Rental Affordability Index

November 2015, RAI Release Report

Community Sector Banking, Shelter Australia and SGS Economics & Planning

national shelter

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Foreword

The Rental Affordability Index is a project made possible by a partnership between National Shelter, the peak NGO for housing policy and advocacy, Community Sector Banking (CSB) who backed the idea through sponsorship and SGS Economics and Planning who generously contributed their resources, staff time and expertise, to fill a major gap in housing data.

The index tracks household rents against household incomes in capital cities and regions across Australia and reveals a deterioration in our rental affordability, a result of 25 years of policy inadequacy and market failure.

It shows why our low income households live in poverty and why life is a struggle, often a desperate one for moderate income working families. Rental un-affordability is a drag on productivity and inhibits the social and economic participation of our growing renting population. It requires a serious long term response from governments who must achieve a multi-party agreement to sustain policy and market reform.

The gestation of the index came from National Shelter's frustration at media and political obsession with house purchase markets and a lack of attention to the severe housing stress experienced by renting Australians. It has been made possible however by the goodwill and support of the partners. Many people have contributed to its realisation and I wish to acknowledge the following individuals and organisations without whom it may not have been achieved:

- Queensland Shelter who invested in the first prototype.
- Tegan Richardson and Vanessa Bennett who
- conceptualised the index.
- Greg Peel (CSB) who saw the point and backed it in.
- Marcus Spiller (SGS) who also saw the point, the fit with SGS and also backed it in.
- Ellen Witte and her team at SGS, Kishan Ratnam, Keeley Allen, Laura Schmahmann, Geetha Pathan, Hayley Henderson, Andie Yam and others, who developed the index and have undertaken the number crunching and analysis.

It is our intention to take the index back over time and to cover every capital and region. At the moment we are missing the ACT and the NT while we identify appropriate data sources. It will be updated quarterly to track rental affordability over time. We believe the index provides a missing link in Australia's housing data and provides the tools to enable us all to better understand the importance of rental housing in our overall housing mix.

Adrian Pisarski
Executive Officer National Shelter

Executive Summary

For some time, the discussion on housing affordability in Australia has focused on the increasing cost of purchasing a home. Importantly, focusing on housing affordability through the lens of home ownership, does not provide insight into the households that are struggling with housing affordability most – those in the rental market.

Shelter Australia, Community Sector Banking and SGS Economics and Planning have formed a partnership to develop the Rental Affordability Index (RAI). The RAI examines rental affordability for all renting households in each state of Australia by postcode or suburb, and is produced quarterly. The RAI examines affordability trends in the rental market, with a particular focus on low income households.

A growing number of households across our cities and regions are being left with very little disposable income after paying for rent, risking their ability to pay for other necessities such as food, water, healthcare, transport and education. This is creating a divide in our cities between where the opportunities exist and where households are located.

The Rental Affordability Index

It is generally accepted that if housing costs exceed 30% of a low income household's (households with the lowest 40% of income) gross income, then that household is experiencing housing stress (30/40 rule). In the RAI, households who are paying 30% of income on rent have a score of 100, indicating that these households are at the critical threshold for housing stress. A score of 100 or less indicates that households would pay more than 30% of income to access a rental dwelling, meaning they are at risk of experiencing housing stress.

The following household types are examined in detail by the RAI:

- Average income households
- Family households
- The 20% of households within the lowest household income quintile (Q1)
- The 20% of households within the second lowest household income quintile (Q2)
- Non-family households (primarily lone person households)
- The 20% of households within the lowest household income quintile (Q1)
- The 20% of households within the second lowest household income quintile (Q2)

First income quintile households are often welfare dependent, earning incomes of $497 on average for family households and $252 for non-family households (Greater Sydney).

Second income quintile family households are working families earning around $1,019 per week (Greater Sydney, ABS Average Weekly Earnings). These households hold a range of key occupations. These households may include (May 2014 levels, ABS Employee Earnings and Hours):

- A full-time dental nurse and part-time teachers aid ($1084)
- A full-time electrical apprentice and a part-time aged care worker ($1072)
- A full-time hairdresser and part-time truck driver ($1113)
- A full-time teacher (level 2) and an apprentice sales worker ($1152)

The average household income earns around $1,474 per week (Greater Sydney). Typical occupations in this group are:

- Community and personal service workers ($798) plus part-time machinery operators ($750)
- Technicians and trade workers ($1,430)
- Professionals at ($1,555)
- Two full-time sales workers at $737 each

Summary of findings

Although average rental affordability remained below 30% across all states, those households falling into the lowest 40% of income consistently face severely and extremely unaffordable rents. This is the case in all regions of Australia – including all cities and all regional areas – with non-family households suffering the most. In the worst cases, non-family households are spending more than 60% of their income on housing. This is the case in Greater Sydney and Greater Melbourne. Causes of homelessness are shifting from traditional factors such as escaping abuse, substance misuse, mental health issues and overcrowded housing, to economic factors such as being pushed out of the housing market by those with higher incomes.

In Greater Sydney, Greater Adelaide and Greater Hobart rents are moderately unaffordable - signalling that rental costs are approaching the 30% threshold. Since 2012 Greater Perth has become considerably more affordable, although rents remain moderately unaffordable in 2015. On average, Greater Melbourne and Greater Brisbane have acceptable rents for average income households.

In regional areas, overall rental affordability has improved in all states since 2012. Regional WA made the most significant progress, moving from the least affordable regional area in 2012 to the most affordable regional area in 2015.

New South Wales

Rental affordability in Greater Sydney is in a critical position with the average household required to spend 28% of household income on rent to access a rental dwelling, putting them very close to the 30% rental stress threshold. All households in the lowest two quintiles are facing severely and extremely unaffordable rents. Non-family households in the lowest income bracket are being hit hardest with the cost of rent, scoring less than 25 on the index.
With a RAI of 110, rental affordability in regional NSW is very similar to that of metropolitan Sydney. Affordability has decreased from a score of 114 in September 2014. Renting a home in regional NSW would see Q1 non-family households spending 83% of their income on rent. These households rely on social housing.

Victoria

Greater Melbourne has consistently been the most affordable capital city over the last three years. Rental affordability is acceptable for the average household in Greater Melbourne, with households paying about 24% of income on rent to access a rental dwelling. However rents are severely unaffordable for households in Greater Melbourne's first income quintile (Q1), with non-family households affected most severely.

In Regional Victoria the RAI was 121 slightly increasing from the June 2012 quarter and highlighting that renting is less affordable in regional areas than in metropolitan Melbourne. The RAI for lower income households in regional Victoria falls well below the threshold of 100, indicating unaffordable rents for low income groups.

Queensland

Greater Brisbane has a RAI score of 121 in Q2 2015, highlighting relative affordability across the metropolitan area, an improvement from 2012. Rental affordability for very low and low income households in Greater Brisbane however is well below the threshold index level of 100. The RAI for family households in this group was 56 and 33 for non-family households. A family household would need to spend 54% of income on rent, while non-family households would need to spend 91%. This means these households largely depend on social housing. Second income quintile households is 86 for Q2 family households and 55 for non-family households. This means rents are unaffordable to severely unaffordable for these working households.

Similar to Greater Brisbane, rental housing in Regional Queensland (QLD) is relatively affordable for the average household. However, family households on very low incomes (Q1) are exposed to extremely unaffordable rents, with a score of 49 for family, and 42 for non-family households.

South Australia

The RAI for Greater Adelaide in the second quarter of 2015 was 114, a marginal increase from 110 in the third quarter of 2012. Although this scores above the critical threshold of 100, the overall rental situation across the metropolitan area indicates that the average household faces moderately unaffordable rents, paying approximately 26% of income to enter a rental dwelling. To access a rental dwelling, very low income family households (Q1) would be paying 59% of income.

Overall, rents are affordable in Regional South Australia (SA) for average income households. However, very low income households face severely unaffordable rents. Second quintile income households (Q2), mostly working families, face unaffordable rents. For non-family households in the second quintile, rents are severely unaffordable, paying around 51% of income to access rental housing.

Tasmania

Affordability in Greater Hobart has remained relatively stable in recent quarters, improving marginally from 109 to 110 since the first quarter of 2014. The RAI for Greater Hobart as a whole in June 2015 was 110, registering just above the affordability threshold and exposing the average household to moderate housing stress. While rents in Tasmania are lower compared to other capital cities, so are household incomes. The average household would pay 27% of income on rent. Low income households face unaffordable rents both in Greater Hobart and in the balance of the State.

The RAI for Regional Tasmania in the most recent quarter was 119. The index has declined from 123 in the first quarter of 2015.

Western Australia

The RAI for Greater Perth in the second quarter of 2015 was 119. Affordability has been increasing at a very strong rate across the metropolitan area, with the RAI just a year before at 101. This means that the average household would spend 25% of income on rent if they entered a rental dwelling under current market conditions.

While there have been modest improvements in recent quarters, rents remain critically unaffordable for Q1 households, particularly the latter non-family group. This exposes the lowest income family households to severe housing stress and non-family households to extreme housing stress.

Regional Western Australia (WA) has seen a significant increase in rental affordability over the past three years, and rental affordability turned from below to above the critical threshold level of 100. The RAI for regional WA was 137 in the second quarter of 2015, increasing from 101 twelve months prior. Rental housing in regional WA is currently at a level more affordable than metropolitan Perth. For the average household, rents are affordable. Rents are still unaffordable in mining areas such as Port Hedland.

Introduction

Background and Aim

Shelter Australia, Community Sector Banking and SGS have formed a partnership to develop and release the Rental Affordability Index (RAI) on a quarterly basis. The RAI is intended to complement the Housing Affordability Index (HAI) developed by the Commonwealth Bank of Australia and Housing Industry Association (HIA). It is an easy to understand indicator of rental affordability applied to geographic areas across Australia. This report has been prepared in support of the first RAI release.

Currently, there is a gap in understanding housing affordability in Australia as the HAI approach is focused on the purchase housing market accessed by moderate to high income households. The RAI seeks to broaden this focus by examining trends in the rental market, including a particular focus on low income households. The aim of the RAI is to provide robust evidence that tracks the changing nature of rental affordability across Australia.

Publication information

One main Rental Affordability Index will be released each quarter on rental affordability for all rental households in each state. This will be complemented by indices on rental affordability for very low and low income family and non-family households (households in the first and second income quintile). The indices will be available at State, metropolitan/ balance of State and local (postcode and local government area (LGA) levels.

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 significantly 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:

RAI = (Median income/qualifying income[1])*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 financial stress results in: mental health issues; reduced ability to access places of work, education, health care and other services; poorer education outcomes; lower confidence and diminished career outlooks for parents and children alike.

An inability to acquire household goods, access services when needed and/or to pay off debts may result in households becoming trapped in a debt spiral, where new debts are taken up in order to pay off older debts.

The table below (Table 1) shows how the RAI relates 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.

[1] 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. 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:

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%	Severely unaffordable rents
80-100	30%	Unaffordable rents
100-120	25%	Moderately unaffordable rents
120-150	20%	Acceptable rents
150+	15% or less	Affordable rents

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)

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%[2] 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.

[2] 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.

Results

Australian-wide results

The Rental Affordability Index (RAI) has been calculated for all Australian regions. This section reports on the RAI for all capital cities and for the balance of each state. The index uses the median rental price of all dwellings and the average weekly household earnings of the region (for more information see Chapter 1). With the exception of the ACT and Northern Territory, rental data is available fairly consistently for all capital cities from 2012.

Australian major cities

The RAI for the average income household - consisting mostly of working families and single person households – has been relatively stable in recent years (Figure 2).

Rental affordability in Greater Sydney is most critical with a score of just 108, over the second quarter in 2015. This means that the average household in Greater Sydney will be close to the critical threshold level of spending 30% of income on rent. In fact, an index of 108 indicates that a household would need to pay 28% of household income on rent in order to access a rental dwelling in Greater Sydney.

Other metropolitan regions where the average household would spend close to 30% on rent are Greater Hobart, Greater Adelaide and Greater Perth. While rents in Hobart and Adelaide are relatively low, households also tend to earn substantially lower incomes.

Rental affordability has improved considerably in Greater Perth in recent years, tracking from just 105 in the first quarter of 2013, to 119 in the second quarter of 2015. With scores of 121 and 127 respectively, Greater Brisbane and Melbourne have acceptable rents overall.

FIGURE 1. RENTAL AFFORDABILITY INDEX: AUSTRALIAN CAPITAL CITIES 2012-2015

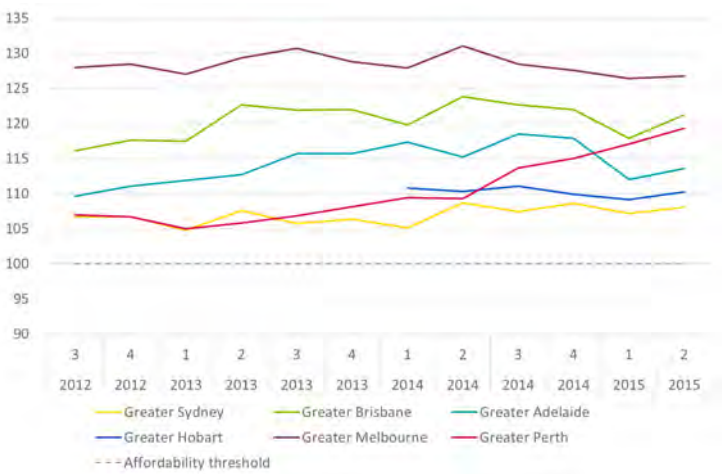


TABLE 2. RENTAL AFFORDABILITY INDEX BY CAPITAL CITY AND QUARTER

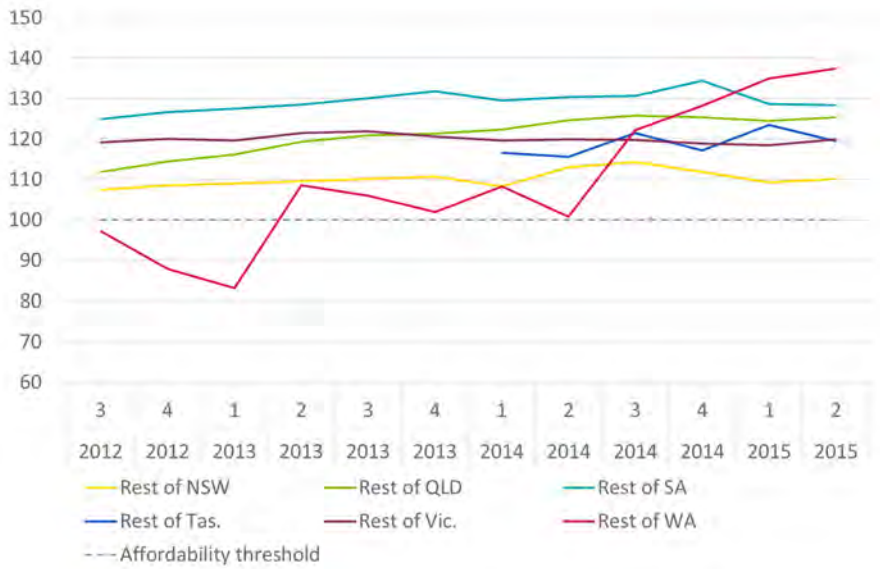
Region	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015	
	3	4	1	2	3	4	1	2	3	4	1	2	
Greater Sydney	107	107	105	108	106	106	105	109	107	109	107	108	Moderately unaffordable rents
Greater Brisbane	114	115	115	120	119	120	118	121	120	119	116	118	Acceptable rents
Greater Adelaide	110	111	112	113	116	116	117	115	118	118	117	114	Moderately unaffordable rents
Greater Hobart							111	110	111	110	109	110	Moderately unaffordable rents
Greater Melbourne	127	128	126	130	129	129	127	129	128	126	127	127	Acceptable rents
Greater Perth	107	107	105	106	107	108	109	109	114	115	117	119	Moderately unaffordable rents

Australian regions

Rental housing is generally more affordable in regional areas than in major cities, with the exception of Perth. Some key findings relating to the RAI for regional areas from recent years include:

- Affordability in regional areas has generally improved over the last three years[3], especially in WA.
- Regional New South Wales and Tasmania are the only regional areas where the RAI is below 120 for the average household. The RAI for regional NSW is 110, indicating that households would have to spend 27% of income on rent.

FIGURE 2. RENTAL AFFORDABILITY INDEX: AUSTRALIAN REGIONS 2012-2015



Source: SGS Economics & Planning

TABLE 3. RENTAL AFFORDABILITY INDEX BY BALANCE OF STATE REGION & QUARTER

Region	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015	
	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	Moderately unaffordable rents
Rest of QLD	109	112	114	117	118	119	120	122	123	122	122	123	Acceptable rents
Rest of SA	125	127	128	128	130	132	129	130	131	134	129	128	Moderately unaffordable rents
Rest of Tas.							117	116	121	117	123	119	Moderately unaffordable rents
Rest of Vic.	121	119	120	122	123	121	119	120	120	118	118	121	Acceptable rents
Rest of WA	97	88	83	108	106	102	108	101	122	128	135	137	Acceptable rents

Source: SGS Economics & Planning

The small area RAI data presented in this report further show that rental affordability is low in all capital cities, within commuting distance of the CBDs. With some exceptions, outer areas are more affordable compared to inner areas In particular, Greater Melbourne, Sydney, Perth and Brisbane demonstrate a strong trend of improving rental affordability the further households live from CBD.

[3] Based on states with available data

New South Wales

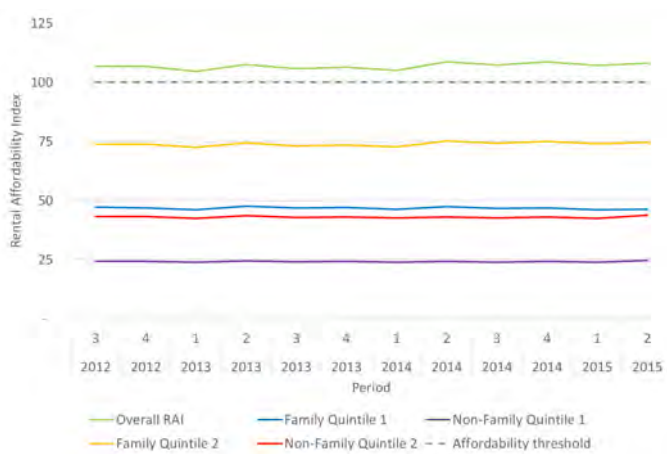
Rental unaffordability across the board, and a dire situation for low income households

Greater Sydney

Affordability in **Greater Sydney** has been relatively stable in recent years. The RAI in the second quarter of 2015 was **108**, improving slightly from 107 in the third quarter of 2012. This means that the average income household would need to spend 28% of income on rent. This is very close to 30%; the rental affordability threshold level.

Housing is extremely unaffordable for the very low income (Q1) households in Greater Sydney. While rents offered at 75% of the market value are often considered 'affordable', the RAI for the lowest quintile households shows that even subsidised rents[4] are vastly unaffordable to these households.

FIGURE 3. ALL RENTAL AFFORDABILITY INDICES GREATER SYDNEY 2012-2015



Source: SGS Economics & Planning

The RAI for very low income family and non-family households was 46 and 25 respectively. This means households would need to spend 65% of their income in order to access housing that is 25% below the market price. The index for the lowest income non-family households has remained stable in recent years and this group continues to face the worst levels of rental affordability of the groups analysed for the RAI. The RAI for very low income family households has similarly remained stable but continues to be at a critically low level. The Q1 households trying to access rental housing would face extremely unaffordable rents under current market conditions. The only forms of housing available for this group would be social
housing.

Rents are also at unaffordable levels for low income (Q2) households in the Sydney metropolitan area. Housing for low income households, particularly non-family households, is well below the threshold of 100. The RAI for low income family and non-family households was 75 and 44 respectively. This means that family households, mostly working families, will face severely unaffordable rents in order to access a rental home in Greater Sydney. Non-family households would see themselves facing extremely unaffordable rents while seeking a home. Like Q1 households, affordability for Q2 households has also remained stable, though very low. The availability of affordable rental housing for Q2 non-family households is particularly limited, with the index for this group at a critical level.

[4] Given Q1 rents are calculated at 75% of market value

Rental affordability in Greater Sydney by small geographic area

Rents are highly unaffordable close to the inner city. Affordability improves the further away households live from central Sydney, and rental housing generally becomes affordable West of Parramatta. The below image highlights this clearly. The RAI by locality is shown in the following map (Figure 4).

The five least affordable postcodes in Sydney are located in Sydney's inner area: 2027, 2061, 2025, 2000 and 2021. This includes suburbs like Darling Point, Kirribilli, Woollahra, The Rocks and Paddington. Rental affordability in these suburbs is below 50 which means that the average income household would need to pay 60% of their income or more on rent.

By contrast. Sydney's five most affordable postcodes are located in the outer areas of the metropolitan region, to the west of the central city and to the far north towards the Newcastle region.

The top five most and least affordable localities (based on postcode area) in Greater Sydney are summarised below. Where five localities could not be clearly distinguished due to two or more equal RAI scores, scores from past quarters were analysed.

TABLE 4. TOP FIVE MOST AFFORDABLE LOCALITIES IN METROPOLITAN SYDNEY (GMR)

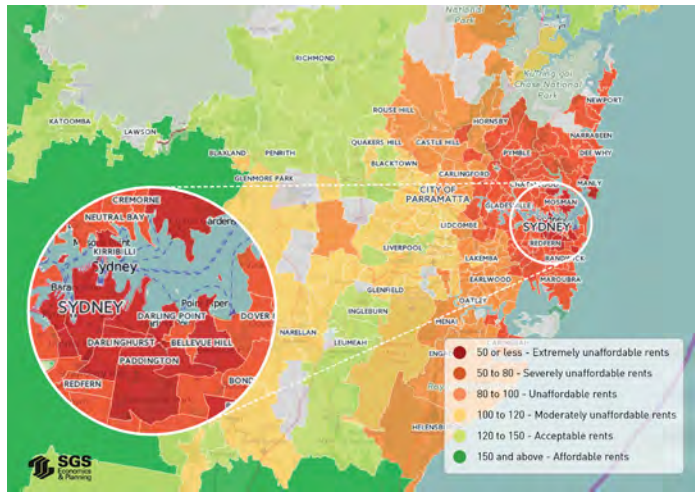
Postcode	Indicative Locality	Rent as share of income	RAI Score
2787	Black Springs	15%	195
2770	Mount Druitt	21%	145
2262	Bluehaven	21%	142
2263	Lake Haven	22%	139
2752	Silverdale	22%	138

TABLE 5. TOP FIVE LEAST AFFORDABLE LOCALITIES IN METROPOLITAN SYDNEY (GMR)

Postcode	Indicative Locality	Rent as share of income	RAI Score
2027	Darling Point	87%	34
2061	Kirribilli	77%	39
2025	Woolahra	71%	42
2000	The Rocks	70%	43
2021	Paddington	68%	44

Source: SGS Economics and Planning (2015)

FIGURE 4. MAP RENTAL AFFORDABILITY INDEX MAP NSW

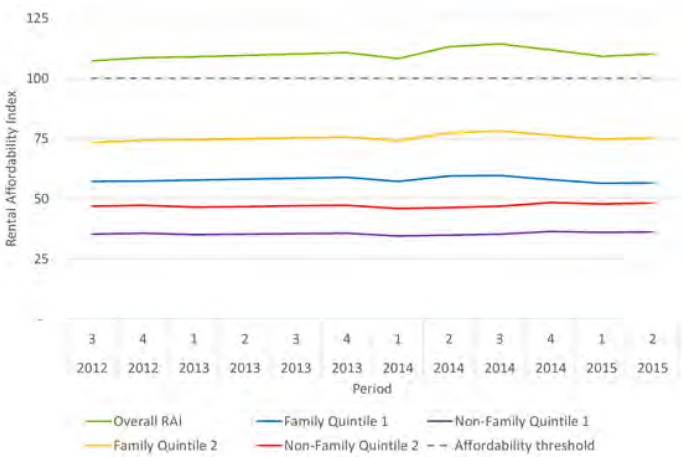


Source: SGS Economics and Planning (2015)

Balance of NSW

With a RAI of 110, rental affordability in regional NSW is very similar to that of metropolitan Sydney. While this has increased from 107 in September 2012, it has decreased from a relative peak in affordability with an index of 114 in September 2014.

FIGURE 5. ALL RENTAL AFFORDABILITY INDICES REGIONAL NSW 2012-2015



Rental affordability in regional NSW for the lowest income (Q1) households is unaffordable, though not to as great an extent as in Greater Sydney. In regional NSW, the RAI for Q1 family households was 57, compared to 36 for non-family Q1 households. When renting a home in regional NSW[5], a Q1 family household would face severely unaffordable rents, spending over half of their income (53%) on rent. While affordability has declined from 60 since the third quarter of 2014 for family households at the Q1 income level, the RAI for non-family households in this group has remained relatively consistent over the past three years. Renting a home in regional NSW would see Q1 non-family households facing extremely unaffordable rents, spending 83% of their income on rent. These households would need to rely on social housing.

The RAI for family households on low incomes (Q2) in regional NSW was 75, placing these households at risk of paying severely unaffordable rents, equalling around 40% of their income. Non-family Q2 households had a RAI of 48, indicating they would face extremely unaffordable rents when looking for a home. Both groups have shown a slight increase in affordability since 2012, though they remain at a level that is considerably unaffordable.

Comparison of Table 6 and Table 7 below illustrates that at both metropolitan and regional levels rental affordability is higher for family households than non-family households – the latter of which are predominantly comprised of single-person households.

[5] Assumed to be paying 75% of the market value of rent

TABLE 6. RENTAL AFFORDABILITY INDEX: NSW FIRST QUINTILE 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Sydney	Family Quintile 1		47	47	46	48	47	47	46	48	47	47	46	46
Rest of NSW	Family Quintile 1		57	57	58	58	59	59	57	59	60	58	56	57
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Sydney	Non-Family Quintile 1		24	24	24	25	24	24	24	24	24	24	24	25
Rest of NSW	Non-Family Quintile 1		35	36	35	35	35	36	35	35	35	36	36	36

TABLE 7. RENTAL AFFORDABILITY INDEX: NSW SECOND QUINTILE 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Sydney	Family Quintile 2		47	47	46	48	47	47	46	48	47	47	46	46
Rest of NSW	Family Quintile 2		57	57	58	58	59	59	57	59	60	58	56	57
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Sydney	Non-Family Quintile 2		24	24	24	25	24	24	24	24	24	24	24	25
Rest of NSW	Non-Family Quintile 2		35	36	35	35	35	36	35	35	35	36	36	36

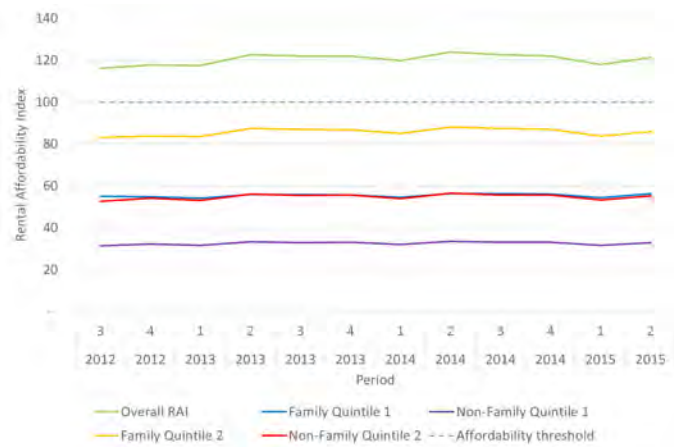
Source: SGS Economics & Planning

Queensland

Severe and extreme rental unaffordability for most low income households

The RAI for Greater Brisbane in the second quarter of 2015 was 121, indicating relatively affordable rents across the metropolitan area. This means the average household would face acceptable rents when accessing a rental dwelling in Greater Brisbane. Rental affordability has fluctuated minimally in Brisbane in past quarters, with a RAI ranging only from 118 to 124 over the past three years.

FIGURE 6. ALL RENTAL AFFORDABILITY INDICES GREATER BRISBANE 2012-2015

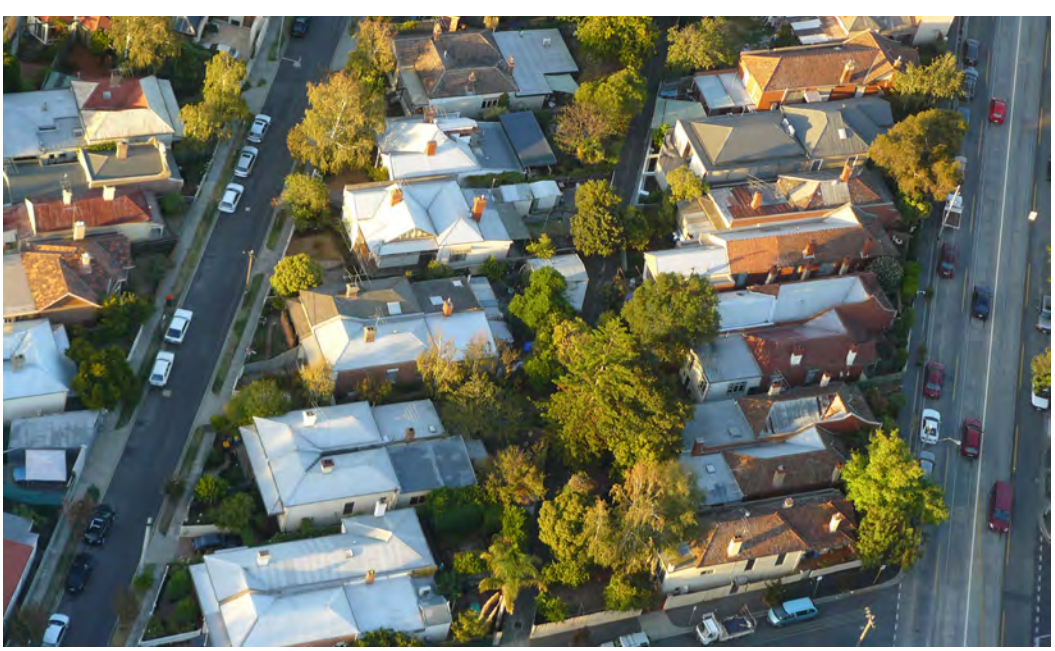


Source: SGS Economics & Planning

Rental affordability for very low income (Q1) households[6] in Greater Brisbane is well below the threshold index level of 100. The RAI for family households in this group was 56 and 33 for non-family households. Even when these households access rental dwellings at below market levels (75% of market rent) they would face either severely unaffordable rents (family households) or extremely unaffordable rents (non-family households). A family household would need to spend 54% of income on rent, while non-family households would need to spend 91%.

While the RAI for low income households (Q2) households is higher than that of Q1 households, it still remains below 100 for both family and non-family household types in the metropolitan area. The RAI for Q2 family households was 86; this figure was 55 for non-family households. This indicates Q2 family households face unaffordable rents, paying 35% of their income on rent when accessing a home in the current market. Q2 Non-family households would pay 55% of income on rent in order to access a rental dwelling, indicating they face severely unaffordable rents.

Rental affordability has remained very stable across the study period. As a result, rental housing continues to be unaffordable for all Q1 and Q2 household types in metropolitan Brisbane, with non-family households in the lowest income bracket facing critical levels of housing unaffordability when accessing a home in the rental market. In both very low and low income households, the availability of affordable rents is more limited for non-family households.



[6] Q1 rents are calculated at 75% of market value

Rental affordability in Greater Brisbane by small geographic area

Rents are highly unaffordable in many localities of Greater Brisbane, particularly close to the inner city and towards the Gold Coast region. This can be seen in the map overleaf of RAI scores in Brisbane by locality (Figure 7).

The five least affordable postcodes in Greater Brisbane are: 4156, 4520, 4069, 4000 and 4035. These encompass suburbs that include, or are within 5 kilometres of Brisbane City. RAI scores in these suburbs are well below 100, indicating that the average income household faces unaffordable rents. Burbank is particularly unaffordable, requiring the average income household to pay more than 37% of its income on rent.

By contrast, the five most affordable postcodes (4184, 4309, 4303, 4310 and 4114) are in outer metropolitan areas, such as Aratula, Allandale, Dinmore and Kingston. Coochiemudlo Island has the highest affordability in Greater Brisbane.

The top five most and least affordable localities (based on postcode area) in Greater Brisbane are summarised below. Where five localities could not be clearly distinguished due to two or more equal RAI scores, scores from past quarters were analysed.

TABLE 8. TOP FIVE MOST AFFORDABLE LOCALITIES IN GREATER METROPOLITAN BRISBANE

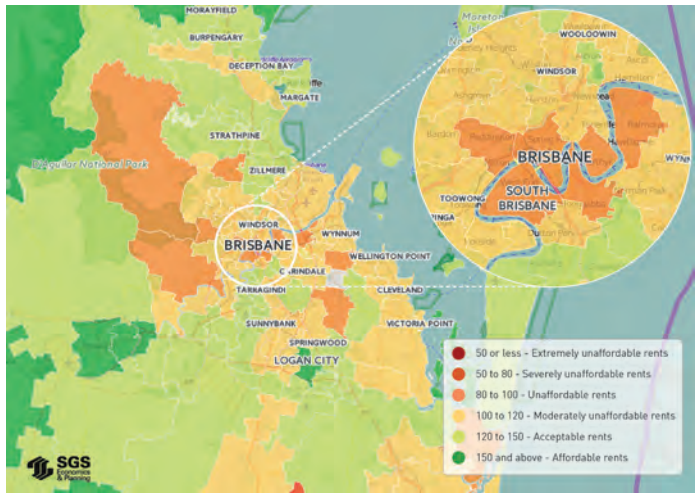
Postcode	Indicative Locality	Rent as share of income	RAI Score
4184	Coochiemudlo Island	16%	188
4309	Aratula	17%	177
4303	Dinmore	18%	167
4310	Allandale	18%	165
4114	Kingston, Woodridge	19%	161

TABLE 9. TOP FIVE LEAST AFFORDABLE LOCALITIES IN GREATER METROPOLITAN BRISBANE

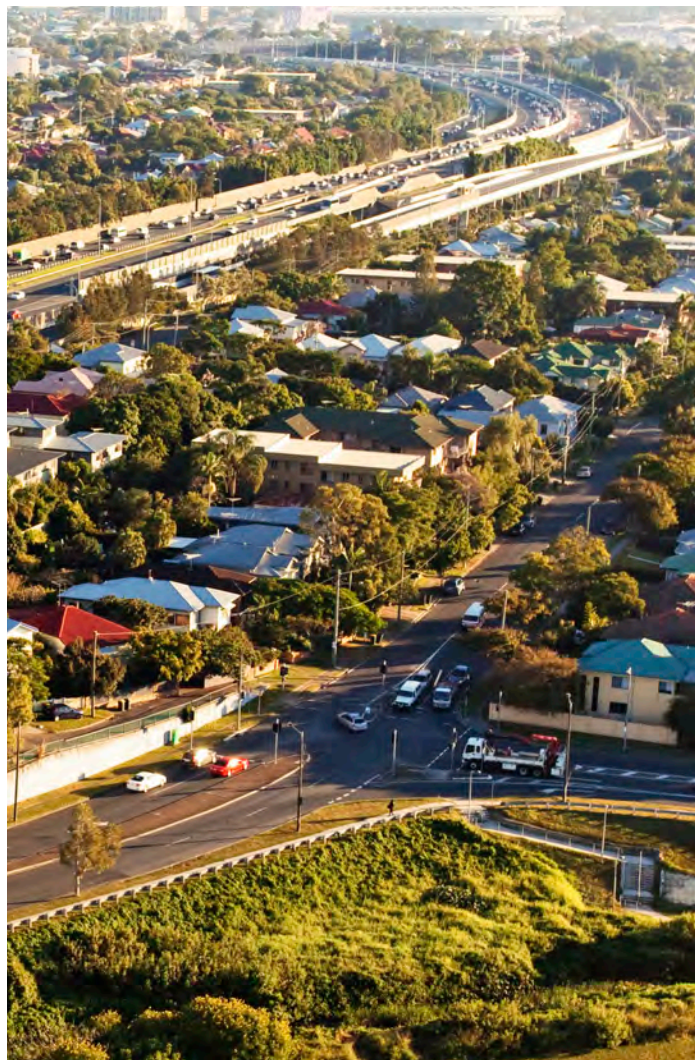
Postcode	Indicative Locality	Rent as share of income	RAI Score
156	Burbank	37%	82
4520	Samford Village	37%	82
4069	Fig Tree Pocket, Kenmore	35%	86
4000	Brisbane City, Spring Hill	34%	88
4035	Albany Creek	32%	95

Source: SGS Economics and Planning (2015)

FIGURE 7. MAP RENTAL AFFORDABILITY INDEX MAP GREATER BRISBANE



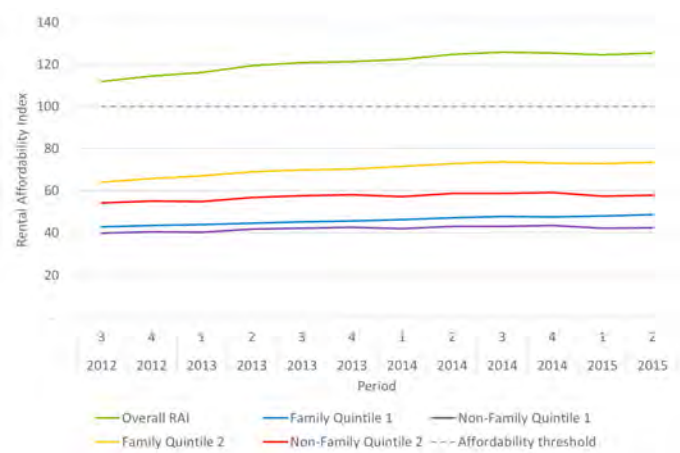
Source: SGS Economics and Planning (2015)



Balance of QLD

Similar to Greater Brisbane, rental housing in regional Queensland (QLD) is relatively affordable for the average household. The 2015 second quarter RAI for regional QLD was 125, having increased steadily from a 2012 base of 112. This means households would generally meet with acceptable rents when accessing a rental dwelling.

FIGURE 8. ALL RENTAL AFFORDABILITY INDICES REGIONAL QLD 2012-2015



Source: SGS Economics & Planning

However, the RAI for family households on very low incomes (Q1) was 49, and 42 for non-family households. This indicates they face extremely unaffordable rents, paying more than 50% of their income on rent. Rental affordability for both types of Q1 households has improved over the past three years, though to a lesser extent for non-family households. Similar to Greater Brisbane, these results represent significant limitations for access to affordable rental housing.

Compared to 2012, rental affordability for very low income family households has improved. For non-family households on very low incomes, the affordability of rental housing has remained relatively unchanged over the past three years. Similar to Greater Brisbane, these results represent a significant limitations for access to affordable rental housing for very low income households.

The RAI for family households on low incomes (Q2) was 73, and 58 for non-family households. Both household types would face severely unaffordable rents when entering a rental dwelling, paying about 41% to 52% of their income on rent. While still below the benchmark level for affordability, there have been moderate improvements for low income family households, with the RAI steadily increasing from a value of 64 in the third quarter of 2012. Over this same period, affordability for Q2 non-family households has seen a marginal increase but has remained relatively stagnant compared to improvements for family households. Rents for low income non-family households continue to be significantly unaffordable as a result.

Comparison of Table 10 and Table 11 below illustrates that at both metropolitan and regional levels rental affordability is higher for family households than non-family households – the latter of which are predominantly comprised of single-person households – regardless of first or second quintile income level.

TABLE 10. RENTAL AFFORDABILITY INDEX: QLD FIRST QUINTILE 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Brisbane	Family Quintile 1		55	55	54	56	56	56	55	56	56	56	54	56
Rest of QLD	Family Quintile 1		43	43	44	44	45	45	46	47	48	48	48	49
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Brisbane	Non-Family Quintile 2		31	32	32	33	33	33	32	34	33	33	32	33
Rest of QLD	Non-Family Quintile 2		40	40	40	42	42	43	42	43	43	43	42	42

TABLE 11. RENTAL AFFORDABILITY INDEX: QLD SECOND QUINTILE 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Brisbane	Family Quintile 1		55	55	54	56	56	56	55	56	56	56	54	56
Rest of QLD	Family Quintile 1		64	66	67	69	70	70	71	73	74	73	73	73
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Brisbane	Non-Family Quintile 2		53	54	53	56	55	56	54	57	56	56	53	55
Rest of QLD	Non-Family Quintile 2		54	55	55	57	57	58	57	59	59	59	57	58

Source: SGS Economics & Planning

South Australia

Extreme rental unaffordability for non-family households

Greater Adelaide

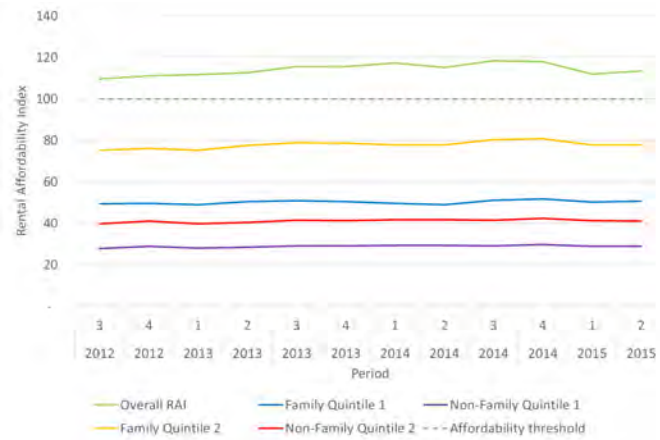
The RAI for Greater Adelaide in the second quarter of 2015 was 114, a marginal increase from 110 in the third quarter of 2012. While above the critical threshold of 100, the overall rental situation across the metropolitan area indicates that the average household would face moderately unaffordable rents, paying approximately 26% of income on rent.

Rental affordability for the lowest income households is well below the threshold index level of 100, however. While rents offered at 75% of the market value are often considered 'affordable', the RAI for the lowest quintile households shows that even subsidised rents[7] are vastly unaffordable to these households.

In Greater Adelaide, the RAI for very low income (Q1) households was 51 for families and 29 for non-families. To access a rental dwelling, Q1 family households would face severely unaffordable rents, paying 59% of income on rent. For Q1 non-family households the situation is direr, with households having to pay all of their income on rent and exposing them to a high level of extremely unaffordable rents. These households would obviously only be able to access social housing. While these figures have remained relatively stable over the past three years, rental affordability is critically low in metropolitan South Australia (SA) for non-family Q1 households. While rental housing is comparatively more affordable for very low income family households, it remains very unaffordable when compared to overall metropolitan averages.

Rental affordability for low income (Q2) households is generally better than for Q1 households and has also remained stable, but the RAI indicates continued unaffordability for both family and non-family households. The indices for these households were 78 and 41 respectively, with non-family households particularly at risk of being faced with unaffordable rents. This means these households would face severely to extremely unaffordable rents, paying 38% to 73% of income on housing. Non-family households in this quintile, which are often working households, may rely on social housing.

FIGURE 9. ALL RENTAL AFFORDABILITY INDICES GREATER ADELAIDE 2012-2015



Source: SGS Economics and Planning, 2015

[7] Given Q1 rents are calculated at 75% of market value

Rental affordability in Greater Adelaide by small geographic area

Rental affordability varies greatly across Greater Adelaide, though severely and extremely unaffordable rents are more concentrated in the east and south-east. This can be seen in the map overleaf of RAI scores in Adelaide by locality (Figure 10).

The five least affordable postcodes in Greater Adelaide are: 5232, 5154, 5243, 5152 and 5144. The least affordable postcode in Greater Adelaide is in Cudlee Creek, which lies to the north-east of central Adelaide. With an index below 50, the average income household in this locality would face extremely unaffordable rents when seeking a home in the current rental market. The remaining four localities, all clustered in the south-west region of Greater Adelaide, face high levels of unaffordability, though not to as great an extent.

Adelaide's most affordable postcodes (5113, 5117, 5118, 5112 and 5233) are spread throughout the outer edges of the metropolitan area, and include the suburbs of Angle Vale, Elizabeth, Davoren Park, Gawler and Forreston. These localities have acceptable to affordable levels of rent.

The top five most and least affordable localities (based on postcode area) in Greater Adelaide are summarised below. Where five localities could not be clearly distinguished due to two or more equal RAI scores, scores from past quarters were analysed.

TABLE 12. TOP FIVE MOST AFFORDABLE LOCALITIES IN GREATER ADELAIDE

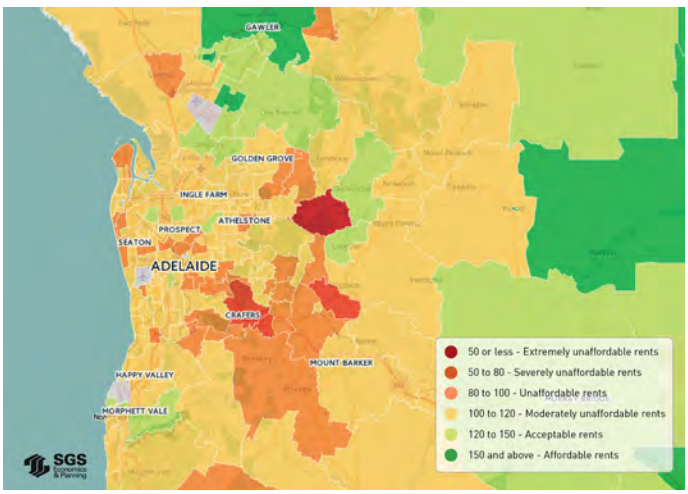
Postcode	Indicative Locality	Rent as share of income	RAI Score
5113	Davoren Park	20%	153
5117	Angle Vale	20%	153
5118	Gawler	20%	153
5112	Elizabeth	20%	150
5233	Forreston, Gumeracha	20%	150

TABLE 13. TOP FIVE LEAST AFFORDABLE LOCALITIES IN GREATER ADELAIDE

Postcode	Indicative Locality	Rent as share of income	RAI Score
5232	Cudlee Creek	64%	47
5154	Aldgate	43%	70
5243	Oakbank	38%	78
5152	Cleland	38%	78
5144	Carey Gully	37%	81

Source: SGS Economics and Planning (2015)

FIGURE 10. RENTAL AFFORABILITY INDEX MAP GREATER ADELAIDE

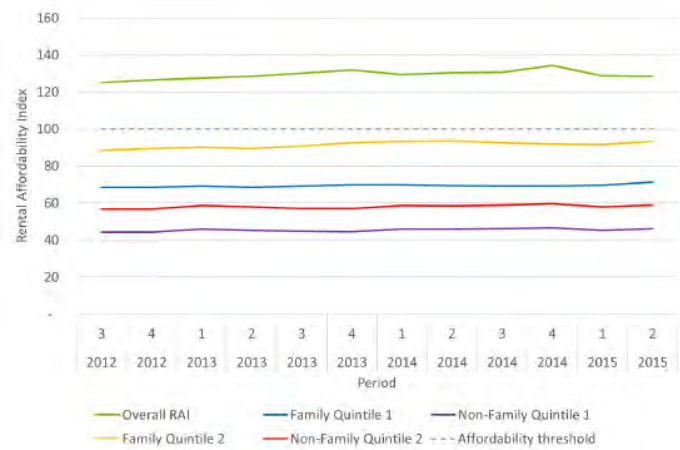


Source: SGS Economics & Planning

Balance of SA

Overall rental affordability in regional SA has marginally improved in recent years, although RAI has decreased slightly over the 2014-15 period. The RAI for regional SA was 128 in the June quarter of 2015. This means that the average household in regional SA would be faced with acceptable rent levels when accessing a rental dwelling in the current market.

FIGURE 11. ALL RENTAL AFFORDABILITY INDICES REGIONAL SA 2012-2015



Source: SGS Economics and Planning, 2015

While RAI was higher in regional SA than in Greater Adelaide, it indicates continued unaffordability for lower income households in regional areas.

Very low income (Q1) households in regional SA had a RAI of 71 for family households and 46 for non-family households, indicating these groups face severely to extremely unaffordable rents respectively. Relatively stagnant indices since 2012 has meant that this situation has not improved in the past three years.

While the RAIs of both family and non-family low income (Q2) households also fall below the affordability threshold of 100, at 93, Q2 family households are not burdened with as high a level of rental unaffordability. These households would face unaffordable rents, paying 32% on rent in order to access a rental dwelling in the current market. With an RAI of 59, however, Q2 non-family households continue to face severely unaffordable rents, paying about 51% of income on rent.

Comparison of Table 14 and Table 15 below illustrates that at both metropolitan and regional levels rental affordability is higher for family households than non-family households – the latter of which are predominantly comprised of single-person households – regardless of first or second quintile income level.

TABLE 14. RENTAL AFFORDABILITY INDEX: SA FIRST QUINTILE 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Family Quintile 1		49	50	49	50	51	50	50	49	51	52	50	51
Rest of SA	Family Quintile 1		68	69	69	68	69	70	70	69	69	69	70	71
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Non-Family Quintile 2		28	29	28	28	29	29	29	29	29	30	29	29
Rest of SA	Non-Family Quintile 2		44	44	46	45	45	45	45	46	46	47	45	46

TABLE 15. RENTAL AFFORDABILITY INDEX: SA SECOND QUINTILE 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Family Quintile 1		75	76	75	78	79	79	78	78	80	81	78	78
Rest of SA	Family Quintile 1		68	69	69	68	69	70	70	69	69	69	70	71
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Non-Family Quintile 2		40	41	40	40	42	41	42	42	42	42	41	41
Rest of SA	Non-Family Quintile 2		57	57	59	58	57	57	59	58	59	60	58	59

Source: SGS Economics & Planning

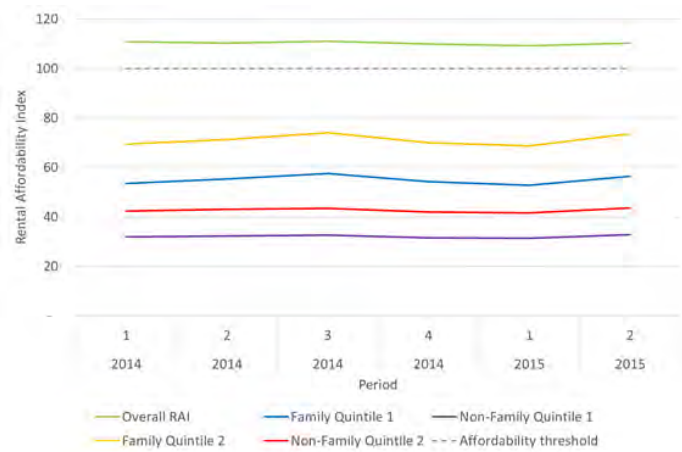
Tasmania

Lower incomes result in rental unaffordability

Greater Hobart

Affordability in Greater Hobart has remained relatively stable in recent quarters, ranging only from 109 to 110 since the first quarter of 2014. While rents in Tasmania are lower compared to other capital cities, so are household incomes. The RAI for Greater Hobart as a whole in June 2015 was 110, registering just above the affordability threshold and exposing the average household to moderately unaffordable rents to enter a rental dwelling under current market conditions. The average household would pay 27% of income on rent, which is close to the critical level of 30%.

FIGURE 12. ALL RENTAL AFFORDABILITY INDICES GREATER HOBART 2012-2015



Source: SGS Economics and Planning, 2015

Like other states, affordability of rents is well below the threshold of 100 for lower income households. Rental affordability for very low income (Q1) family and non-family households in Greater Hobart is 56 and 33 respectively, with the latter group facing critically low levels of affordability. Affordability is low even when discounted rents at 75% of the market value are applied[8] .
Family households would face severely unaffordable rents, while non-family households would be exposed to extremely unaffordable rents in order to access a rental home that is only 75% of the market price. Social housing is the most accessible housing for this group.

The RAI for low income (Q2) family and non-family households was 74 and 44 respectively, indicating that both groups face unaffordable rents, non-families to a greater extent. Family households would face severely unaffordable rents when they access a rental dwelling under current circumstances, paying 41% of income on rent. Non-family households would be face extremely
unaffordable rents, paying about 68% of income on rent. Obviously, these households would best be catered for by social
housing.

Analysis of the RAI at lower income levels shows that greater fluctuation in rental affordability has occurred for certain groups. Over just the first two quarters of 2015, for instance, the RAI of Q2 families rose from 69 to 74.

[8] Given Q1 rents are calculated at 75% of market value

Rental affordability in Greater Hobart by small geographic area

While affordability varies across Greater Hobart, no localities face severely or extremely unaffordable rents, as illustrated in the map overleaf of RAI scores by locality in Hobart (Figure 13).

The five least affordable postcodes in Greater Hobart are 7020, 7024, 7017, 7170 and 7053, most of which are located east of central Hobart, across the River Derwent except for Taroona. With indices below 100, all of these areas have unaffordable levels of rent, though not to a severe extent. The average income household would need to pay more than 30% of its income on rent in these areas. Sandy Bay, well known as an up-market area came close to the top five (RAI of 103). In Sandy Bay there are a lot of smaller units in the rental market often targeted at students which skew the median rent downward.

Hobart's most affordable postcodes (7012, 7019, 7011, 7007 and 7009) are less clustered and include areas such as Collinsvale, Clarendon Vale, Mount Nelson, Derwent Park and Claremont. The localities face moderately unaffordable to acceptable levels of rent.

The top five most and least affordable localities (based on postcode area) in Greater Hobart are summarised below. Where five localities could not be clearly distinguished due to two or more equal RAI scores, scores from past quarters were analysed.

TABLE 16. TOP FIVE MOST AFFORDABLE LOCALITIES IN GREATER HOBART

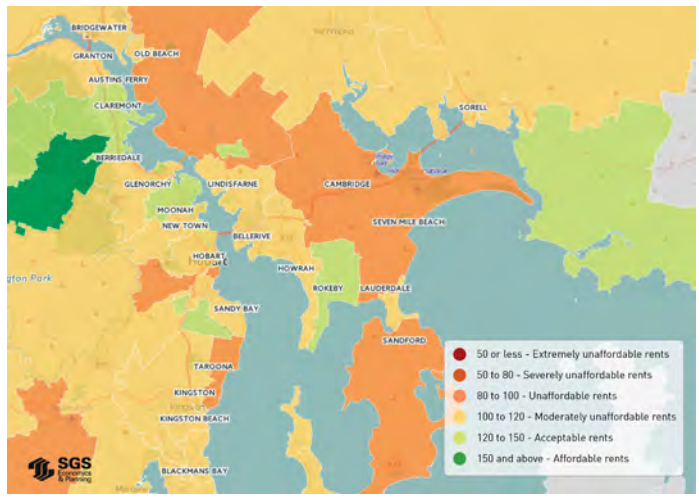
Postcode	Indicative Locality	Rent as share of income	RAI Score
7012	Collinsvale	14%	220
7019	Claredon Vale	21%	145
7007	Mount Nelson	23%	131
7009	Derwent Park	24%	127
7011	Calremont	24%	127

TABLE 17. TOP FIVE LEAST AFFORDABLE LOCALITIES IN GREATER HOBART

Postcode	Indicative Locality	Rent as share of income	RAI Score
7020	Clifton Beach	34%	89
7024	Cremorne	34%	89
7017	Old Beach	33%	92
7170	Acton Park, Cambridge	33%	92
7053	Taroona	32%	94

Source: SGS Economics and Planning (2015)

FIGURE 13. RENTAL AFFORABILITY INDEX MAP GREATER HOBART

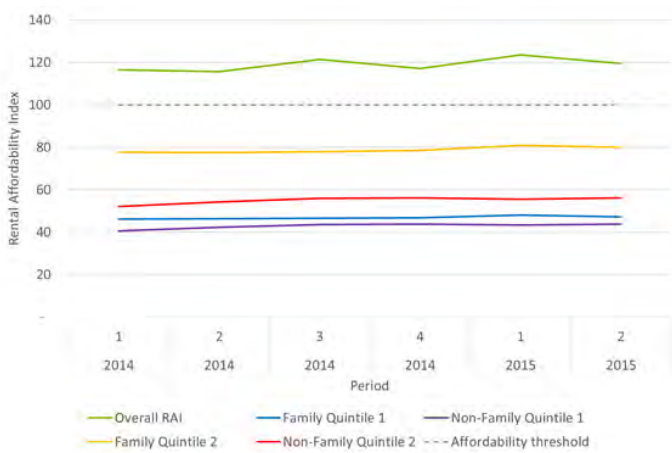


Source: SGS Economics & Planning

Balance of Tasmania

The RAI for regional Tasmania in the most recent quarter was 119. While affordability has remained relatively unchanged in recent quarters, the index has declined from 123 in the first quarter of 2015. Overall, the average household would experience moderately unaffordable rents under current market conditions paying 25% of income on rent.

FIGURE 14. ALL RENTAL AFFORDABILITY INDICES REGIONAL TASMANIA 2012-2015



Source: SGS Economics and Planning (2015)

In most cases, rental affordability for the lower income groups is higher in non-metropolitan Tasmania compared to the metropolitan area (with quintile 1 family households the exception). Despite this, rents in regional Tasmania remain below the affordability threshold for very low income (Q1) and low income (Q2) households.

For Q1 family households, the RAI was 47, while for non-family households it was 44 for this income group. This means that the lowest income households would face extremely unaffordable rents in order to access rental dwellings, even when the rent is set at a discounted rate of 75% of the market value. While all lower income groups face unaffordable rents, the situation is most dire for quintile 1 households, which register RAIs lower than 50.

For Q2 households, the RAI was 80 and 56 for family and non-family households respectively. For these household to enter a rental dwelling they would face severely unaffordable rents, paying between 38% and 54% of their income on rent.

Comparison of Table 18 and Table 19 below illustrates that at both metropolitan and regional levels rental affordability is higher for family households than non-family households – the latter of which are predominantly comprised of single-person households – regardless of first or second quintile income level.

TABLE 18. RENTAL AFFORDABILITY INDEX: FIRST QUINTILE TAS 2014-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Family Quintile 1		75	76	75	78	79	79	78	78	80	81	78	78
Rest of SA	Family Quintile 1		68	69	69	68	69	70	70	69	69	69	70	71
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Non-Family Quintile 2		40	41	40	40	42	41	42	42	42	42	41	41
Rest of SA	Non-Family Quintile 2		57	57	59	58	57	57	59	58	59	60	58	59

TABLE 19. RENTAL AFFORDABILITY INDEX: SECOND QUINTILE TAS 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Family Quintile 1		75	76	75	78	79	79	78	78	80	81	78	78
Rest of SA	Family Quintile 1		68	69	69	68	69	70	70	69	69	69	70	71
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Adelaide	Non-Family Quintile 2		40	41	40	40	42	41	42	42	42	42	41	41
Rest of SA	Non-Family Quintile 2		57	57	59	58	57	57	59	58	59	60	58	59

Source: SGS Economics and Planning, 2015

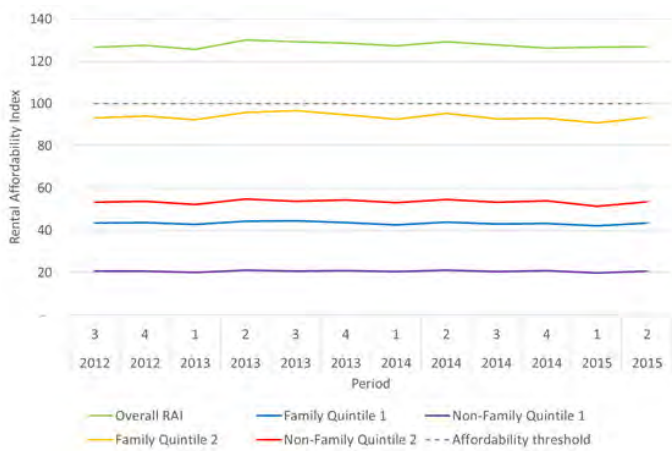
Victoria

Rental unaffordability affecting low income households

Greater Melbourne

In the June quarter of 2015, the RAI for Greater Melbourne was 127, remaining relatively stable since September 2012. Rental affordability is surprisingly strong for the average household in Greater Melbourne with households experiencing acceptable rents, paying about 24% of income on housing.

FIGURE 15. ALL RENTAL AFFORDABILITY INDICES GREATER MELBOURNE 2012-2015



Source: SGS Economics and Planning (2015)

Rental affordability is very low for households in Greater Melbourne's first income quintile (Q1), with non-family households most affected. The RAI for Q1 family households was 43 and 21 for non-family households in the same income group. The rental situation is extremely dire for households in Melbourne in this income quintile, with non-family Q1 households in particular facing critically unaffordable rents. The extremely low RAI of this latter group is largely the consequence of very low income, with Q1 non-family households earning an average of only $263 per week. For Q1 households to access a rental dwelling at a discounted rate of 75% of the market price, would put them in a situation of extremely unaffordable rents. Social housing is the only affordable solution for this group.

The RAI for low income (Q2) family households was 93 compared to 54 for non-family households. While affordability is much higher for Q2 households compared to Q1 households, rent also remains unaffordable for this group, with the indices falling below 100. Family households would face unaffordable rents when entering a rental dwelling under current market conditions paying 32% of income on rent, while non-family households would face severely unaffordable rents, paying 56% of income on rent.

Rental affordability in Greater Melbourne by small geographic area

Rents in metropolitan Melbourne are generally unaffordable in the central city and corridors towards the south-east and north-east. The Geelong and Bellarine Peninsula regions also record a widespread level of unaffordability. The RAI by suburb is
illustrated in the map (Figure 16) overleaf.

The five least affordable suburbs in Melbourne are similarly skewed towards the south-east and north-east. While Portsea is the least affordable suburb with a RAI score of 65, it must be noted that this is based on a relatively small sample of households, likely to be comprised largely of holiday renters. Albert Park, Beaumaris, Brighton and Seaholme are the next least affordable suburbs in Melbourne. The average renter household seeking housing in these suburbs would pay 39-42% of their income on rent.

Melbourne's most affordable suburbs are Seville East, Albion, Melton, Melton South and Caldermeade, with RAI scores between 174 and 184. All five of these suburbs are located in Melbourne's outer metropolitan and fringe areas.

The top five most and least affordable suburbs in Greater Melbourne are summarised below. Where five localities could not be clearly distinguished due to two or more equal RAI scores, scores from past quarters were analysed.

TABLE 20. TOP FIVE MOST AFFORDABLE SUBURBS IN METROPOLITAN MELBOURNE

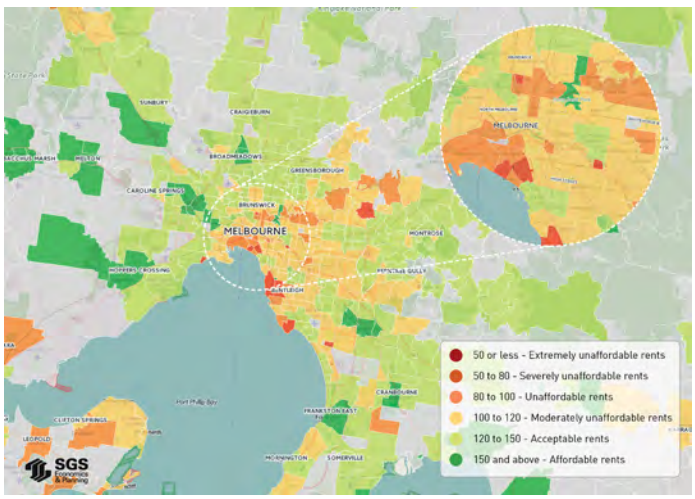
Suburb	Rent as share of income	RAI Score
Caldermeade	16%	184
Melton South	17%	181
Melton	17%	181
Albion	17%	181
Seville East	17%	174

TABLE 21. TOP FIVE LEAST AFFORDABLE SUBURBS IN METROPOLITAN MELBOURNE

Suburb	Rent as share of income	RAI Score
Portsea	46%	65
Albert Park	42%	71
Beaumaris	40%	75
Brighton	39%	76
Seaholme	39%	77

Source: SGS Economics and Planning (2015)

FIGURE 16. RENTAL AFFORABILITY INDEX MAP GREATER MELBOURNE

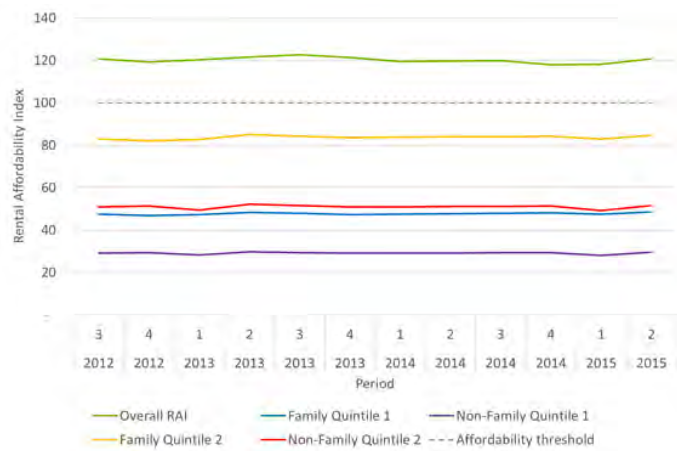


Source: SGS Economics and Planning (2015)

Balance of Victoria

In regional Victoria, the RAI is 121. This is marginally lower than in metropolitan Melbourne, and like that of the metropolitan area, rental affordability in regional Victoria has fluctuated only minimally over the past two years. The average household would face moderately unaffordable rents paying 25% of income on rent if they accessed a rental dwelling under current market conditions.

FIGURE 17. ALL RENTAL AFFORDABILITY INDICES REGIONAL VICTORIA 2012-2015



Source: SGS Economics and Planning, 2015

The RAI for lower income households in regional Victoria falls below the threshold of 100, indicating unaffordable rents for these groups. The RAI for very low income (Q1) family households was 48 and 29 for non-family households in this income group. These are both critically low. These households would experience extremely unaffordable rents when accessing rental housing, even when this housing is offered at a discounted rate of 75% of the market value. These households rely on social housing and boarding houses.

The RAI for regional Victorian households in the low income (Q2) group was 85 for family households and 52 for non-family households, indicating that rents are also unaffordable for this quintile. Family households would need to spend 35% of their income in order to access a rental dwelling, exposing them to unaffordable rents. Non-family households would need to spend 58% of income on rent, exposing them to severely unaffordable rents.

Comparison of Table 22 and Table 23 below illustrates that at both metropolitan and regional levels rental affordability is higher for family households than non-family households – the latter of which are predominantly comprised of single-person households – regardless of first or second quintile income level.

TABLE 22. RENTAL AFFORDABILITY INDEX: FIRST QUINTILE VIC 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Melb	Family Quintile 1		43	44	43	44	44	44	43	44	43	43	42	43
Rest of VIC	Family Quintile 1		48	47	47	48	48	47	47	48	48	48	47	46
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Melb	Non-Family Quintile 1		21	21	20	21	21	21	20	21	21	21	20	21
Rest of VIC	Non-Family Quintile 1		29	29	28	30	29	29	29	29	29	29	28	29

TABLE 23. RENTAL AFFORDABILITY INDEX: SECOND QUINTILE VIC 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Melb	Family Quintile 1		93	94	92	96	97	95	92	95	93	93	91	93
Rest of VIC	Family Quintile 1		83	82	83	85	84	84	84	84	84	84	83	86
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Melb	Non-Family Quintile 1		53	54	52	55	54	54	53	55	53	54	51	54
Rest of VIC	Non-Family Quintile 1		51	51	49	52	51	51	51	51	51	51	49	52

Source: SGS Economics & Planning, 2015

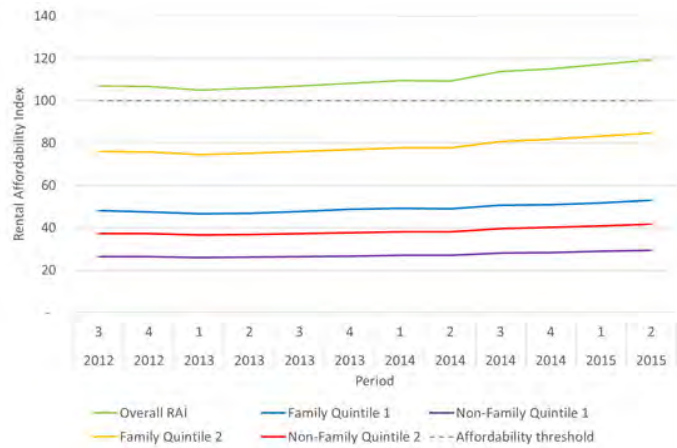
Western Australia

Improving affordability, but not an end to rental unaffordability

Greater Perth

The RAI for Greater Perth in the second quarter of 2015 was 119. Affordability has been increasing across the metropolitan area at a strong rate, with the RAI just a year before at 101. This means that the average household would spend 25% of income on rent if they accessed a rental dwelling under current market conditions.

FIGURE 18. ALL RENTAL AFFORDABILITY INDICES GREATER PERTH 2012-2015



Source: SGS Economics & Planning, 2015

Rents for the lower income groups remain unaffordable, despite recent increases affordability. In Greater Perth, the RAI for very low income (Q1) family households[9] was 53 and for very low income non-family households it was 29. While there have been modest improvements in recent quarters, rents remain critically unaffordable for Q1 households, particularly the latter non-family group. This exposes the lowest income family households to severely unaffordable rents and non-family households to extremely unaffordable rents.

The RAI for low income (Q2) family households was 85 and 42 for non-family households. Rental housing has become more affordable in Greater Perth for both low income family and non-family households. This is particularly the case for the former household type, which is experiencing growth in affordability at a rate consistent with that of the average household. Both family and non-family household in the second income quintile in Greater Perth continue to face unaffordable rents, however, with Q2 non-family households facing extremely unaffordable rents.

9 Q1 rents are calculated at 75% of market value

Rental affordability in Greater Perth by small geographic area

While rental affordability varies greatly across Greater Perth, levels of severely and extremely unaffordable rents are more concentrated close to the City of Perth and towards Kwinana. This can be seen in the map overleaf of RAI scores by Greater Perth locality (Figure 19).

The five least affordable postcodes in Greater Perth are: 6015, 6159, 6010, 6176 and 6165, all of which are located in coastal areas within 50 kilometres of the Perth city centre. All five localities face unaffordable rents. City Beach, North Fremantle and Claremont face severely unaffordable rents, with the average income household spending more than 38% of its income on rent.

Perth's most affordable postcodes (6150, 6161, 6207, 6558 and 6214) are generally located to the south and east of central Perth. These include Wooroloo, Bateman, Nambeelup and Coolup, along with Rottnest Island.

The top five most and least affordable localities (based on postcode area) in Greater Perth are summarised below. Where five localities could not be clearly distinguished due to two or more equal RAI scores, scores from past quarters were analysed.

TABLE 24. TOP FIVE MOST AFFORDABLE LOCALITIES IN METROPOLITAN PERTH

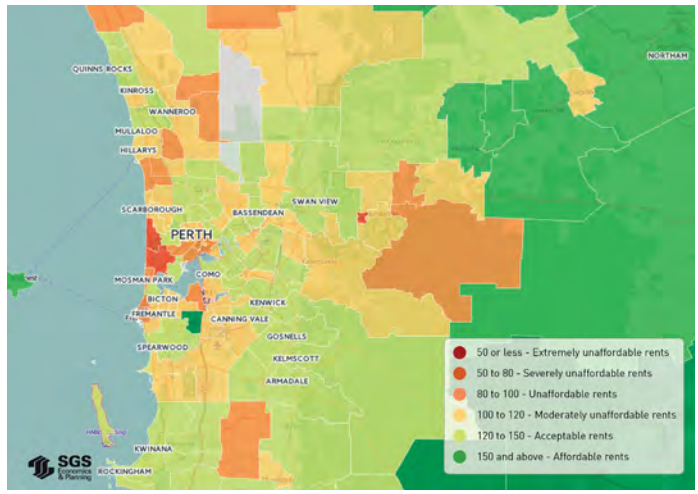
Postcode	Indicative Locality	Rent as share of income	RAI Score
6150	Bateman	12%	256
6161	Rottnest Island	16%	190
6207	Nambeelup	17%	178
6558	Wooroloo	17%	175
6214	Coolup	18%	171

TABLE 25. TOP FIVE LEAST AFFORDABLE LOCALITIES IN METROPOLITAN PERTH

Postcode	Indicative Locality	Rent as share of income	RAI Score
6015	City Beach	53%	57
6010	Claremont	39%	76
6072	Mahogany, CR	39%	76
6011	Peppermint Grover, Cottlescoe	37%	81
6159	North Fremantle	36%	82

Source: SGS Economics and Planning (2015)

FIGURE 19. RENTAL AFFORABILITY INDEX MAP GREATER PERTH



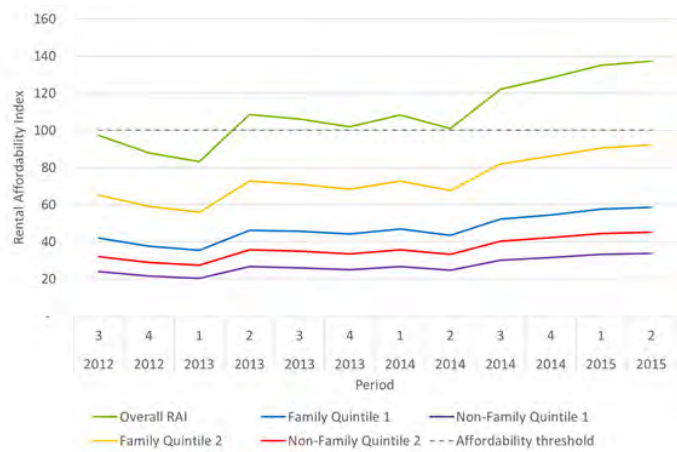
Source: SGS Economics and Planning (2015)

Balance of Western Australia

Regional Western Australia (WA) has seen a significant increase in rental affordability over the past three years, and rental affordability turned from below to above the critical threshold level of 100.

The RAI for regional WA was 137 in the second quarter of 2015. This grew from 101 twelve months previously. Rental housing in regional WA is currently at a level more affordable than metropolitan Perth. This mean that the average household faces acceptable rents when accessing a rental dwelling.

FIGURE 20. ALL RENTAL AFFORDABILITY INDICES REGIONAL WA 2012-2015



Source: SGS Economics & Planning, 2015

Nonetheless, the RAI for family households on very low (Q1) incomes was 59 and for non-family households it was 34. Compared to the RAI in 2012, rental affordability has improved for Q1 households in 2015, though rents remain at an unaffordable level. Q1 family households would face severely unaffordable rents when entering a rental dwelling, even if the rent was at a discounted rate of 75% of the market value. Non-family household would be in extremely unaffordable rents if they accessed a rental dwelling (even at a discounted rate of 75% of market value).

The RAI for family households on low incomes (Q2) in regional WA was 92 while for non-family households it was 45. Compared to the second quarter of 2012, affordability has improved significantly for both low income family and non-family households. If growth continues into the future, rents may become affordable for Q2 family households. Rents for non-family households in this quintile remain critically low, however. Family households would pay 33% of income on rent if they rented a house under current market conditions, exposing them to unaffordable rents. Non-family households are exposed to extremely unaffordable rents.

Comparison of Table 26 and Table 27 below illustrates that at both metropolitan and regional levels rental affordability is higher for family households than non-family households – the latter of which are predominantly comprised of single-person households – regardless of first or second quintile income level.

TABLE 26. RENTAL AFFORDABILITY INDEX: FIRST QUINTILE WA 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Perth	Family Quintile 1		48	47	46	47	48	49	49	49	51	51	52	53
Rest of WA	Family Quintile 1		42	38	35	46	46	44	47	44	52	55	57	59
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Perth	Non-Family Quintile 2		26	26	26	26	26	27	27	27	28	28	29	29
Rest of WA	Non-Family Quintile 2		24	22	20	27	26	25	27	25	30	31	33	34

TABLE 27. RENTAL AFFORDABILITY INDEX: SECOND QUINTILE WA 2012-2015

Region					2012			2013		2014			2015	
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Perth	Family Quintile 1		76	76	75	75	76	77	78	78	81	82	83	85
Rest of WA	Family Quintile 1		65	59	53	73	71	68	73	68	82	86	91	92
	Quarter		3	4	1	2	3	4	1	2	3	4	1	2
Greater Perth	Non-Family Quintile 2		37	37	37	37	37	38	38	38	40	40	41	41
Rest of WA	Non-Family Quintile 2		32	29	27	36	35	34	36	33	40	42	44	45

Source: SGS Economics & Planning, 2015

Appendix

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 Greater Sydney area as defined by Housing NSW (that is, the combined area of Greater Sydney with selected Hunter and Illawarra LGAs). 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, however for the Balance of NSW data is only available at LGA level.

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, Regional and STE median rents are not included in available data. They are calculated as the weighted average of postcode medians

South Australia

- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories.
- Metro, Regional and STE median rents reflect true medians as they were supplied in the available data.
- Within the original bond data, where there were less than five new bonds for any one dwelling type in any one postcode, the true number was not reported (due to confidentiality). For the purposes of estimating weighted averages, 2.5 was adopted as the number of bonds in these areas (as a non-zero listing is needed to weight the median rent for each dwelling type).

Tasmania

- Metro, Regional and STE rents are calculated as true medians as unit records are available.
- Overall RAI uses median for all 1-4 bedroom dwellings.

Victoria

- Medians for bedroom categories are computed as the weighted average of the medians from the constituent categories.
- The median rental price of 'all dwellings' is calculated as the weighted average of all 1-4 bedroom categories (this applies for overall RAI).

Western Australia

- Outliers have been filtered given the wide range of observations. Observations were excluded if they are in the top/bottom 2% and the median is based on less than 5 listings.
- Metro, Regional and STE 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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