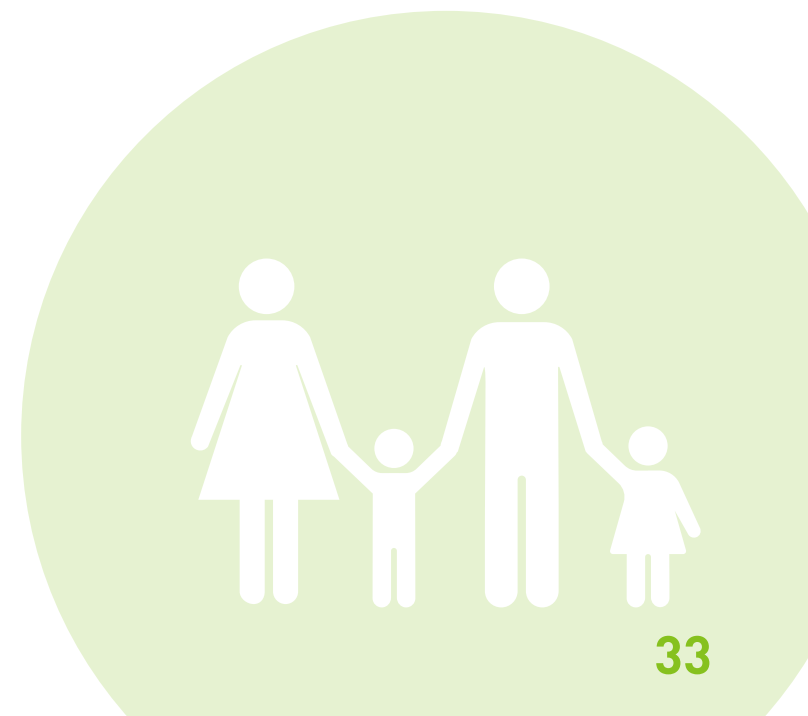
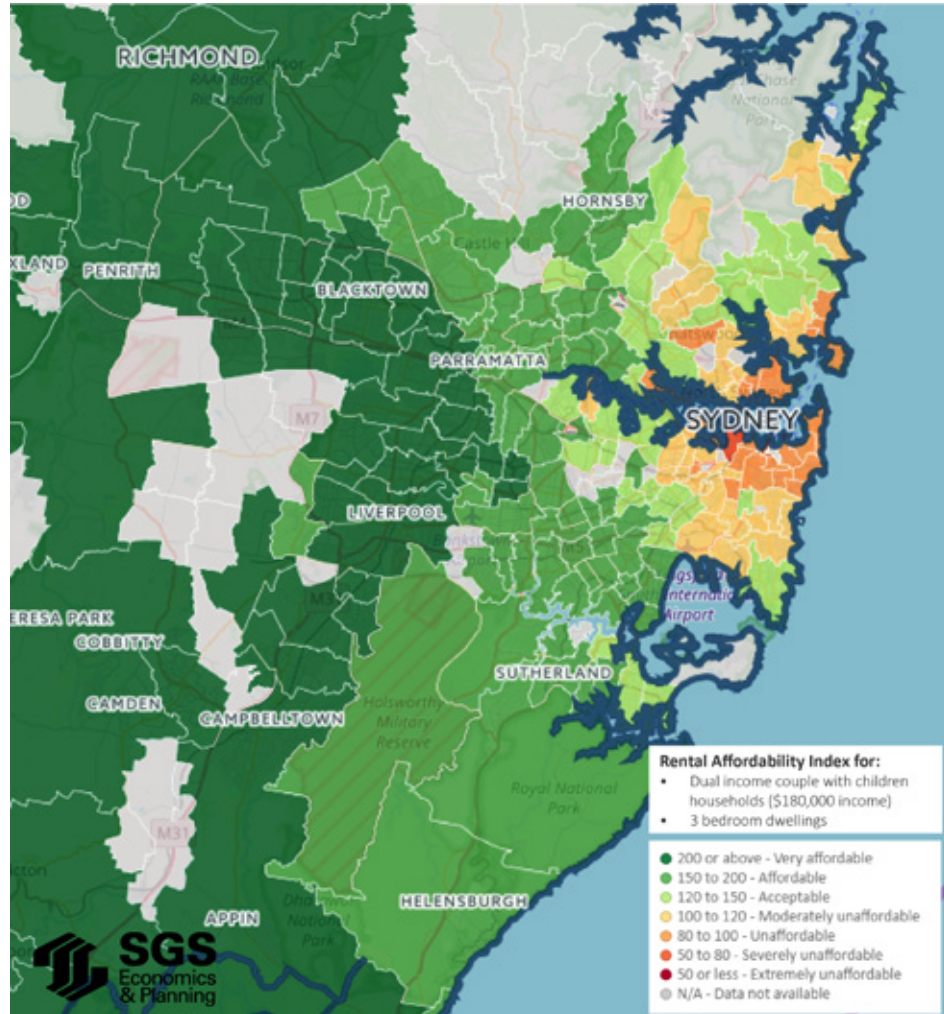
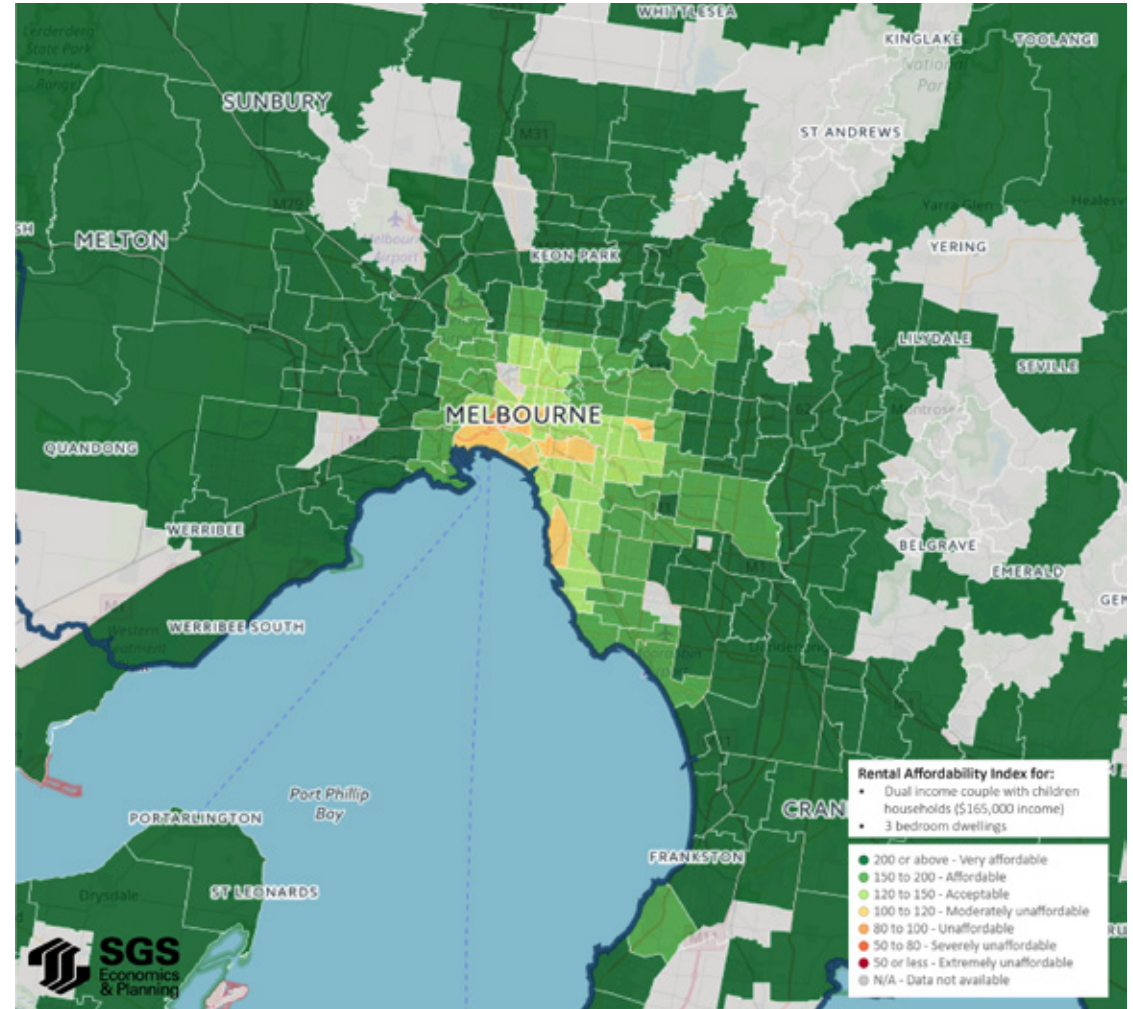


FIGURE 22. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 23. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

Many inner-city suburbs in Melbourne are also Moderately Unaffordable to this household. This household faces significant additional financial costs, including childcare, education and travel costs.

4.9 STUDENT SHAREHOUSE

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

The student sharehouse household is comprised of three students between the ages of 18 and 35, together renting a 3 bedroom dwelling. Each member of this household receives an income support payment in the form of Youth Allowance or Austudy. In addition, each student earns the maximum additional income allowable before income support payments are affected. The estimated gross annual income for this household is \$75,300 or \$25,100 per student.

TABLE 21. RAI FOR STUDENT SHAREHOUSE

	RAI SCORE	RENT AS A SHARE OF INCOME
Greater Sydney	87	34%
Rest of NSW	132	23%
Greater Melbourne	109	28%
Rest of VIC	145	21%
Greater Brisbane	109	28%
Rest of QLD	122	25%
Greater Adelaide	127	24%
Rest of SA	172	17%
Greater Perth*	301	10%
Rest of WA*	308	10%
Greater Hobart	120	25%
Rest of TAS	161	19%
ACT	91	33%

Source: SGS Economics and Planning (2017)

*RAI has been calculated using median rents for all dwellings rather than 3 bdr due to data unavailability

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

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

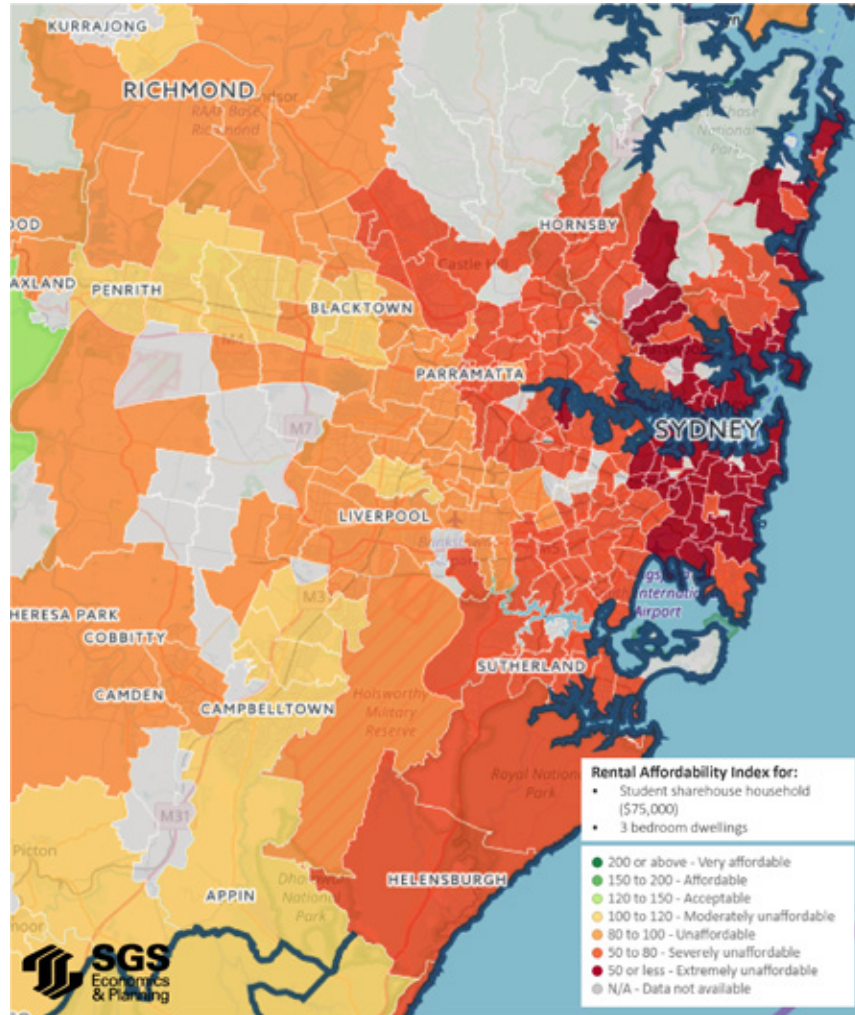
Rental Affordability Index



In the inner city, rents are Extremely Unaffordable and in the middle suburbs of metropolitan Sydney and in Western Sydney rents are Severely Unaffordable for student households.

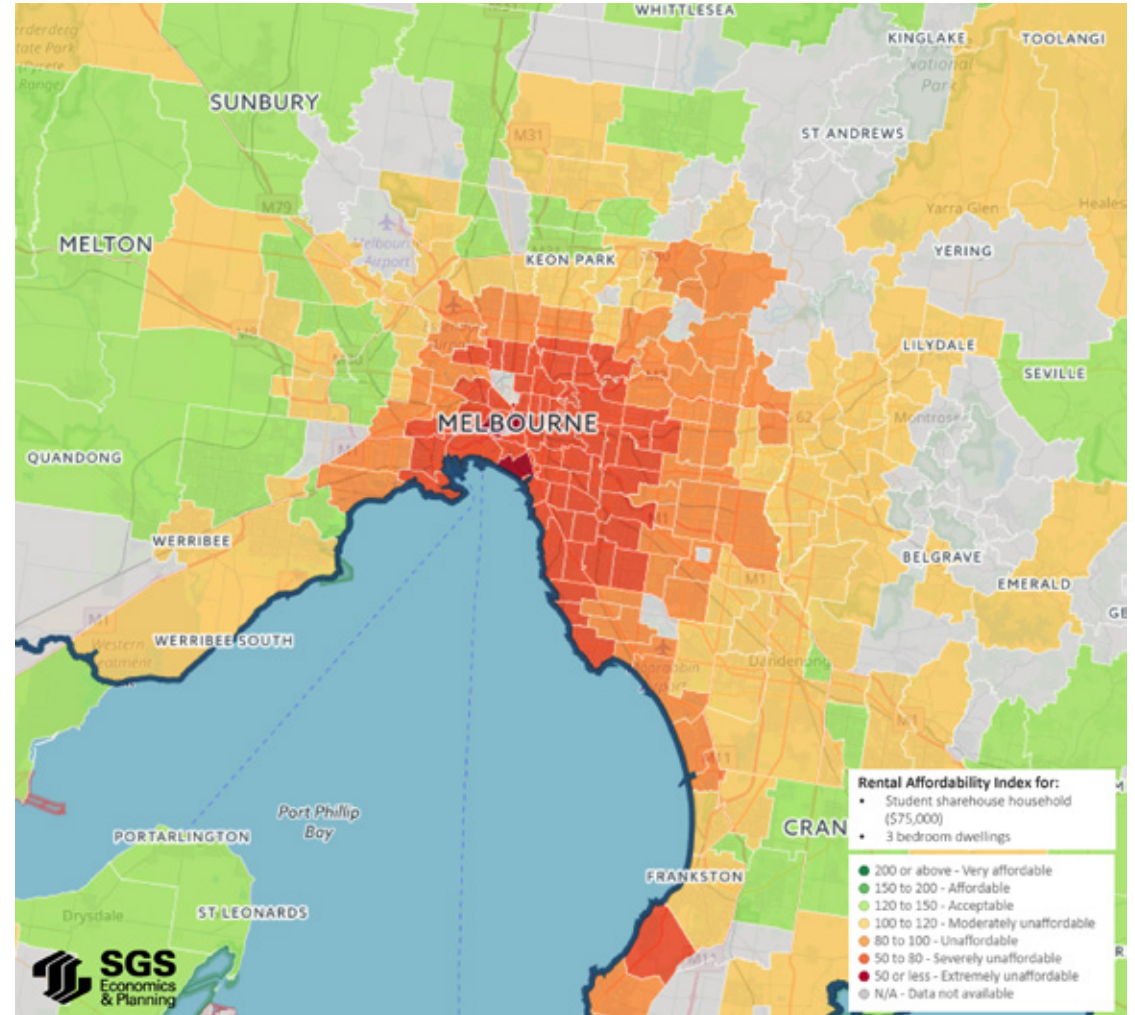


FIGURE 24. GREATER SYDNEY, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

FIGURE 25. GREATER MELBOURNE, JUNE QUARTER 2017



Source: SGS Economics and Planning, 2017

For student households looking to locate in the middle and inner suburbs of metropolitan Melbourne the situation is very difficult, with rents Severely Unaffordable in the inner to middle ring.

APPENDIX 1

The following provides information on state and territory specific methodological considerations, including exclusion parameters used to exclude outliers and erroneous data. Across all states, where no valid data was available, a RAI was not calculated.⁸

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 10 listings were excluded from the analysis.

NEW SOUTH WALES

- Regional level analysis uses the median rent of the Greater Metropolitan Region (GMR), as defined by Housing NSW. That is, the combined areas of:
 - Greater Sydney, and
 - The LGAs of Cessnock, Kiama, Lake Macquarie, Maitland, Newcastle, Port Stephens, Shellharbour and Wollongong.
- The average household incomes of the GMR is assumed to be equal to those in 'Greater Sydney', as defined by the Australia Bureau of Statistics (GCCSA).
- Data availability requires the overall RAI of Sydney and Rest of NSW to use the median rental price of 3 bedroom dwellings rather than the median of 'all dwellings.'
- Data for Metropolitan Sydney is available by postcode; for the Balance of NSW, data is only available at LGA level.
- Data was not available for areas with fewer than 10 listings; as such, this data was not included in the analysis.

NORTHERN TERRITORY

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

QUEENSLAND

- At this stage, rental data has been unavailable for all of Queensland. As a result indices for Queensland incorporate the following regions only:
 - Greater Brisbane (Brisbane City, Moreton Bay Regional, Logan City, Redland City and Ipswich City Councils);
 - Sunshine Coast (Sunshine Coast Regional Council);
 - Gold Coast (Gold Coast City and Scenic Rim Regional Councils);
 - Darling Downs (Toowoomba Regional, Goondiwindi Regional, Western Downs Regional and Southern Downs Regional Councils);
 - Central Queensland (Gympie Regional, Fraser Coast Regional, Bundaberg Regional, Gladstone Regional, Rockhampton Regional, Livingstone Shire and Central Highlands Regional Councils); and
 - North Queensland (Cairns Regional, Douglas Shire, Townsville City, Mackay Regional, Isaac regional, Whitsunday Regional, Mareeba Shire, Tablelands Regional, Burdekin Shire Councils).
- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories. E.g. the median rent of a 3 bedroom dwelling is estimated as the weighted average of the rents of 3 bedroom flats, 3 bedroom townhouses and 3 bedroom houses.
- The median rental price of 'all dwellings' is calculated as the weighted average of all 1-3 bedroom categories (this applies for overall RAI).
- Metro and regional median rents are not included in available data. They are calculated as the weighted average of postcode medians.
- Observations were excluded if there were fewer than 10 listings for that postcode.

SOUTH AUSTRALIA

- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories.
- Metro and regional median rents reflect true medians as they were supplied in the available data.
- As available data was separated into dwelling types, these medians were aggregated (using weighted averages) to estimate median rents for 2 and 3 bedroom dwellings.
- In the calculation of the RAI for average households across the state (i.e.. all dwellings), observations with fewer than 10 listings were excluded from the analysis.

⁸ Where a RAI could not be calculated, an 'n/a' is shown on the online map.



TASMANIA

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

VICTORIA

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

WESTERN AUSTRALIA

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



APPENDIX 2 - REFERENCE LIST

REFERENCE LIST FOR HOUSEHOLD PROFILES

Australian Bureau of Statistics (ABS) Census Data. Average Weekly Warnings, Australia, November 2016.

Available online: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>

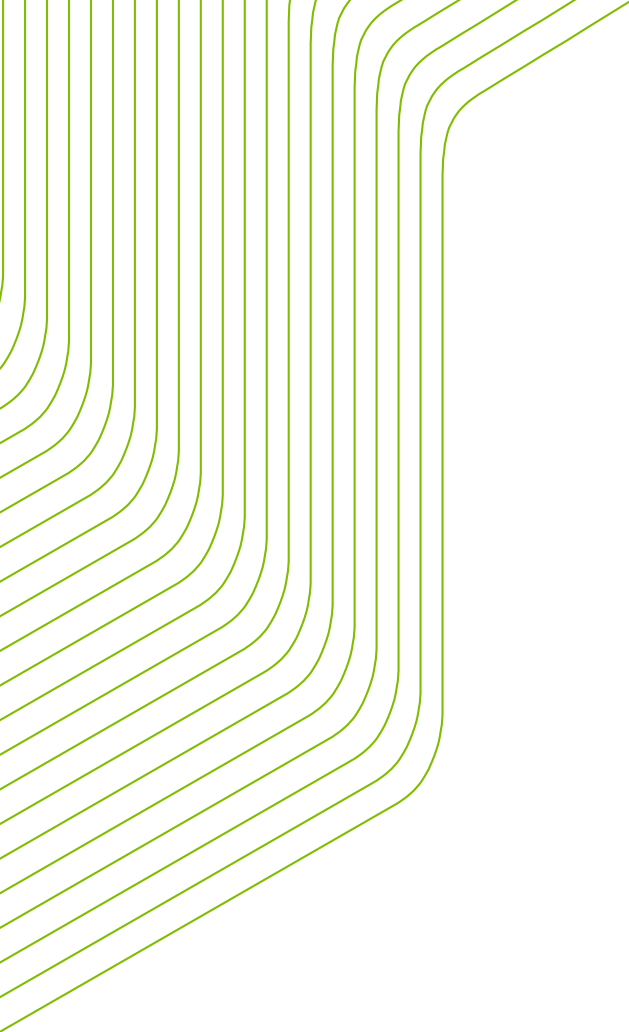
Australian Government Department of Social Services, Age Pension (2017).

Available online: <https://www.dss.gov.au/seniors/benefits-payments/age-pension>

Centrelink, Australian Government Department of Human Services (2017).

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