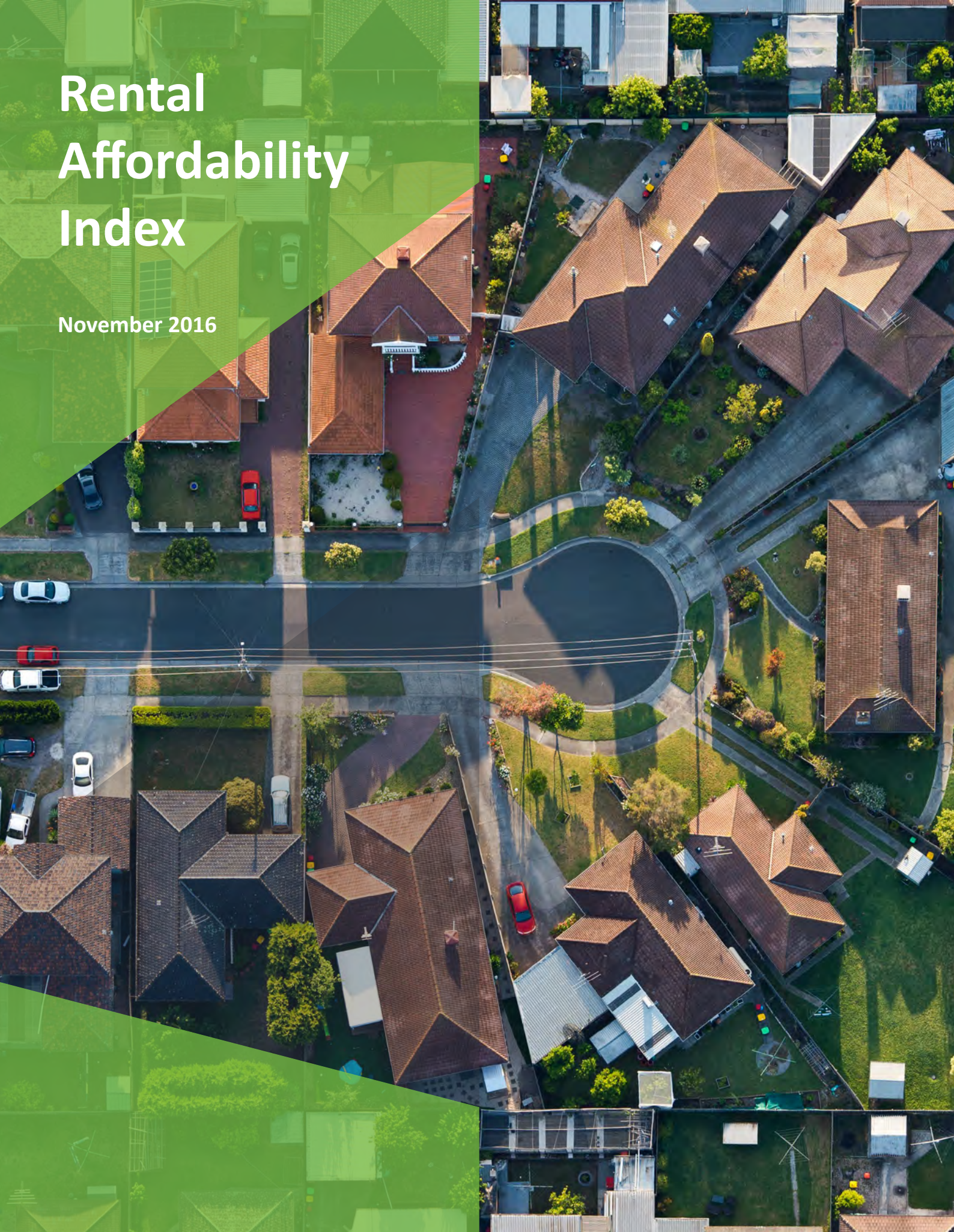


# Rental Affordability Index

November 2016







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# 1 INTRODUCTION

## 1.1 BACKGROUND AND AIM

National Shelter, Community Sector Banking and SGS have formed a partnership to develop and release the Rental Affordability Index (RAI) on a biannual basis. The RAI is intended to complement the Housing Affordability Index (HAI) which is a price index for the purchase of houses. It is an easy to understand indicator of rental affordability relative to household incomes and is applied to geographic areas across Australia. This report has been prepared in support of the third RAI release.

## 1.2 PUBLICATION INFORMATION

The RAI covers all states with available data. The Northern Territory and Australian Capital Territory do not form part of this release as rental bond data were not available to develop the RAI in these states. The RAI tracks rental affordability relative to income for all households, but focuses specifically on very low and low income family and non-family households. The indices are provided at state, metropolitan and balance of state levels. More detailed information is available at the postcode level across Australia 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/RAI.html>

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

## 1.3 METHOD

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

The method of the RAI uses the 30% of income rule and broadly aligns with the HAI approach. Rental affordability is calculated using the following equation:

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

Households paying 30% of income on rent have a RAI score of 100, indicating these households are at the critical threshold level of 30% for housing stress. Households paying close to 30% or more of their income on rent are generally seen to be in housing stress. Under

those circumstances the cost of housing is affecting a household's ability to pay for other primary needs including (not limited to):

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

The table below (Table 1) shows how RAI scores relate to the severity of housing unaffordability. Scores of 100 and less indicate that households spend 30% 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% or more of their income on rent. Extremely unaffordable rents occur when the index score is 50 or less, and households spend 60% 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% 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

<sup>1</sup> Qualifying income refers to the income required to pay rent where rent is 100% of income

## Income

The Index uses the average weekly household earnings of each region. Household income is sourced from 2011 census data. The measure of household income used is Total Household Income of households that rent. This measure is the sum of the total personal weekly incomes of each resident present in a household on census night.

To demonstrate rental affordability for the lower 40% and different household types, indices are generated for the following household types who occupy rented dwellings:

### 1. Family households:

- a. The 20% of households within the lowest household income quintile (Q1)
- b. The 20% of households within the second lowest household income quintile (Q2)

### 2. Non-family households (primarily lone person households):

- a. The 20% of households within the lowest household income quintile (Q1)
- b. The 20% of households within the second lowest household income quintile (Q2)

The household income quintiles are determined at an aggregated geographic level: Metropolitan and Balance of State. This way inherent income differences between States and urban versus regional areas are taken into account.

Within each state and regional areas (greater metropolitan region and rest of state), and for each household type (Family, Non-Family and all households), income quintiles are defined and the mean income of each quintile calculated.

The ABS time series of average weekly earnings (Cat 6302.0) is used to extrapolate the 2011 weekly household incomes for all except the lowest quintile. 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. The lowest income

quintile is extrapolated using the annual growth rates of Centrelink payments, specifically, the Newstart allowance payment.

## Median Rents

Analysis of census data indicates that across almost all income ranges, family households tend to rent 3 bedroom dwellings, while non-family households tend to rent 2 bedroom dwellings. For this reason, median rental prices have been calculated based on 3 and 2 bedroom dwellings respectively for family and non-family households.

For each geographic region (State, Metropolitan and Balance of State), 5 indices of rental affordability are calculated:

### 1. Overall RAI

- Uses median rental price of all dwellings and the average weekly household earnings of the region (across all household types)

### 2. Family households - first quintile

- Uses 75%<sup>2</sup> of the median rental price of three bedroom dwellings and the average weekly household earnings of the lowest income quintile (within family households only)

### 3. Family households – second quintile

- Uses the median rental price of three bedroom dwellings and the average weekly household earnings of the second lowest income quintile (within family households only)

### 4. Non-family households – first quintile

- Uses 75% of the median price of two bedroom dwellings and the average weekly household earnings of the lowest income quintile (within non-family households only).

### 5. Non-family households – second quintile

- Uses the media price of two bedroom dwellings and the average weekly household earnings of the second lowest income quintile (within non-family households only).

## 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.

<sup>2</sup> 75% of market rent is often used to calculate 'affordable housing' for low income households (for example by community housing organisations or through programs like NRAS). However, analysis shows that even 75% of market rent is often unaffordable for the lowest quintile.

## 2 NATIONAL TRENDS

### 2.1 METROPOLITAN AREAS

- Greater Sydney remains the least affordable of all the metropolitan areas.
- Greater Brisbane, Adelaide and Hobart have all experienced similar trends where affordability declined between the December 2015 and March 2016 quarters, and then recovered approximately to previous levels in the June 2016 quarter.
- Greater Perth continues to improve in rental affordability at a substantial rate. However, the first two quarters of 2016 have recorded the first decline in average household income in the metropolitan area since late 2013, indicating that this significant upward trend in affordability may not continue in future quarters.
- Greater Melbourne has recorded an overall decline in affordability since 2013 but remains relatively affordable compared to most other metropolitan areas.

TABLE 2. NATIONAL RAI TRENDS - METROPOLITAN AREAS

Region	2012		2013				2014				2015				2016		2 yr trend	Trend since last release
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2		
Greater Sydney	-	107	105	108	105	106	105	109	107	109	107	108	107	107	107	108	-0.8%	0.7%
Greater Brisbane	114	115	115	120	119	120	118	121	120	119	116	118	118	117	115	118	-2.0%	1.3%
Greater Adelaide	110	111	112	113	116	116	117	115	118	118	112	114	115	117	115	119	3.4%	1.5%
Greater Hobart							111	110	111	110	109	110	112	111	108	111	0.5%	0.0%
Greater Melbourne	127	128	129	130	131	129	129	129	128	126	127	127	126	125	125	126	-2.2%	1.3%
Greater Perth	107	107	105	106	107	108	109	109	114	115	117	119	123	126	128	131	20.3%	4.5%

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

TABLE 3. NATIONAL RAI SUMMARY - METROPOLITAN AREAS

Region	RAI (Q2 2016)	Share of hold income spent on rent	Relative unaffordability
Greater Sydney	108	28%	Moderately unaffordable rents
Greater Brisbane	118	25%	Moderately unaffordable rents
Greater Adelaide	119	25%	Moderately unaffordable rents
Greater Hobart	111	27%	Moderately unaffordable rents
Greater Melbourne	126	24%	Acceptable rents
Greater Perth	131	23%	Acceptable rents

## 2.2 REST OF STATE AREAS

- Like metropolitan Sydney, regional NSW remains the least affordable of the rest of state areas studied, though it has improved slightly over recent quarters.
- Regional WA continues to improve in affordability at a significant rate. It is the only metropolitan or rest of state area that is considered to have Affordable rents.
- Victoria is the only state to have a lower RAI in its rest of state area than in its greater metropolitan area.

TABLE 4. NATIONAL RAI TRENDS - REST OF STATE AREAS

Region	2012		2013				2014				2015				2016		2 yr trend	Trend since last release
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2		
Rest of NSW	107	109	109	109	110	111	108	113	114	112	109	110	111	111	112	112	-0.8%	0.7%
Rest of QLD.	109	112	114	117	118	119	120	122	123	123	122	123	121	121	121	123	1.3%	2.2%
Rest of SA	125	127	128	129	130	132	130	130	131	134	129	129	132	131	133	135	3.4%	3.1%
Rest of Tas.							117	116	121	117	123	120	118	117	121	119	3.1%	1.6%
Rest of Vic.	118	119	120	122	123	121	119	120	120	120	120	121	121	118	119	121	0.8%	2.6%
Rest of WA	97	88	83	108	106	102	108	101	122	128	135	137	144	149	149	153	51.9%	3.0%

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

TABLE 5. NATIONAL RAI SUMMARY - REST OF STATE AREAS

Region	RAI (Q2 2016)	Share of hold income spent on rent	Relative unaffordability
Greater Sydney	108	28%	Moderately unaffordable rents
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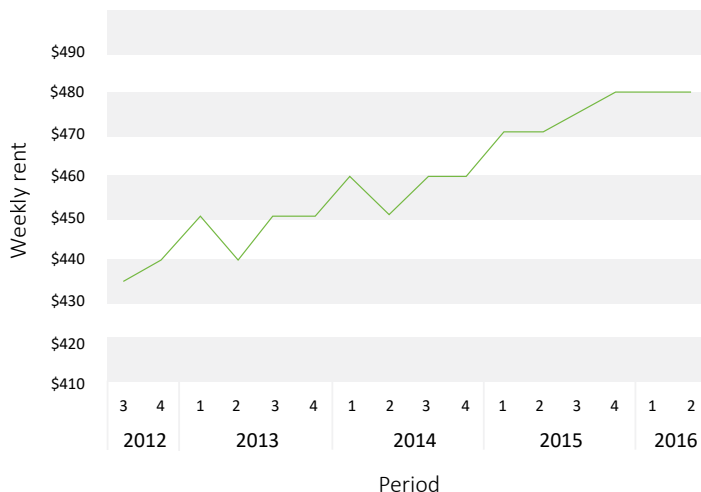
# 3 STATE TRENDS

## 3.1 NEW SOUTH WALES

### Greater Sydney

- With a RAI of 108 in the June quarter of 2016, Greater Sydney continues to be the least affordable of the metropolitan areas studied. With a median rent of \$480 per week, the average rental household would be looking at paying around 28 per cent of its total income on housing.
- The RAI has remained relatively steady in Greater Sydney over the past two years. While average household income has increased, so too have rent levels in the metropolitan area, and at a higher rate.
- There has been little geographical change in affordability in Sydney's inner suburbs. The Bondi Junction and Queens Park areas have improved but remain Severely Unaffordable. Most other inner city areas remain Extremely Unaffordable.
- Rental affordability remains at crisis levels for low income households. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 46 (same as last release)
  - Q1 non-families: 24 (same as last release)
  - Q2 families: 74 (same as last release)
  - Q2 non-families: 43 (up from 42)

FIGURE 1. CHANGE IN MEDIAN WEEKLY RENTS IN GREATER SYDNEY (SEP '12 - JUN '16)



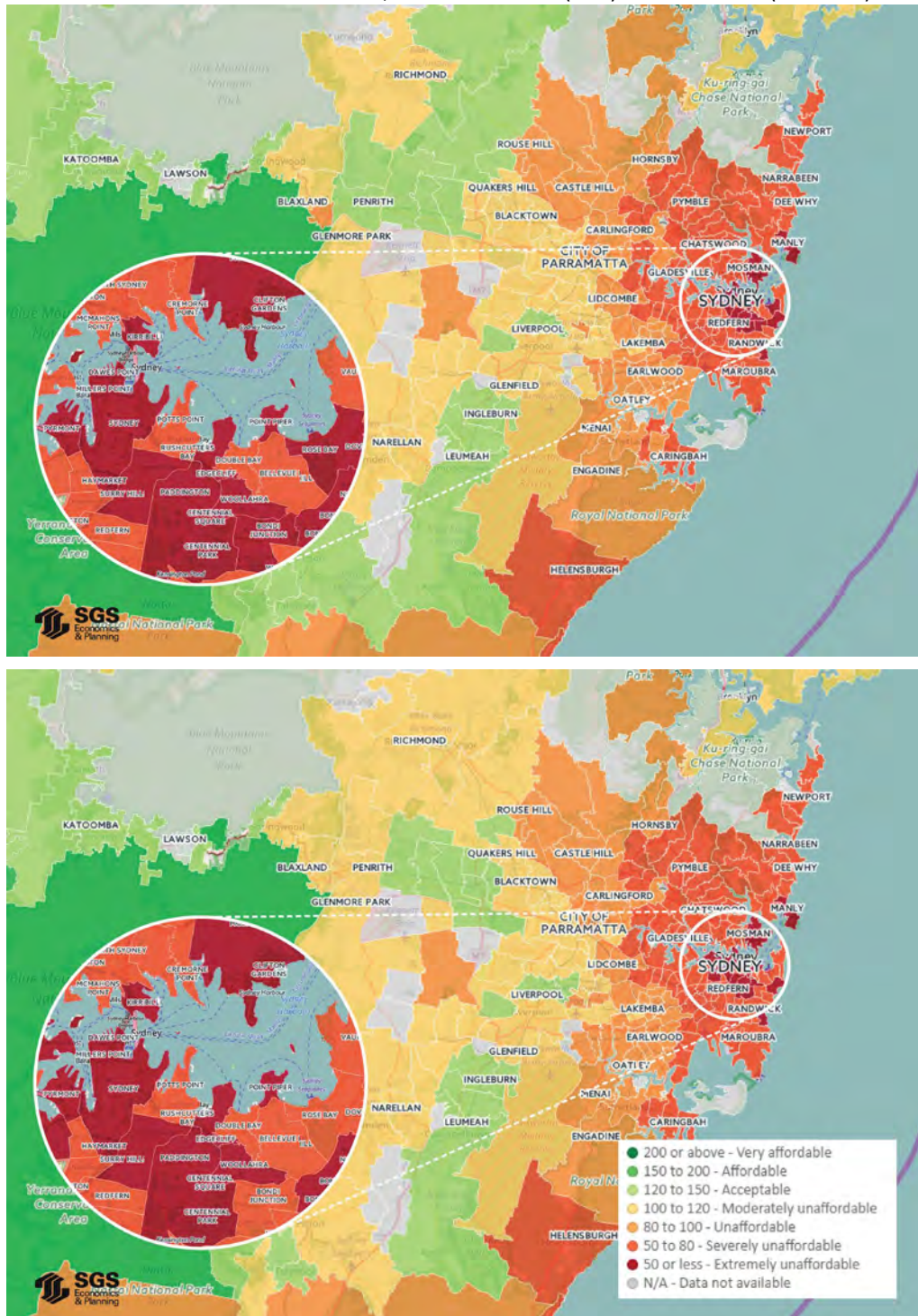
“Rental affordability remains at crisis level for low income households.”



<sup>a</sup> NSW RAI results may differ minimally from past releases due to an update of data.



FIGURE 2. INNER AND MIDDLE SYDNEY, DECEMBER 2015 (TOP) VS. JUNE 2016 (BOTTOM)



Source: SGS Economics and Planning (2016)

### Rest of NSW

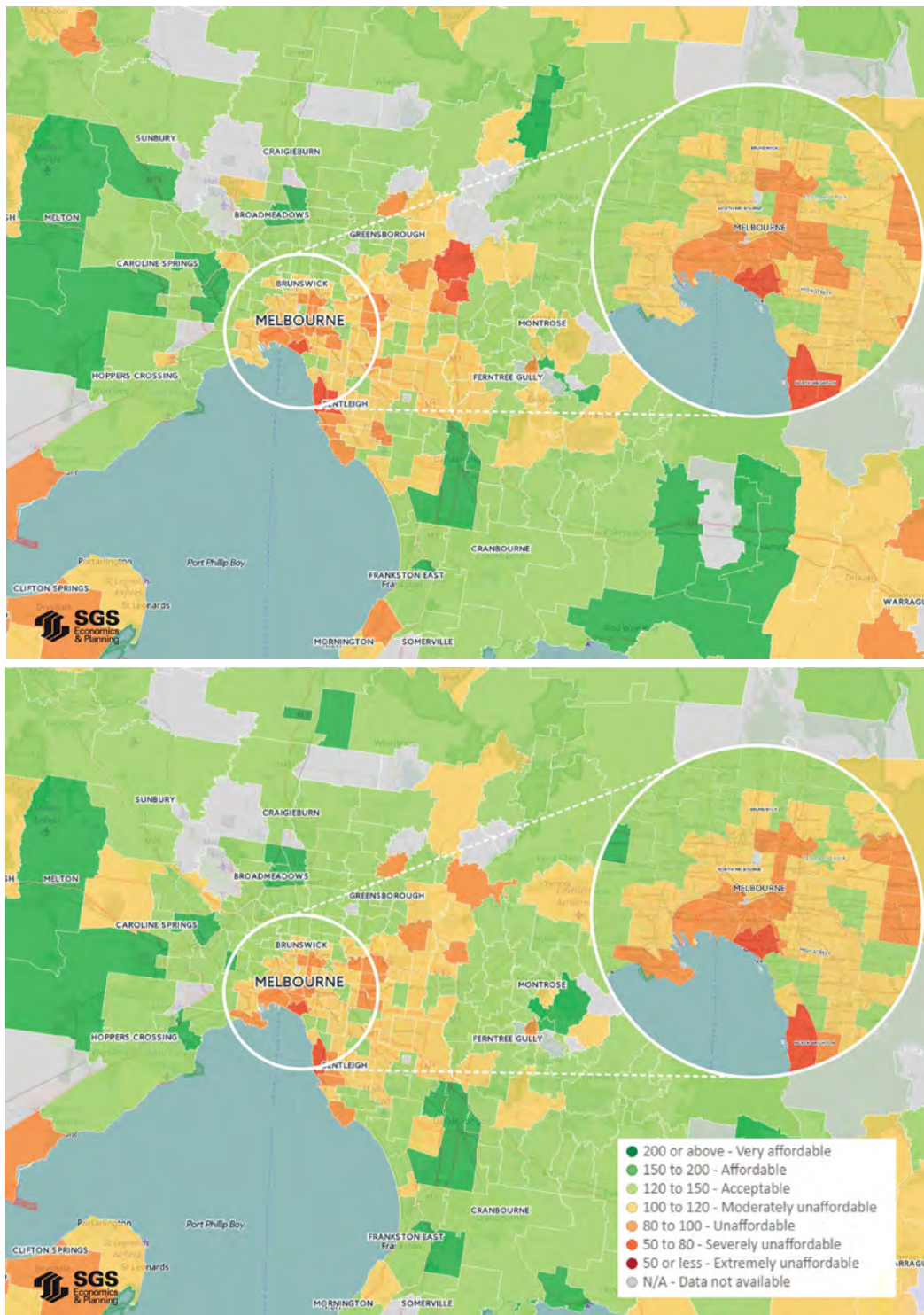
- With a RAI of 112, regional NSW has also only improved very slightly in affordability, and remains the least affordable of the rest of state areas studied.
- The slight improvement in affordability seen in regional NSW over the past year is a result of stable median rents. The average household seeking to rent in regional NSW would still, however face rent levels at 27 per cent of total income.
- Rents for low income households remain extremely unaffordable in regional NSW. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 58 (up from 57 at last release)
  - Q1 non-families: 37 (same as last release)
  - Q2 families: 77 (up from 76 at last release)
  - Q2 non-families: 49 (same as last release).

### 3.2 VICTORIA

#### Greater Melbourne

- With a RAI of 126 in the June quarter of 2016, Greater Melbourne is the second most affordable metropolitan area of the areas studied. The average household seeking to rent faces rent levels at around 24 per cent of its total income.
- Though it has experienced an overall decline in affordability since 2013 (the RAI was 131 at the September quarter of that year), Greater Melbourne's RAI has not yet declined to 2011 levels (119 at the March quarter of that year).

FIGURE 3. INNER AND MIDDLE MELBOURNE, DECEMBER 2015 (TOP) VS. JUNE 2016 (BOTTOM)



Source: SGS Economics and Planning (2016)



- Geographical analysis of the RAI across the metropolitan area uncovers a high level of spatial variability in Greater Melbourne's rental affordability, however. While areas with reasonable access to public transport, jobs and services in the inner and south-eastern suburbs are more likely to face Moderately Unaffordable to Severely

Unaffordable rents, areas with more affordable rents to the north and west are more likely to be poorly-served and have poor access to employment. This is further illustrated in Figure 4.

FIGURE 4. RENTAL AFFORDABILITY, ACCESS TO PUBLIC TRANSPORT, AND EFFECTIVE JOB DENSITY



Source: SGS Economics and Planning (2016)

Note: Effective job density (EJD) is a measure of the relative concentration of employment, derived from the density of all jobs across a region and travel times to them



- Melbourne's least and most affordable suburbs are listed in tables 6 and 7.
- There is also stark variation in rental affordability across income groups and household types. Quintile 1 (ie. lowest income) households in Greater Melbourne face the one of the worst rental affordability situations of all the metropolitan areas studied, particularly for non-family households. With a RAI of 27, Q1 non-families face rents at around 110 per cent of their total household income, signifying

lowest income households are pushed to the margins of the market.

- RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 57 (same as last release)
  - Q1 non-families: 27 (same as last release)
  - Q2 families: 93 (up from 92 at last release)
  - Q2 non-families: 53 (same as last release).

TABLE 6. TOP 6 LEAST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE 2016)

Rank	Postcode	Suburbs	RAI Score	Rent as share of income
1	3126	Camberwell East, Canterbury	89	34%
2	3187	Brighton East	89	34%
3	3207	Port Melbourne, Garden City	89	34%
4	3193	Cromer, Black Rock North, Beaumaris	81	37%
5	3186	Brighton, Brighton North, Dendy	75	40%
6	3206	Middle Park, Albert Park	75	40%

Source: SGS Economics and Planning (2016)

Note: This list does not include postcodes with fewer than 10 bond lodgement records in the June 2016 quarter.

TABLE 7. TOP 5 MOST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE 2016)

Rank	Postcode	Suburbs	RAI Score	Rent as share of income
1	3061	Campbellfield	177	17%
2	3337	Melton, Melton West, Toolern Vale, Kurunjang	170	18%
3	3200	Frankston North, Pines Forest	167	18%
4	3797	Gladysdale, Gilderoy, Yarra Junction, Powelltown, Three Bridges	165	18%
5	3172	Dandenong, Dandenong East, Dandenong South, Dandenong North, Bangholme, Dunearn	162	19%

Source: SGS Economics and Planning (2016)

Note: This list does not include postcodes with fewer than 10 bond lodgement records in the June 2016 quarter.



## Rest of Victoria

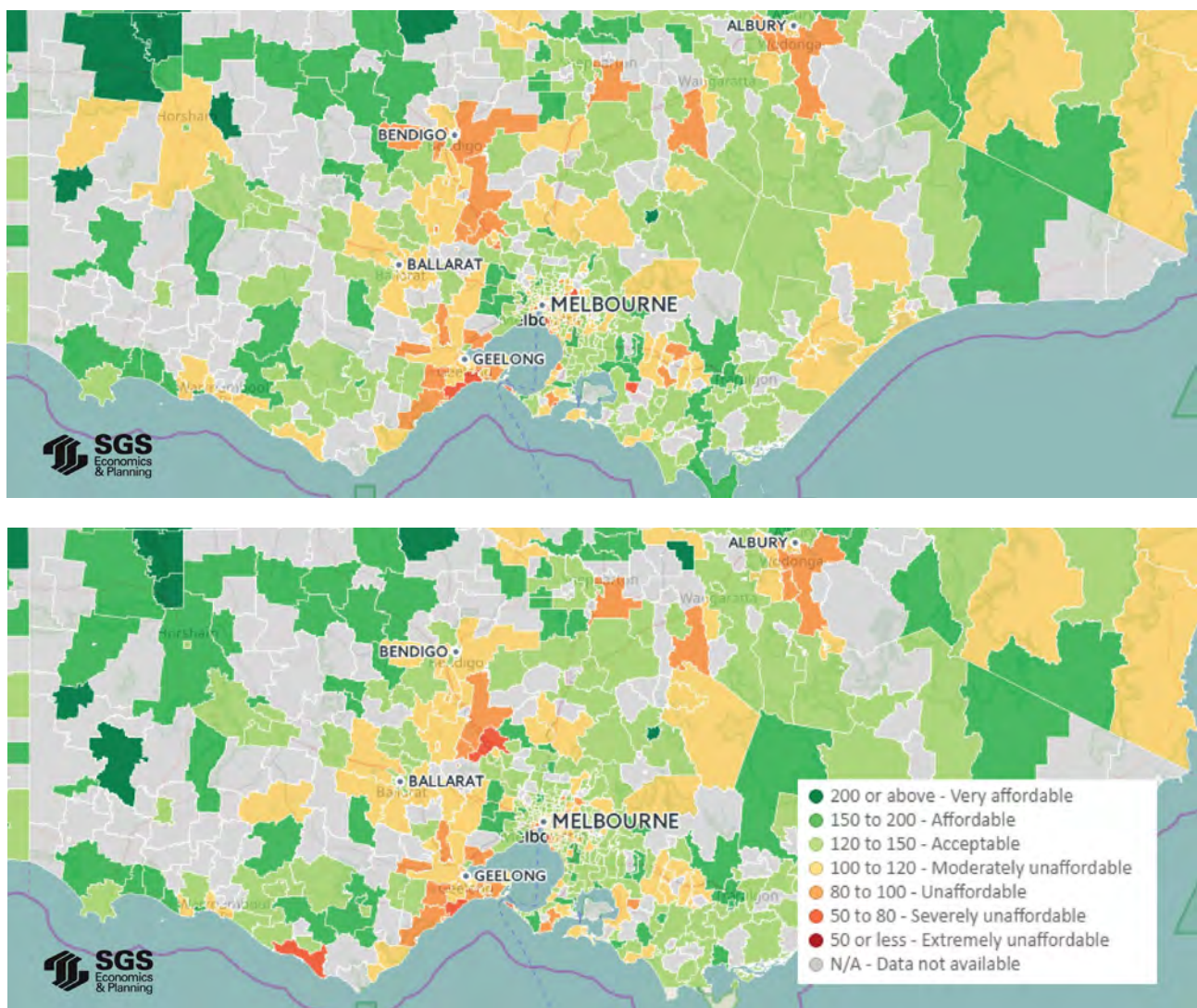
- With a RAI of 121, the average household seeking to rent faces rent levels at around 25 per cent of its total income.
- Victoria is the only state to have a lower RAI in its rest of state area than in its greater metropolitan area. With the average household earning only \$962 per week in regional Victoria, incomes are very low in regional Victoria relative to rents.
- Many of Victoria's regional city areas are unaffordable, including areas around the city centres of Bendigo, Ballarat and Mildura, which are Moderately Unaffordable to Unaffordable.
- The Geelong area, a major regional city within a commutable distance of Melbourne, is Moderately to Severely Unaffordable. Castlemaine, also within a reasonable distance from Melbourne, is Moderately Unaffordable.
- Rents for low income households remain extremely

“Victoria is the only state to have a lower RAI in its rest of state area than in its greater metropolitan area.”

unaffordable in regional Victoria. RAI scores for households in the lower income quintiles are as follows, (compared with December 2015 results):

- Q1 families: 48 (up from 47 at last release)
- Q1 non-families: 29 (up from 28 at last release)
- Q2 families: 85 (up from 83 at last release)
- Q2 non-families: 51 (50 at last release).

FIGURE 5. REGIONAL VICTORIA, DECEMBER 2015 (TOP) VS. JUNE 2016 (BOTTOM)



Source: SGS Economics and Planning (2016)

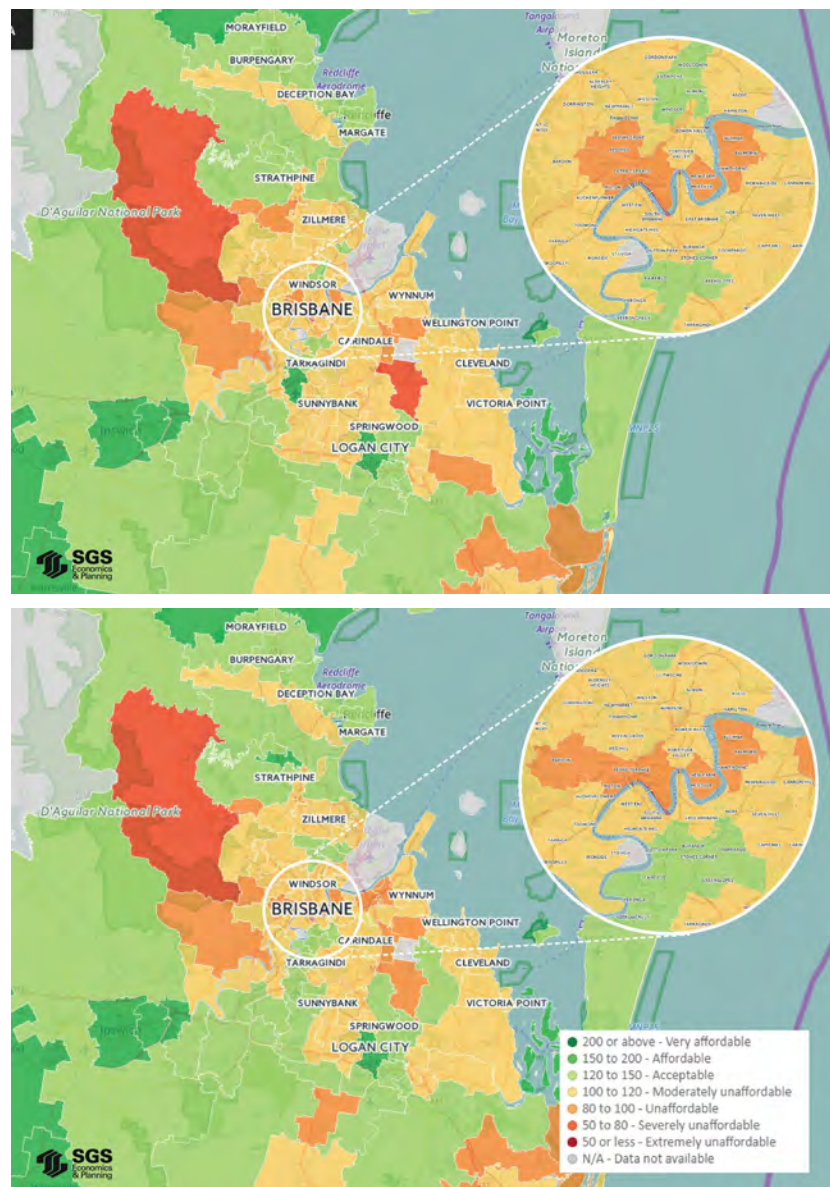


### 3.3 QUEENSLAND<sup>4</sup>

#### Greater Brisbane

- With a RAI of 118, affordability in Greater Brisbane has recovered to mid-2015 levels after a decline in late 2015. The average household seeking to rent in Greater Brisbane would be facing rents at 25 per cent of its total income.
- While incomes were in decline in Greater Brisbane across 2015, there has been a moderate increase in incomes over the first two quarters of 2016.
- Rises and falls in affordability in Greater Brisbane can be largely attributed to changing rent levels over the past two years. Median rent increased from \$399 per week in December 2015 to \$409 in March 2016, and then fell to \$397 in June 2016.
- Areas of inner Brisbane continue to improve in affordability, with the Red Hill and Kelvin Grove areas shifting from Unaffordable to Moderately Unaffordable, and the Dutton Park, Buranda and Windsor areas becoming Acceptable.
- Rents for low income households remain extremely unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 58 (same as last release)
  - Q1 non-families: 31 (down from 32)
  - Q2 families: 88 (down from 89)
  - Q2 non-families: 52 (down from 54).

FIGURE 6. INNER BRISBANE, DECEMBER 2015 (TOP) VS. JUNE 2016 (BOTTOM)



Source: SGS Economics and Planning (2016)

<sup>4</sup> Note: Queensland RAI results may differ minimally from past releases due to a. an update of data and b. changes to the method to ensure exclusion of rental medians derived from a relatively low number of records.



## Rest of Queensland

- Regional Queensland has a RAI of 123; the average household would face rents at 24 per cent of total income.
- In June 2016 regional Queensland was able to recover from a drop in affordability experienced in mid-2015, but the region still remains at Acceptable rent levels.
- Rents for low income households remain extremely unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with June 2015 results:
  - Q1 families: 52 (up from 51 at last release)
  - Q1 non-families: 41 (same as last release)
  - Q2 families: 78 (up from 77)
  - Q2 non-families: 56 (same as last release).

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“...The average household would face rents at 24 percent of total income.”

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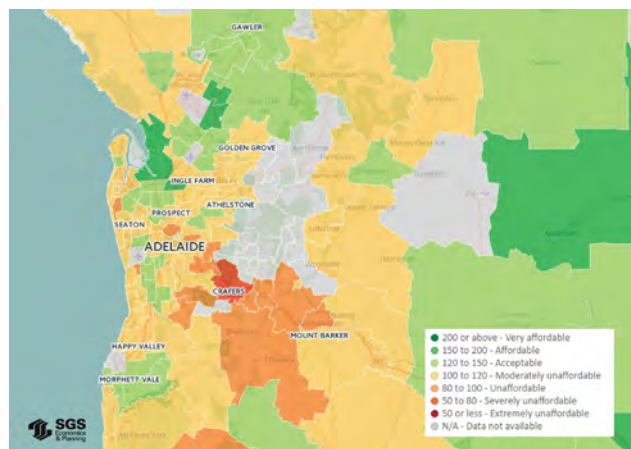
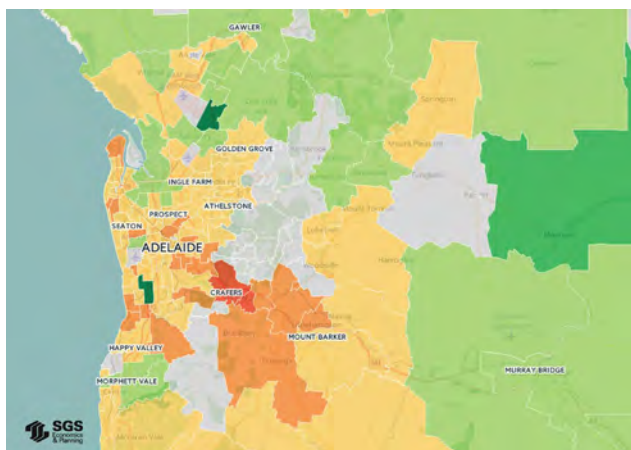
### 3.4 SOUTH AUSTRALIA

#### Greater Adelaide

- Greater Adelaide has a RAI of 119, the highest it has experienced in at least four years (RAI analysis extends back to Q3 2012).
- The average household seeking to rent faces rent levels at around 27 per cent of its total household income.
- Greater Adelaide has experienced a reasonable upward trend in rental affordability over the last two years. While recording a slight decline between the December 2015 and March 2016 quarters, it has recovered from this trend and increased overall by 2 since the last release.
- This upward trend is a result of household incomes rising at a greater rate than rents in recent years.

- Over the past three years, household income rose by 9.2 per cent, while rents only rose by 3.3 per cent.
- A few areas to the south and centre of Greater Adelaide (eg. Happy Valley, Darlington, Brighton and Unley) that were Unaffordable at the last release have since become Moderately Unaffordable, improving the geographic spread of affordability across the metropolitan area.
- Rents for low income households remain extremely unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 53 (same as last release)
  - Q1 non-families: 31 (up from 30)
  - Q2 families: 84 (up from 82)
  - Q2 non-families: 44 (up from 42).

FIGURE 8. GREATER ADELAIDE, DECEMBER 2015 (TOP) VS. JUNE 2016 (BOTTOM)



Source: SGS Economics and Planning (2016)

“Greater Adelaide has experienced a reasonable upward trend in rental affordability over the last two years.”

#### Rest of SA

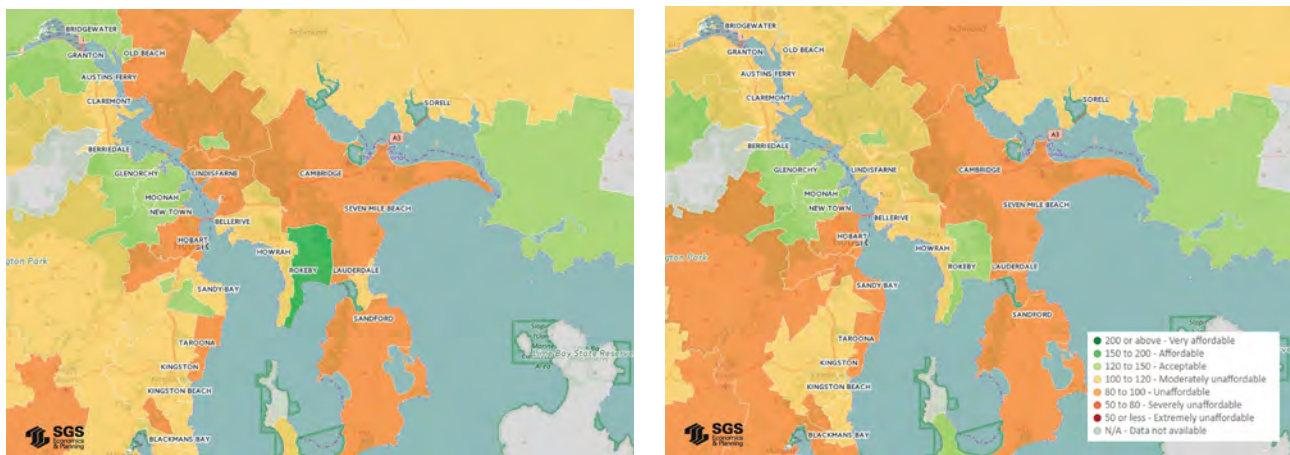
- Regional SA has a RAI of 135, with the average household seeking to rent facing rent levels at around 22 per cent of its total household income.
- Like the metropolitan area, regional SA is at its most affordable since at least four years (the RAI extends back to Q3 2015).
- Rents for low income households remain unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 73 (up from 72 at last release)
  - Q1 non-families: 49 (up from 47)
  - Q2 families: 99 (up from 96)
  - Q2 non-families: 62 (up from 60)

### 3.5 TASMANIA

#### Greater Hobart

- Greater Hobart has a RAI of 111; the average household seeking to rent in Greater Hobart would need to expend around 27 per cent of its total income on rent. Greater Hobart has the second worst rental affordability situation after Greater Sydney.
- Hobart has experienced a minimal upward trend over the last two years. While affordability appeared to be declined in the latter half of 2015, at June 2016 it had recovered slightly.
- Growth in household income over the past year (June 2015 to June 2016) has overall been slightly higher than growth in household rents.
- Areas in the western region of Greater Hobart have become Unaffordable since the last release, including Margate.
- Rents for low income households remain extremely unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 54 (down from 55 at last release)
  - Q1 non-families: 33 (up from 32)
  - Q2 families: 72 (down from 73)
  - Q2 non-families: 44 (up from 43).

FIGURE 9. GREATER HOBART, DECEMBER 2015 (LEFT) VS. JUNE 2016 (RIGHT)



Source: SGS Economics and Planning (2016)

“Greater Hobart has the second worst rental affordability situation after Greater Sydney.”

#### Rest of Tasmania

- Regional Tasmania has a RAI of 119; the average household seeking to rent would be paying around 25 per cent of its income on rent.
- Over the past two years regional Tasmania has seen a moderate upward trend in affordability, though it is currently less affordable than it was in the first two quarters of 2015.
- Rents for low income households remain extremely unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 45 (down from 46 at last release)
  - Q1 non-families: 43 (same)
  - Q2 families: 78 (down from 79)
  - Q2 non-families: 56 (up from 55)

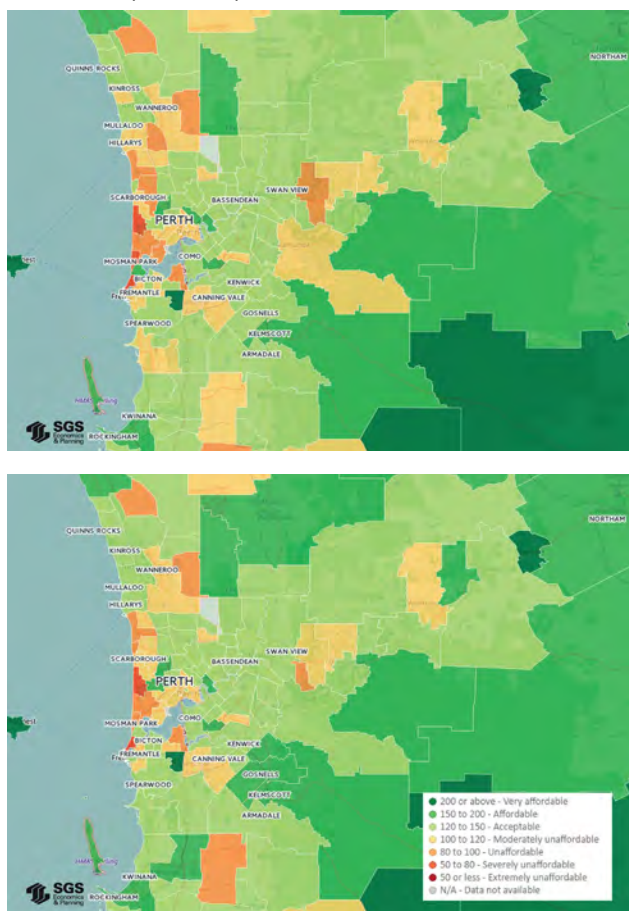


### 3.6 WESTERN AUSTRALIA

#### Greater Perth

- Greater Perth has a RAI of 131, with the average household seeking to rent in the metropolitan area facing rent levels at 23 per cent of its total income.
- Rental affordability in Greater Perth has continued to grow at a substantial rate. Two years ago (June 2014) the RAI was 109, and one year ago (June 2015) it was 119.
- While Greater Perth has experienced continuous levels of household income growth since early 2014 (and concurrent declining rent levels), this trend did not continue into the first two quarters of 2016. While rents continued to decline, there was a minimal drop in household income levels in both quarters. This indicates that Greater Perth may become only moderately more affordable in coming quarters.

FIGURE 10. GREATER PERTH, DECEMBER 2015 (TOP) VS. JUNE 2016 (BOTTOM)



Source: SGS Economics and Planning (2016)

- Greater Perth has very few areas of Severely Unaffordable rents; those areas that fall into this category are located in central Perth, along the western shore.
- Rents for low income households remain unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with June 2015 results:
  - Q1 families: 59 (up from 56 at last release)
  - Q1 non-families: 32 (up from 31 at last release)
  - Q2 families: 93 (up from 89 at last release)
  - Q2 non-families: 46 (up from 44 at last release)

#### Rest of WA

- Regional WA has a RAI of 153, with the average household facing rents at 20 per cent of income. This is considered Affordable, as a reasonable majority of households would not be spending more than 30 per cent of their income on rent.
- Increase in affordability continues to be even more significant in regional WA than in the metropolitan area. In June 2014 its RAI was 101, and in June 2015 it was 137.
- Rents for low income households remain mostly unaffordable. RAI scores for households in the lower income quintiles are as follows, with a comparison with December 2015 results:
  - Q1 families: 66 (up from 64 at last release)
  - Q1 non-families: 38 (up from 36 at last release)
  - Q2 families: 103 (up from 100 at last release)
  - Q2 non-families: 50 (up from 49 at last release).



# 4 APPENDIX

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

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

The following provides information on state specific methodological considerations, including exclusion parameters used to exclude outliers and erroneous data.<sup>5</sup>

## Australian Capital Territory

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

## New South Wales

- Regional level analysis uses the median rent of the Greater Sydney area 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.
- Average household incomes in Greater Sydney as defined by the Australia Bureau of Statistics (GCCSA) is applied to this median.
- Analysis of the metropolitan region by small geographic area uses both median rents and incomes within Greater Sydney as defined by the Australian Bureau of Statistics (GCCSA).
- Data availability requires overall RAI 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 they were in the top 0.2% of all observations in the state to remove

<sup>5</sup> Note: Across all states, where data for a postcode or LGA was unavailable or not useable, observations from the most recent quarter with valid data for the same geographical area was used. Where no valid data was available, a RAI was not calculated.

outliers from the analysis. Data was not available for areas with fewer than 5 listings; as such, this data was not included in the analysis.

#### South Australia

- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories.
- Metro and regional median rents reflect true medians as they were supplied in the available data.
- As available data was separated into dwelling types, these medians were aggregated (using weighted averages) to estimate median rents for 2 and 3 bedroom dwellings.
- In the calculation of the RAI for average households across the state (ie. all dwellings), observations with fewer than 5 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 1-4 bedroom dwellings.
- All observations with fewer than 5 listings were

excluded from the analysis.

#### Victoria

- Metro and regional rents are calculated as true medians as unit records are available.
- The overall RAI uses the median of all dwellings.
- All observations with fewer than 5 listings were excluded from the analysis.

#### Western Australia

- Outliers were filtered, given a wide range of observations. Observations were excluded if they were in the top/bottom 2% of observations across the state or if the median was based on fewer than 5 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). This means that the overall RAI, Family RAI and Non-family RAI are all based on the same median rent data.





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