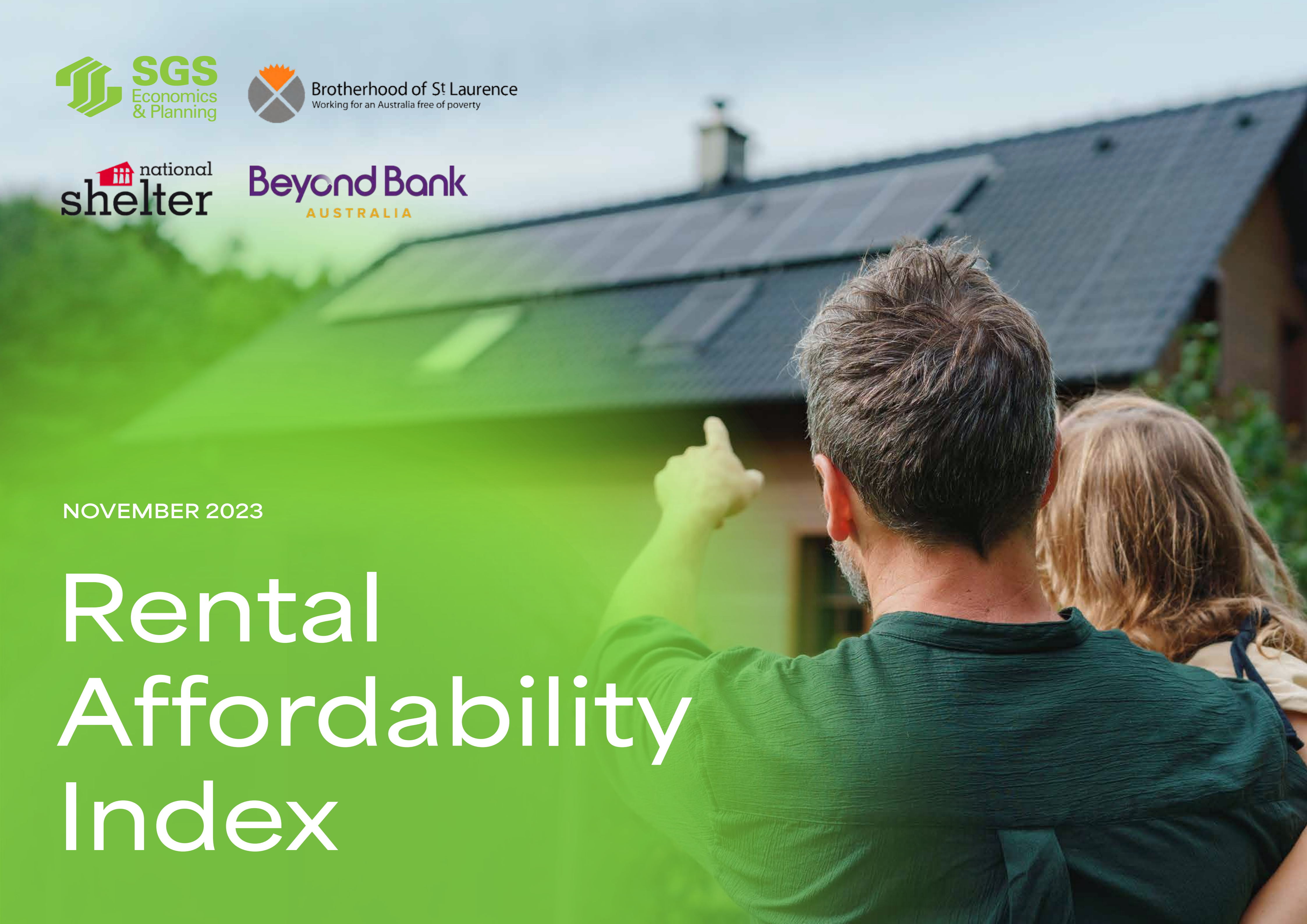

SGS Economics & Planning

Brotherhood of St Laurence
Working for an Australia free of poverty

national shelter

Beyond Bank Australia

NOVEMBER 2023

Rental Affordability Index

SGS Economics and Planning, National Shelter, Beyond Bank and Brotherhood of St Laurence acknowledge the First Nations Peoples of Australia and on whose Country we live and work.

We acknowledge that the Aboriginal and Torres Strait Islander peoples of Australia are one of the oldest continuing living cultures on Earth, have one of the oldest continuing land tenure systems in the world, and have one of the oldest continuing land use planning and management systems in the world.

We pay our respects to the First Nations Peoples, past and present, and acknowledge their stewardship of Country over thousands of years.

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OFFICES IN CANBERRA, HOBART, MELBOURNE, AND SYDNEY ON THE COUNTRY OF THE NGAMBRI/NGUNNAWAL/NGARIGO, MUWININA/PALAWA, WURUNDJERI, AND GADIGAL PEOPLES.

Contents

01 Introduction

01 Introduction

1.1 Background and aim

National Shelter, the Brotherhood of St. Laurence, and SGS Economics and Planning have published the Rental Affordability Index (RAI) annually since 2015. In 2021, Beyond Bank joined as a supporter of the RAI.

The RAI is a price index for housing rental markets. It is a clear and concise indicator of rental affordability relative to household incomes, applied to fine-grain geographic areas across Australia.

This report has been prepared as part of the twelfth RAI release. It highlights changes to affordability in the past year (July 2022 to June 2023). This period saw the removal of COVID-19 related restrictions (most significantly on international travel) along with new domestic and global shocks such as rising inflation and associated increases in interest rates.

To illustrate the vulnerability to rental stress faced by many groups in the community, the report presents the rental affordability outcomes for ten Australian household types.

1.2 Publication information

The RAI covers all states and territories with available data[1], tracking rental prices relative to income with a focus on the most vulnerable households.

This report provides indices for capital city and rest of state geographies; more detailed information is available at the postcode level where there is reliable data. An interactive map of the RAI at the postcode level can be viewed at: sgsep.com.au/projects/rental-affordability-index.

This report presents the findings of the November 2023 release of the RAI. It provides an update of the November 2022 RAI report by analysing data from the four most recent available quarters (September and December 2022, and March and June 2023).

1.3 Acknowledgements

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

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

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

1.4 Method

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

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

RAI = (Income/qualifying income[4])*100

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

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

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

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

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

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
51-80	38-60%	Severely unaffordable rents
81-100	30-38%	Unaffordable rents
101-120	25-30%	Moderately unaffordable rents
121-150	20-25%	Acceptable rents
151-200	15% or less	Affordable rents
>200		Very Affordable rents

Source: SGS Economics and Planning, 2023

[2]Lowest 40th percentile per cent of household income (typically within each household types)
[3]Australian Institute of Health and Welfare (2020) Housing Affordability. Available at: https://www.aihw.gov.au/reports/australias-welfare/housing-affordability
[4]Qualifying income refers to the income required to pay rent, where rent is 30 per cent of income (i.e., qualifying income = rent/0.3)

Scores between 80 and 100 reflect unaffordable rents, while scores between 100-120 indicate a situation of moderate unaffordability, with rental households less likely to easily meet and pay off unexpected costs or bills. Young families with children in childcare may find it particularly difficult to make ends meet.

RAI scores of 120 to 150 indicate that households would pay 20 to 25 per cent of their income on rent, which is considered acceptable. In areas with a score above 150, households seeking to rent would pay less than 15 per cent of their income, which is considered affordable.

Note that small discrepancies exist relative to previous RAI releases due to the inclusion of 2021 ABS Census data in this release.

INCOME

The measure of income used by the RAI is the **total household income** of **renting households**, varied by region (capital cities and rest of state). This combines the total personal weekly incomes of each resident present in a household.

Household incomes are estimated using ABS census data (2011, 2016, and 2021) combined with the average weekly earnings[5] (a measure of personal weekly income), which is used to index weekly household incomes for intercensal quarters, and post-2021. Intercensal quarters are interpolated using a geometric average.

If data for the most recent quarter is unavailable, income is assumed to grow at the average quarterly growth rate of preceding quarters.

MEDIAN RENTS

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

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

SMALL AREA ANALYSIS

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

HOUSEHOLD PROFILES

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

[5]ABS Average Weekly Earnings, Australia, 2022

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

To calculate RAI scores for each household type at a regional level (i.e., each capital city and rest of state area), incomes are adjusted to reflect variation in earnings by location using ABS Census data (2011, 2016, and 2021). The reference list for inputs and assumptions used for these household types is in Appendix 2 of this report.

STATE-SPECIFIC METHODOLOGICAL CONSIDERATIONS

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

TABLE 2. LOW TO MODERATE INCOME AUSTRALIAN HOUSEHOLD TYPES, 2023[6]

Household type	Indicative gross annual income	Indicative dwelling size
Single pensioner	$36,700	1 bdr
Pensioner couple	$54,300	2 bdr
Single person on Jobseeker	$22,100	1 bdr
Single part-time worker parent on benefits	$44,800	2 bdr
Single full-time working parent	$104,500	2 bdr
Single income couple with children	$104,500	3 bdr
Dual income couple with children	$209,000	3 bdr
Student sharehouse	$84,800	3 bdr
Minimum wage couple	$91,800	2 bdr
Hospitality worker	$62,800	1 bdr

Source: Compiled by SGS Economics and Planning, 2023.
Note: See Appendix 2 for a full list of sources used.
Note: The analysis in Section 2 and the interactive map both include spatial variation in incomes.

[6]During the 2019-20 year, Coronavirus supplement payments were established for the Single person on Newstart, Students on Austudy, and Single part-time worker parent on benefits households. As supplement payments were established in March and April of 2020, the Q2 2020 RAI scores are calculated based on an annualised transformation of this income (i.e., the annualised income is greater than that household would have earned over a year in reality, but it is their effective income for that quarter). Other households to receive support during COVID-19 have been in one-off payments rather than an ongoing amount, and one-off payments are excluded from calculations.

02 Household snapshots

02 Household snapshots

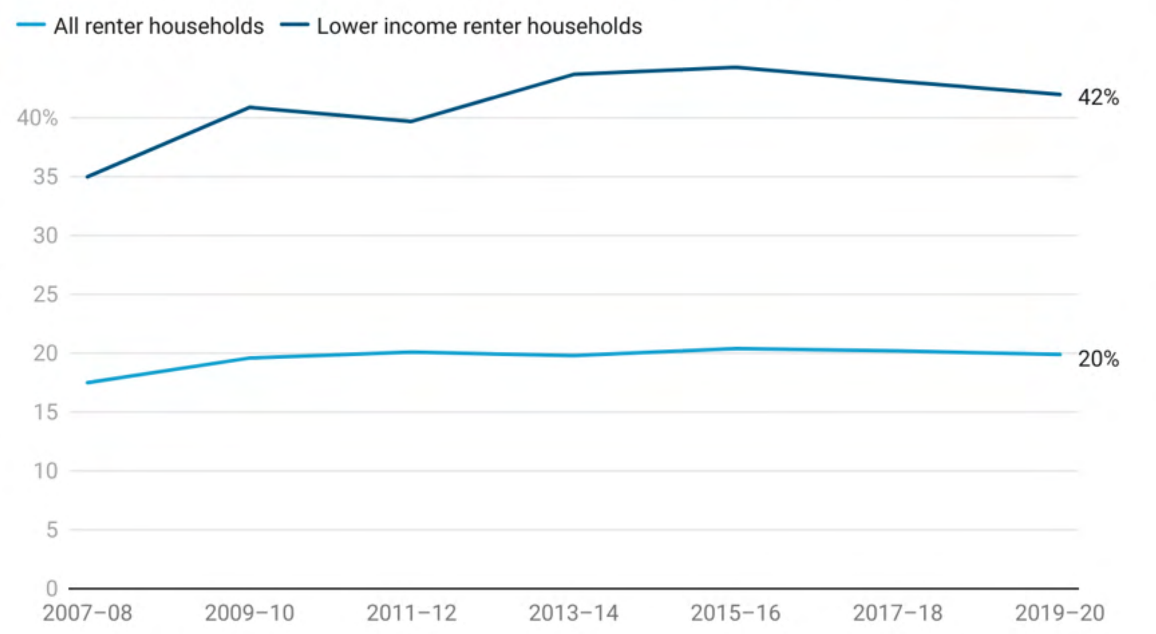
2.1 Introduction

The RAI profiles ten different low to moderate income household types to demonstrate the rental situation for different income groups, age demographics and household compositions in Australia.

The report also continues to highlight the poor rental affordability for single people on JobSeeker payments, even during the period during which payments were increased by the COVID-19 supplement. This issue has generally not improved over time, with some capital cities becoming significantly less affordable as rising rents continually outpaced the Jobseeker allowance.

Low-income households are particularly at risk. In 2019-20, 42 per cent of all low-income households were in rental stress (paying more than 30 per cent of income on housing costs), compared to 35 per cent in 2008. This rises to 58 per cent when considering only the private rental market[7].

FIGURE 1. PROPORTION OF HOUSEHOLDS IN RENTAL STRESS (AUS)



Source: ABS Housing Occupancy and Costs, 2019-20

[7]Australian Bureau of Statistics. Housing Occupancy and Costs 2019-20. [Table 1; Table 5; Table 13].

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

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

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

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

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

The rising cost of living has been an acute issue for many Australian households over the past year, with essential goods such as petrol, utilities and grocery costs increasing. This release of the Rental Affordability Index includes the four quarters since mid-2022, which were subject to 6.0% annual inflation.

Higher interest rates used to combat inflation have compounded the impact on renters, as the cost of development slows new supply and would-be homebuyers enter the rental market instead. Landlords will also try to pass on their increased costs to tenants and, given the currently low vacancy rates, often possess the market power to do so.

METHODOLOGICAL CONSIDERATIONS

Income support levels are based on the Australian Government Department of Human Services payment rates as of August 2023. Total household income estimates are based on gross income, including Commonwealth Rent Assistance. As the RAI considers the private rental market, the eligibility of very low-income households to access discounted rents has not been factored into this analysis.

Full-time worker incomes were based on ABS Employee Earnings and Hours data[8], adjusted by 2021 ABS Census data to reflect variation in earnings by region (i.e., metropolitan or rest of state area). An average Australian full-time secondary teacher income was used as the typical key worker income, and a full-time hospitality worker income was used for the hospitality worker profile.

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

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

[8] ABS Employee Earnings and Hours, Australia, Table 13

Single person on JobSeeker Payment

$22,108 p.a., 1 bedroom

Severely Unaffordable to Extremely Unaffordable rents across all metropolitan and regional areas.

The single person on JobSeeker is 22 years old or older with no children and seeks to rent a one-bedroom dwelling. This person is unemployed, with assets below the threshold required to receive income support in the form of a Jobseeker payment and rent assistance. They receive no additional income. The estimated gross annual income for this household is $22,108.

In 2023, there has been an increase in the JobSeeker payment of 3.7%, which represents a real decrease in income, given that inflation for the year was 6.0%. The annual income of recipients has increased from $21,320 in 2022 to $22,108 in 2023.

Across all capital cities except Adelaide and Hobart, the median rental rate of a 1-bedroom dwelling exceeds the entire annual income of this household. This is representative of a deteriorating trend, as every region has worsened in rental affordability since 2019.

Table 3 highlights this point, with affordability being Extremely to Severely Unaffordable in all metropolitan and regional areas. These RAI scores indicate that **median rents represent between 53 and 137 per cent of the total income available to this cohort**. While, by definition, 50 per cent of rentals are available at a lower rate than the median, there is no matching mechanism to ensure that they are made available to lower income households (beyond self-selection through characteristics such as poor dwelling quality).

Greater Sydney and Greater Perth are the most unaffordable capital cities, with RAI scores of 22 and 24 respectively (Extremely Unaffordable). This household, solely reliant on JobSeeker payments and rental assistance, would require an income almost five times the current level to move into the Acceptable affordability band.

TABLE 3. RAI FOR SINGLE PERSON ON JOBSEEKER

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	22	137%	Extremely unaffordable
Rest of NSW	43	71%	Extremely unaffordable
Greater Melbourne	30	100%	Extremely unaffordable
Rest of VIC	47	64%	Extremely unaffordable
Greater Brisbane	28	106%	Extremely unaffordable
Rest of QLD	31	98%	Extremely unaffordable
Greater Adelaide	38	80%	Extremely unaffordable
Rest of SA	57	53%	Severely unaffordable
Greater Perth*	24	126%	Extremely unaffordable
Rest of WA*	25	122%	Extremely unaffordable
Greater Hobart	39	78%	Extremely unaffordable
Rest of TAS	54	55%	Severely unaffordable
ACT	27	112%	Extremely unaffordable

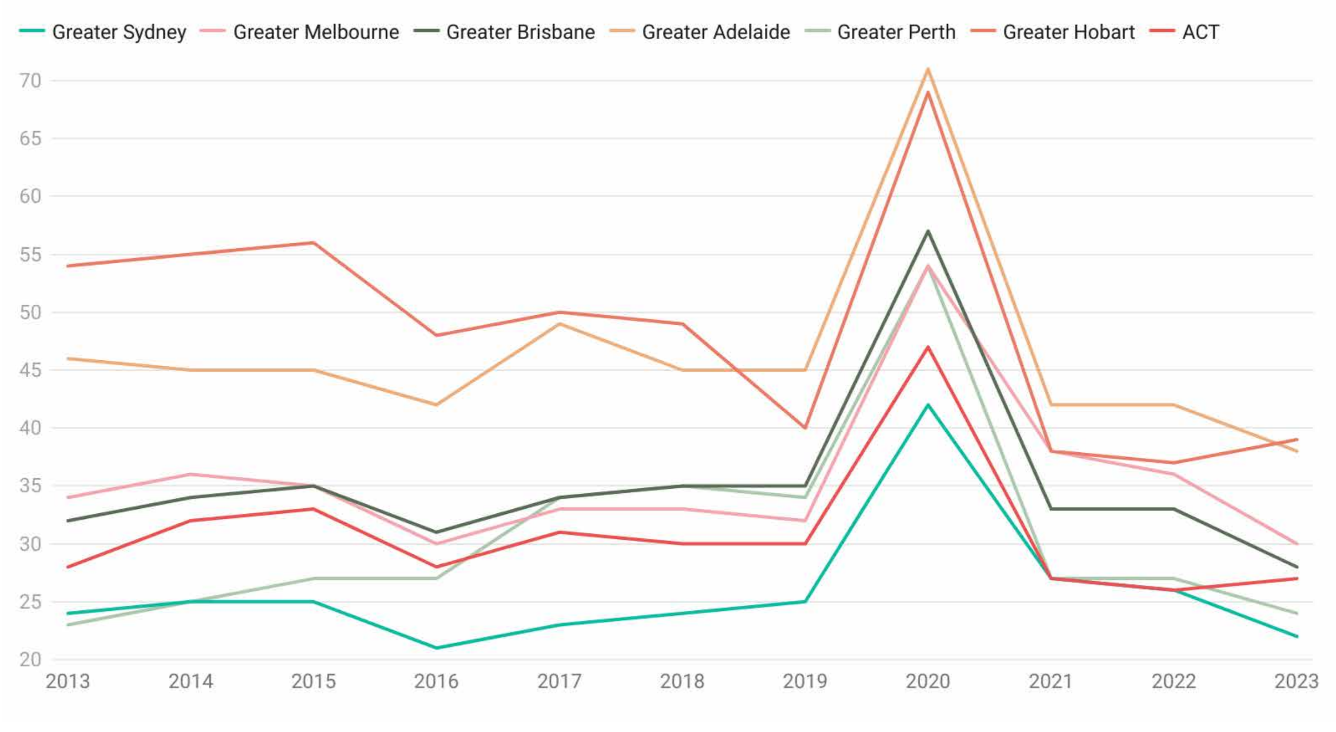
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

Rental stress pushes single persons on Jobseeker to the outer fringes of cities, away from many opportunities for employment. Regional areas offer scarce alternatives for the single person on benefits, where rents for this household remain Extremely to Severely Unaffordable.

Figure 2 presents a time series of affordability for a person on JobSeeker in capital cities over the past nine years. The temporarily increased JobSeeker payments in 2020 alleviated rental stress dramatically for this group. However, once the Coronavirus Supplement ceased, almost all capital cities reverted to their prior level of (un)affordability. For this cohort, certain capital cities have returned to levels of (un) affordability not seen since well before the pandemic, such as Sydney, where the city has reached its lowest RAI score since 2016. Perth has reached its worst affordability score for this cohort since 2013, while Brisbane and Adelaide their lowest since the first edition of the RAI was released.

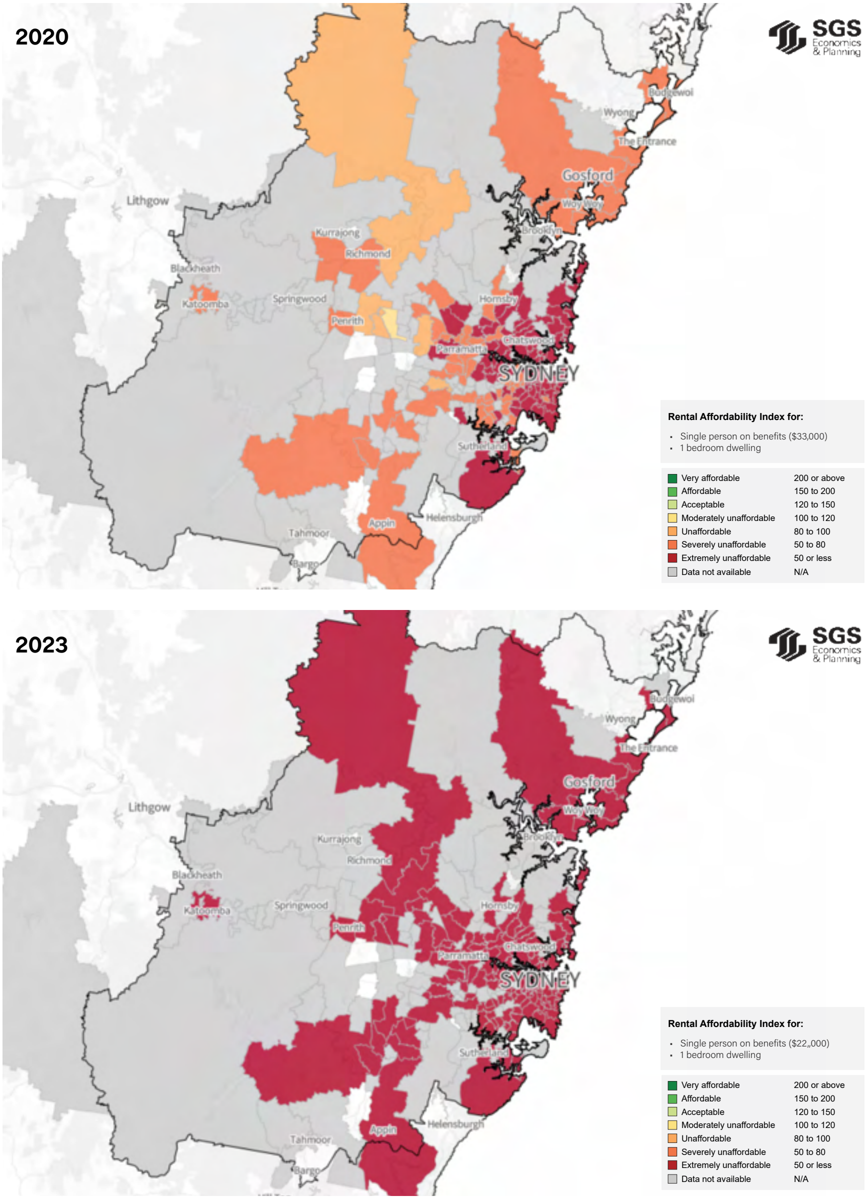
Over the longer term, all cities have been Extremely Unaffordable, with Sydney being the worst and changing little between 2011 – 2019 and returning to pre-covid levels of affordability in 2023.

FIGURE 2. RAI SCORES FOR A PERSON ON JOBSEEKER PAYMENTS, CAPITAL CITIES, 2013 - 2023



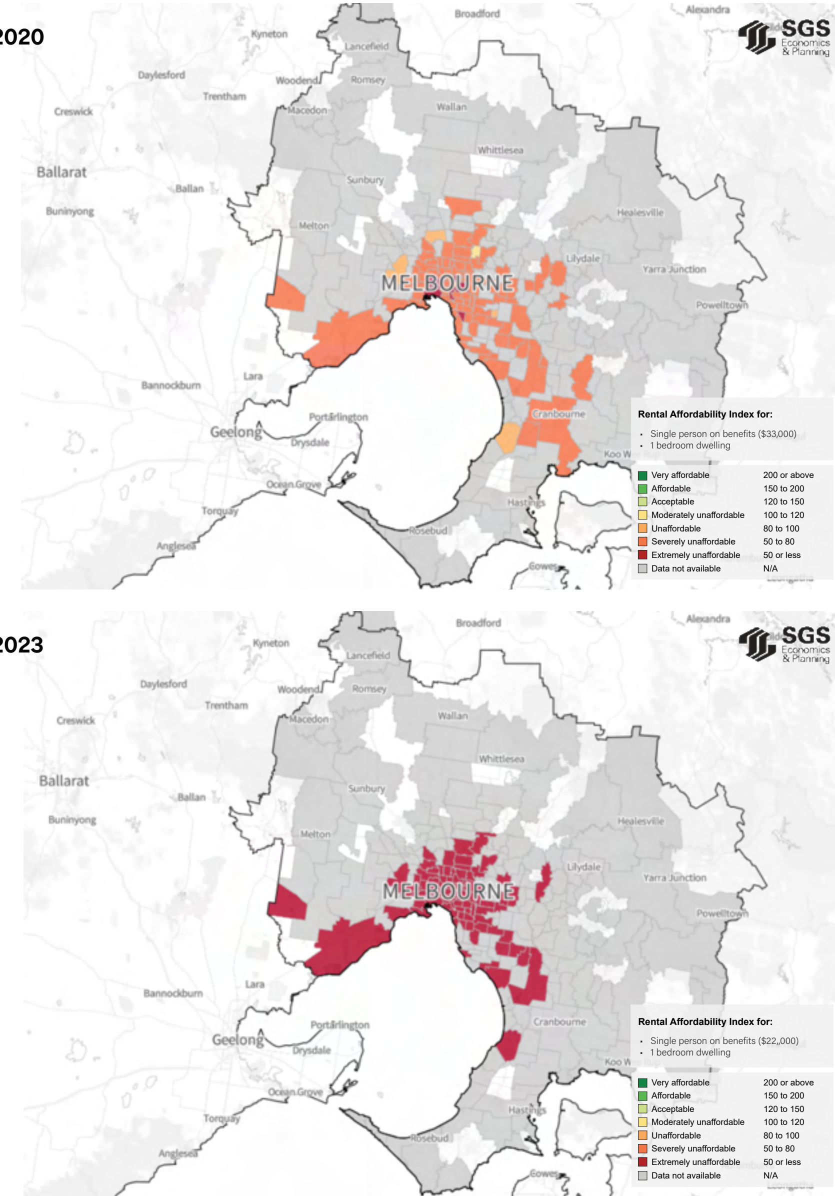
Source: SGS Economics and Planning, 2023

FIGURE 3. GREATER SYDNEY, JUNE QUARTER, 2020 AND 2023



Source: SGS Economics and Planning, 2023

FIGURE 4. GREATER MELBOURNE, JUNE QUARTER, 2020 AND 2023



Source: SGS Economics and Planning, 2023

Single pensioner

$36,691 p.a., 1 bedroom

Extremely Unaffordable to Severely Unaffordable in metropolitan areas and Severely Unaffordable to Unaffordable in regional areas

The single pensioner household is 65 years or older and seeks to rent a one-bedroom dwelling. Retired and/or no longer active in the workforce, this person lives on the age pension for older Australians with income or assets below the threshold required to receive the pension (with consideration for super, investments and earnings). Assumed to have no additional income from paid work, the single pensioner receives an estimated gross annual income of $36,691.

Annual income for pensioners has increased by $1,121 since the last release. This represents a nominal annual increase of 3.2%, about half of annual inflation, meaning that real incomes for pensioners have decreased.

Across the nation, the single pensioner household faces Unaffordable to Extremely Unaffordable rents. For the most part, living in metropolitan areas (which is where one-bedroom dwellings are most numerous) would require 50 per cent or more of the pensioner's income to be spent on rent, with only Greater Adelaide and Greater Hobart marginally below this threshold.

Housing pressures are likely to be compounded by healthcare costs associated with ageing. The need for walkable access to transport, local shops, and services may also place limitations on this household in terms of choosing an appropriate location to live.

For the single pensioner, Greater Sydney and Greater Perth are the least affordable locations to rent of all Australian capital cities which, with RAI scores of 37 and 40 respectively, are Extremely Unaffordable. Renting a 1-bedroom dwelling at the median rate in these cities would require over three quarters of total income, which is untenable given the need for other living expenses and discretionary spending.

Figure 6 Figure 7 show the spatial impact of declining affordability in Sydney and Melbourne over the past year. The proportion of the cities considered extremely unaffordable has expanded significantly, with the most affordable areas (albeit still severely unaffordable) being furthest from services key to this cohort (e.g., high levels of public transport service, healthcare).

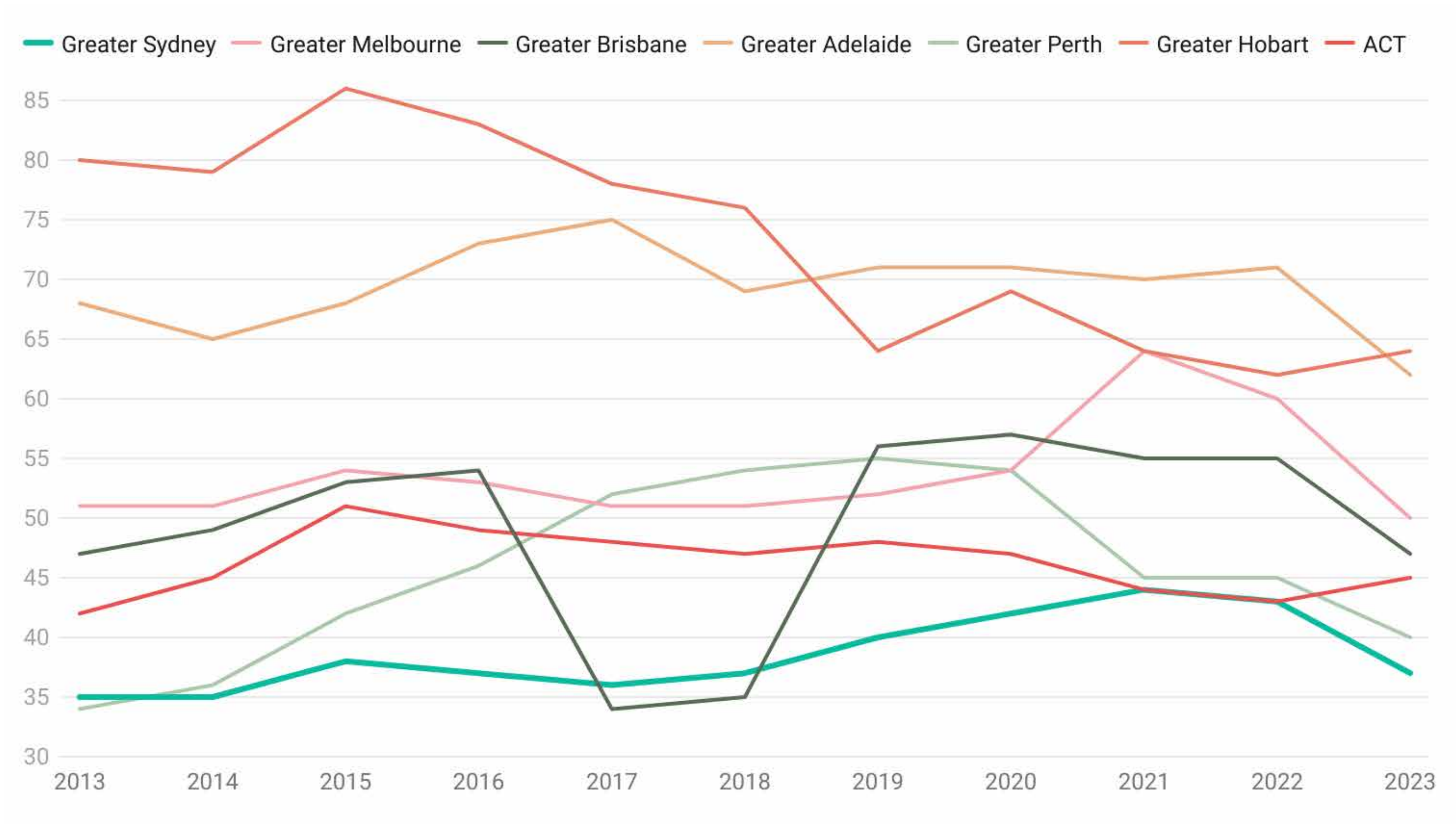
TABLE 4. RAI FOR SINGLE PENSIONER HOUSEHOLD

	RAI score	**Rent as a share of income**	**Relative Unaffordability**
Greater Sydney	37	82%	Extremely unaffordable
Rest of NSW	71	43%	Severely Unaffordable
Greater Melbourne	50	60%	Extremely unaffordable
Rest of VIC	78	38%	Severely Unaffordable
Greater Brisbane	47	64%	Extremely unaffordable
Rest of QLD	51	59%	Severely Unaffordable
Greater Adelaide	62	48%	Severely Unaffordable
Rest of SA	94	32%	Unaffordable
Greater Perth*	40	76%	Extremely Unaffordable
Rest of WA*	41	73%	Extremely Unaffordable
Greater Hobart	64	47%	Severely Unaffordable
Rest of TAS	90	33%	Unaffordable
ACT	45	67%	Extremely Unaffordable

Source: SGS Economics and Planning, 2023

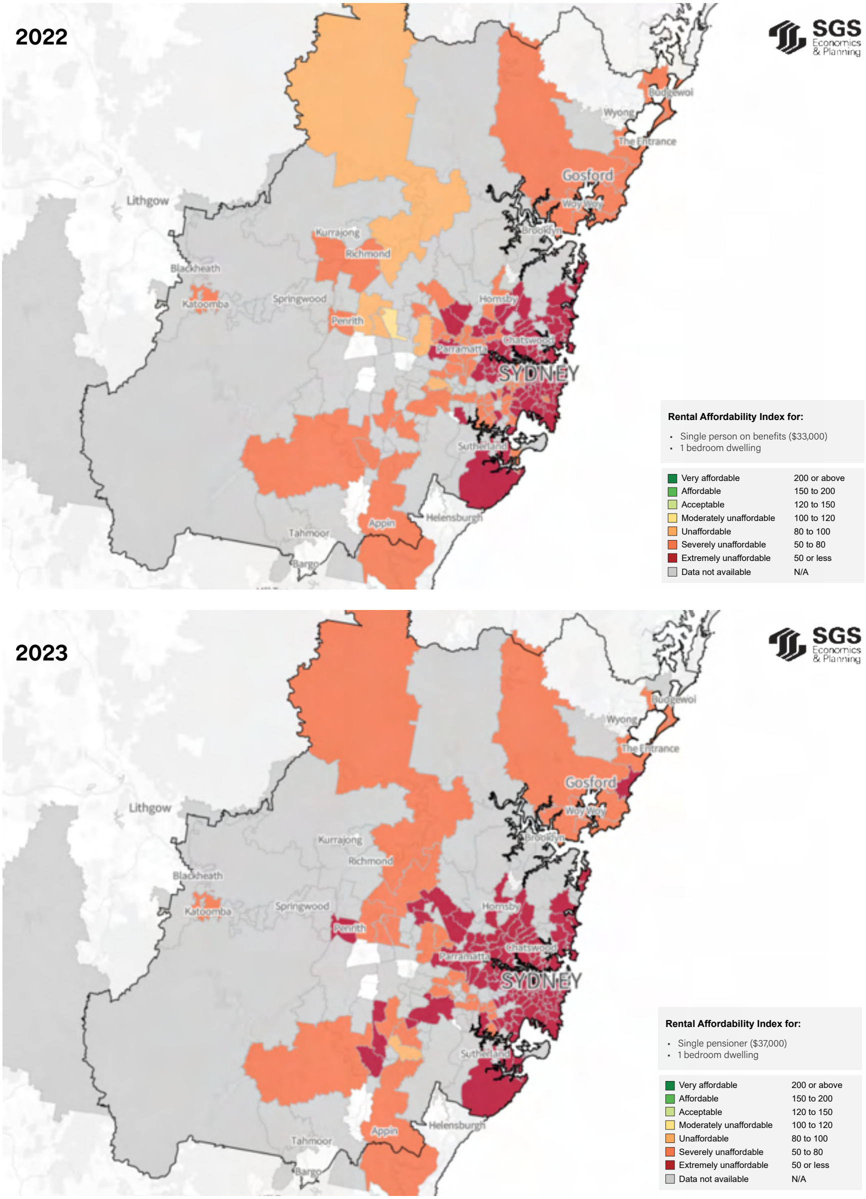
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 5. RAI SCORES FOR A SINGLE PENSIONER, CAPITAL CITIES, 2013 - 2023



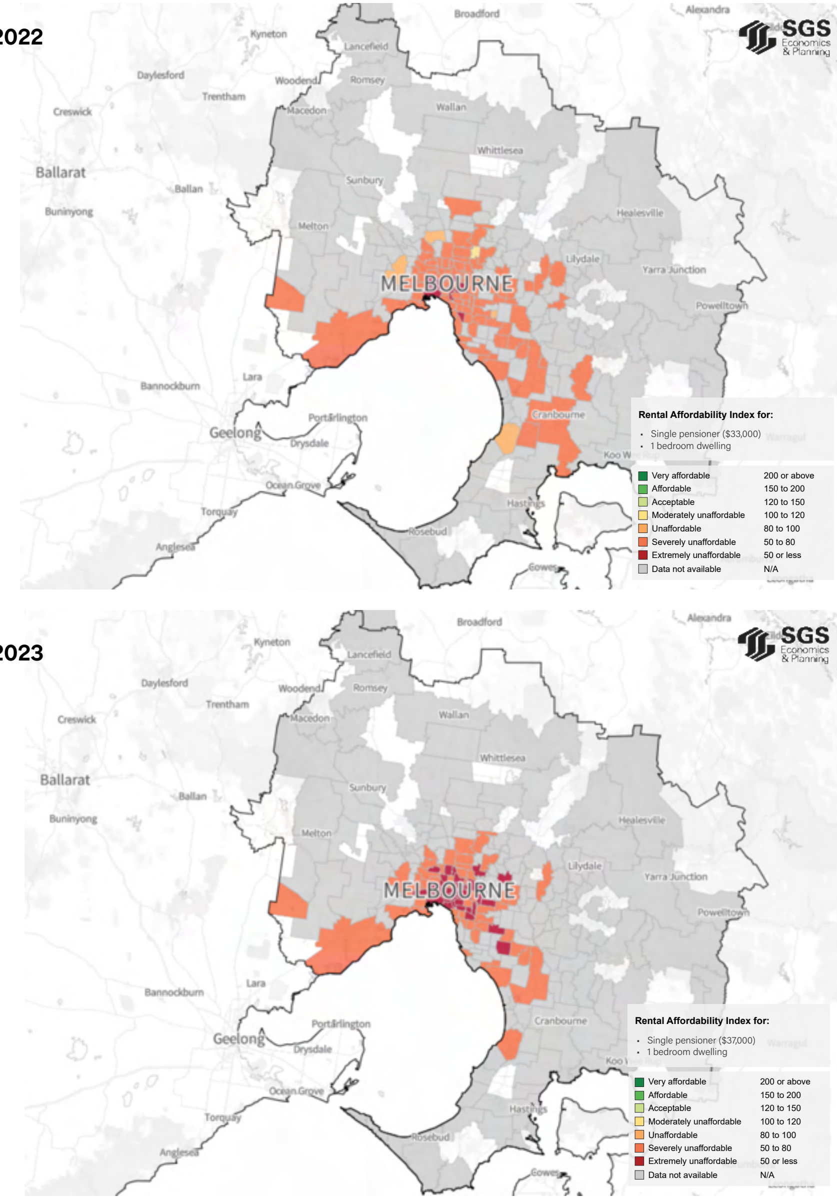
Source: SGS Economics and Planning, 2023

FIGURE 6. GREATER SYDNEY, JUNE QUARTER 2022 AND 2023



Source: SGS Economics and Planning, 2023

FIGURE 7. GREATER MELBOURNE, JUNE QUARTER 2022 AND 2023



Source: SGS Economics and Planning, 2023

Pensioner couple

$58,136 p.a., 2 bedroom

Unaffordable to Severely Unaffordable in metropolitan areas and Unaffordable to Acceptable in regional areas.

The pensioner couple household is comprised of a couple that is 65 years or older seeking to rent a two bedroom dwelling. One member of the household is assumed to still be active in casual or part-time employment, earning $300 per fortnight. This additional income combined with the household’s pensioner payment totals an estimated gross annual income of $58,136.

The pensioner couple's annual income has increased by $1,737 since the last release. This is a nominal increase of 3.1%, about half that of annual inflation, meaning that real incomes for this cohort have fallen. While this profile assumes that one member of the household retains part-time or casual employment, a pensioner couple solely dependent on a pensioner payment would face a more difficult situation.

While faring better than the single pensioner household, the couple pensioner household generally faces Severely Unaffordable rents in metropolitan areas. Regional South Australia is the only location with Acceptable rents while other regional areas across Australia have Unaffordable to Severely Unaffordable rents.

For the pensioner couple household looking to locate in the ACT or Greater Sydney, rents are the least affordable, with RAI scores of 52 and 59 respectively.

Most areas within a 10-kilometre radius of the Sydney CBD and some of the inner areas of Melbourne are Extremely Unaffordable to the pensioner couple, who would need to pay over 50 per cent of their total income if renting at the median rate. Figure 9 and Figure 10 show how the coverage of Extremely Unaffordable areas has expanded across both Melbourne and Sydney over the last year.

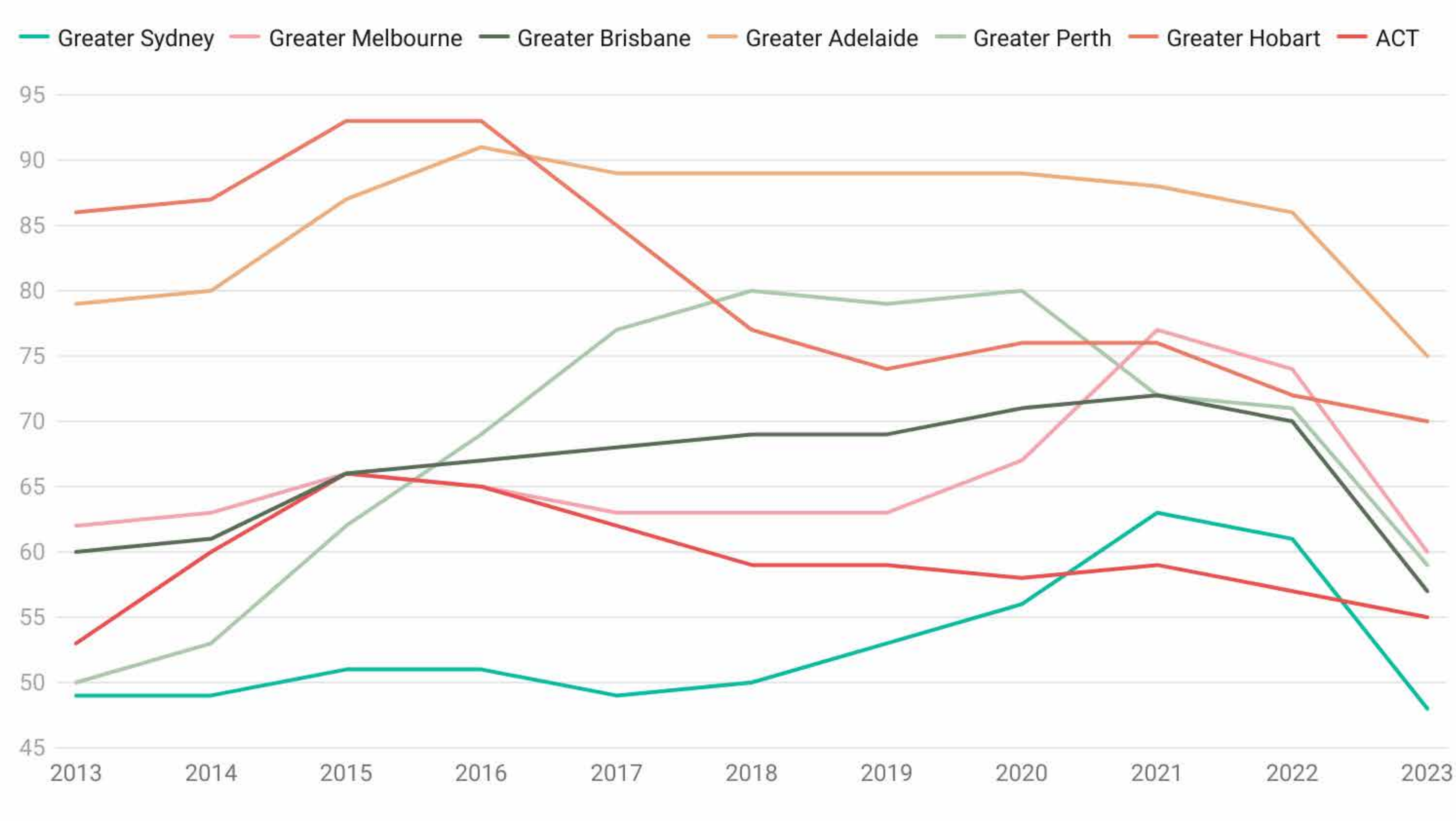
Adding to their financial pressure are several other costs, which may include health care associated with ageing. The need for walkable access to transport, local shops and services may also place limitations on this household in terms of choosing an appropriate location to live.

TABLE 5. RAI FOR PENSIONER COUPLE HOUSEHOLD

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	52	58%	Severely Unaffordable
Rest of NSW	80	38%	Severely Unaffordable
Greater Melbourne	65	47%	Severely Unaffordable
Rest of VIC	96	31%	Unaffordable
Greater Brisbane	61	49%	Severely Unaffordable
Rest of QLD	67	45%	Severely Unaffordable
Greater Adelaide	80	38%	Severely Unaffordable
Rest of SA	123	24%	Acceptable
Greater Perth*	63	48%	Severely Unaffordable
Rest of WA*	65	46%	Severely Unaffordable
Greater Hobart	75	40%	Severely Unaffordable
Rest of TAS	96	31%	Unaffordable
ACT	59	51%	Severely Unaffordable

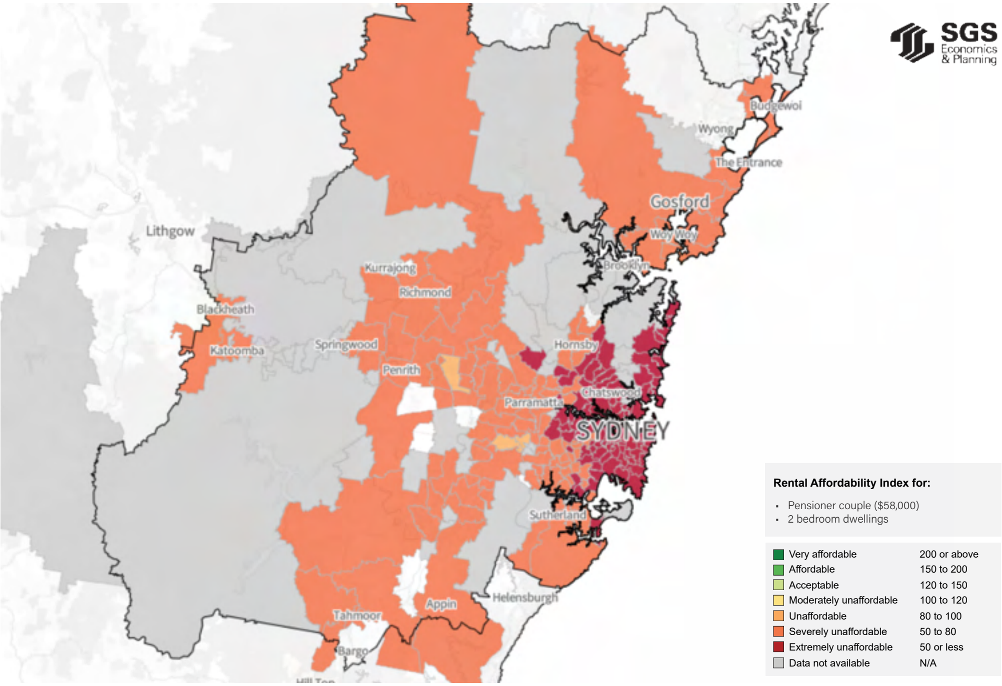
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 8. RAI SCORE FOR PENSIONER COUPLES, CAPITAL CITIES, 2013-2023



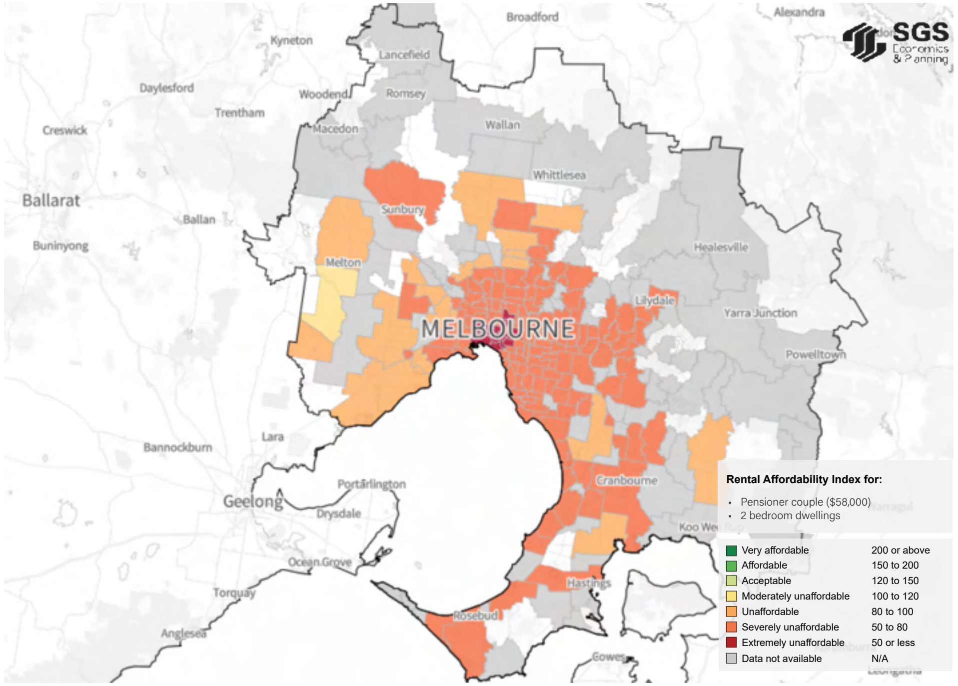
Source: SGS Economics and Planning, 2023

FIGURE 9. GREATER SYDNEY JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

FIGURE 10. GREATER MELBOURNE JUNE QUARTER, 2023



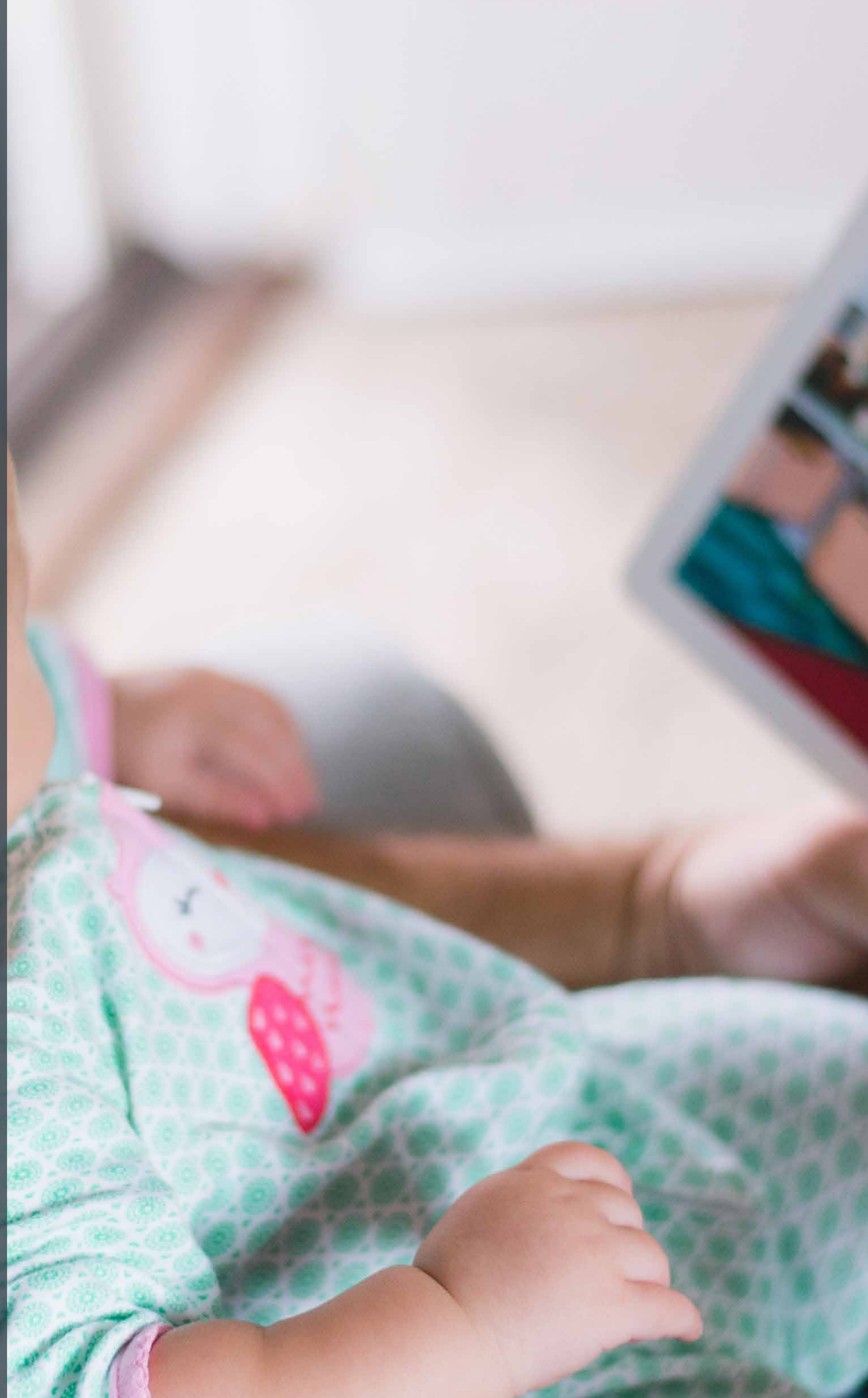
Source: SGS Economics and Planning, 2023

Single part-time worker parent on benefits

$44,815 p.a., 2 bedroom

Extremely Unaffordable to Severely Unaffordable in metropolitan areas and Severely Unaffordable to Moderately Unaffordable in regional areas

The single parent household is comprised of a parent and one child under five and is seeking to rent a two-bedroom rental dwelling. This household receives income support in the form of a parenting payment, supplemented by casual or part time paid employment. It has an estimated gross annual income of $44,815.



Income for this cohort has increased by $1,795 since 2022, representing a nominal 4.2% increase year-on-year. This is still below inflation for the year, so real incomes for this cohort decreased in 2023.

Over the past year, affordability for this household type has continued to deteriorate in all capital cities except Greater Hobart and the ACT, following a trend that has persisted since the Coronavirus supplement provided in 2020 was withdrawn. Rents are Severely to Extremely Unaffordable across all metropolitan and regional areas, other than regional South Australia, which is Unaffordable.

The single part-time worker parent on benefits faces Extremely Unaffordable rents in Greater Sydney, paying 76 per cent of their income on rent if they entered an agreement at the median rental rate. This is followed closely by the ACT as the second least affordable location for this household, where the median rental rate would require paying 66% of income. These are clearly untenable levels of housing stress.

In Greater Melbourne these households face Severely to Extremely Unaffordable rents, paying 60 per cent of their income if renting at the median rate. This represents a grim situation which continues to deteriorate (in 2021, they would have paid 48 per cent of their income). The single part-time worker parent household also faces Severely Unaffordable rents in the metropolitan areas of Adelaide, Perth, and Hobart.

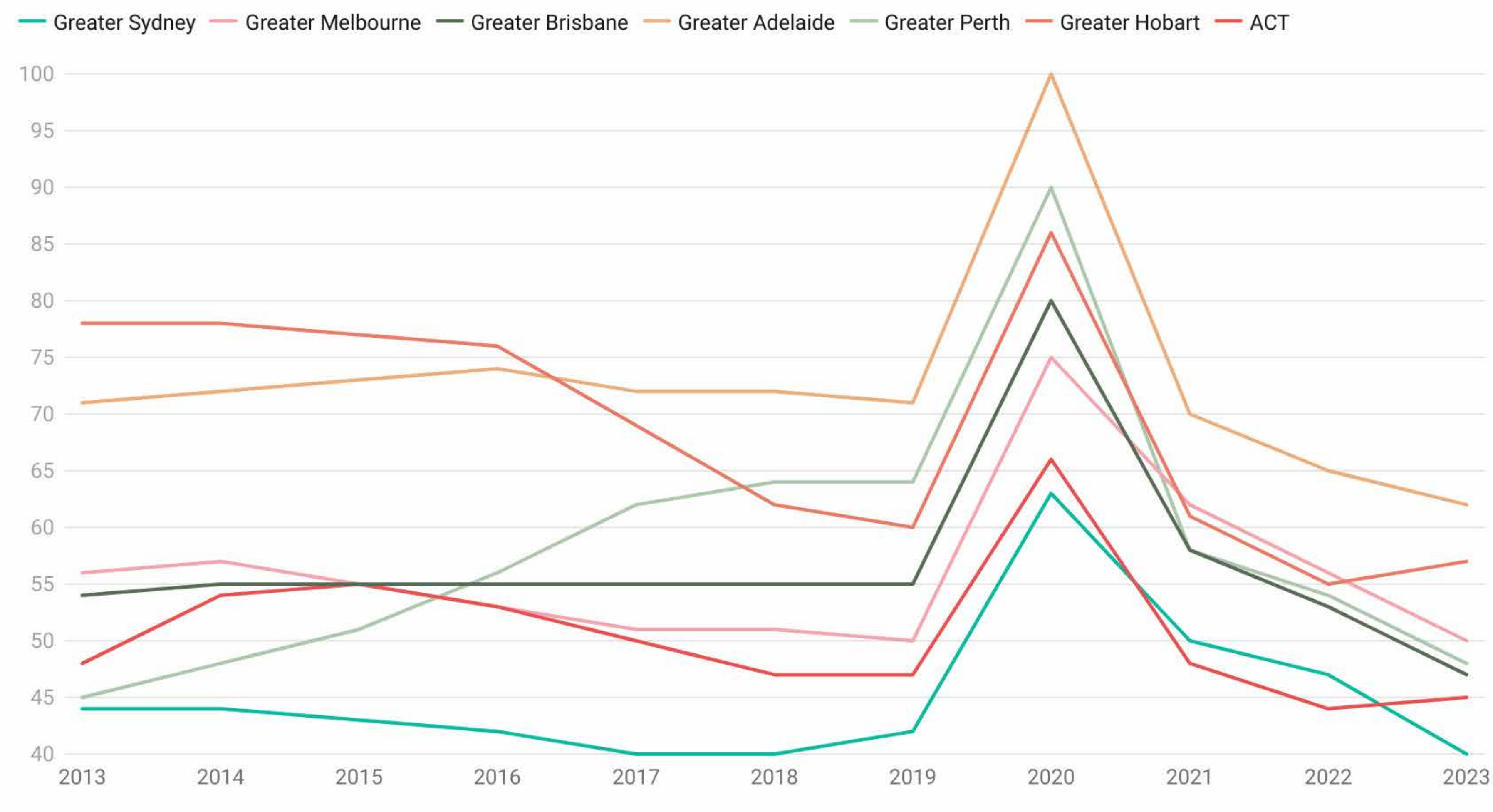
Soaring cost of living pressures will have affected this household type in multiple ways, given their additional needs across childcare, healthcare, and transport.

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

	RAI score	**Rent as a share of income**	**Relative Unaffordability**
Greater Sydney	40	76%	Extremely Unaffordable
Rest of NSW	62	49%	Severely Unaffordable
Greater Melbourne	50	60%	Extremely Unaffordable
Rest of VIC	74	41%	Severely Unaffordable
Greater Brisbane	47	64%	Extremely Unaffordable
Rest of QLD	52	58%	Severely Unaffordable
Greater Adelaide	62	49%	Severely Unaffordable
Rest of SA	95	32%	Unaffordable
Greater Perth*	48	62%	Extremely Unaffordable
Rest of WA*	50	60%	Extremely Unaffordable
Greater Hobart	57	52%	Severely Unaffordable
Rest of TAS	74	41%	Severely Unaffordable
ACT	45	66%	Extremely Unaffordable

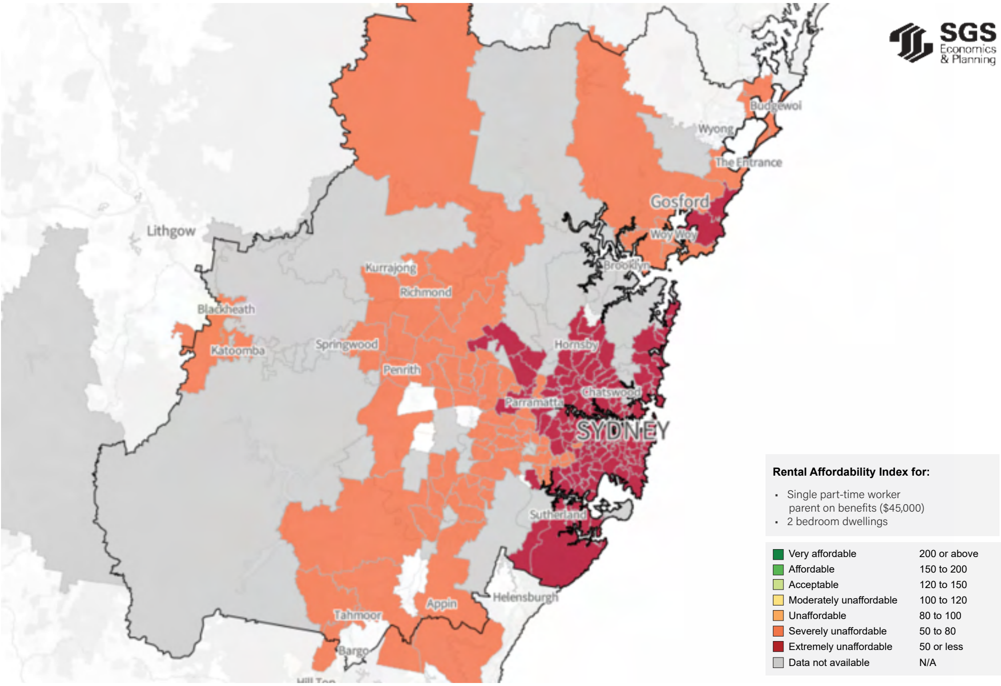
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 11. RAI SCORE FOR SINGLE PART TIME WORKER PARENTS ON BENEFITS, CAPITAL CITIES, 2013-2023



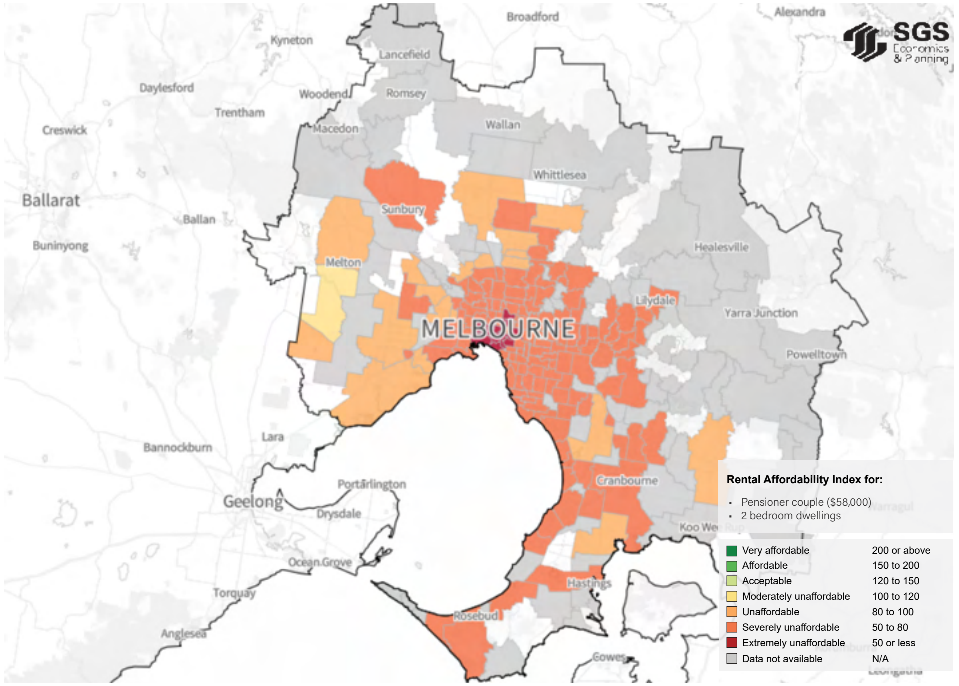
Source: SGS Economics and Planning, 2023

FIGURE 12. GREATER SYDNEY JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

FIGURE 13. GREATER MELBOURNE JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

Single full-time working parent

$104,505 p.a., 2 bedroom

Moderately Unaffordable to Affordable in metropolitan and regional areas

The key worker single parent household is comprised of a single parent and child under five and is seeking to rent a two-bedroom dwelling. As a full-time teacher, the key worker parent earns an estimated $104,505[9] per annum.

[9]For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.

The income and dwelling requirements of the single full-time working parent household fall in the Moderately Unaffordable to Acceptable range for most regions, with Greater Sydney being the only region where rents are Unaffordable. Regional areas are generally more affordable, particularly South Australia where these households will only spend 14 per cent of their income on rent if they would enter a new rental agreement at the median rate. While the income of this household has increased by $2,802, or 2.8 per cent, over the past year, this is less than that of inflation over the same period.

Driven by rapidly rising rental rates, affordability has declined over the past year in all metropolitan and regional areas, except the ACT and Greater Hobart (where the median rate for 2-bedroom dwellings has been stable). Many capital cities have fallen an affordability bracket. Adelaide is now Acceptable (previously Affordable), and Melbourne, Perth, and Brisbane have become Moderately Unaffordable. Greater Sydney has suffered the worst decline and is now Unaffordable.

The trend of improving affordability seen in Melbourne and Sydney between 2017 and 2021 has reversed and the gains completely eroded, with both cities now being at their least affordable point since 2011 (i.e., the extent of RAI data). This historic low point is also true of Brisbane and Adelaide. Figure 15 and Figure 16 show the spatial implication of the decline in affordability over the past year in Sydney and Melbourne respectively, where, in contrast to 2022, no affordable areas can currently be found within 15km of the CBD.

Although affordability has declined across all regional areas except South Australia, it remains Affordable to Very Affordable for the single full-time working parent household.

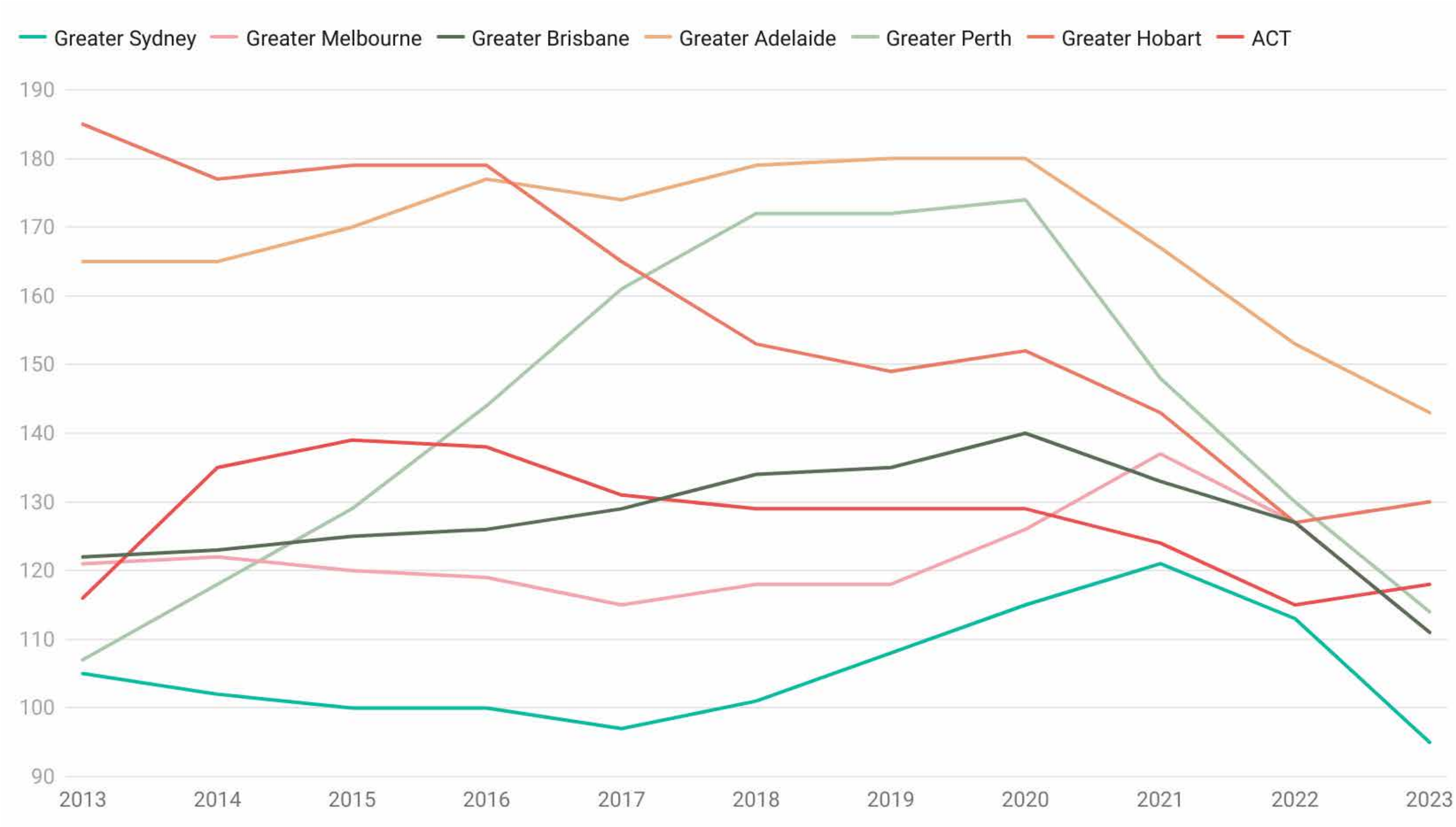
The nature of being a sole carer makes it likely that a considerable proportion of earnings go towards childcare and after-school care costs for this household, placing additional demands on the income of this household. This will compound the recently rising financial pressures of primary needs such as power, transport, and education.

TABLE 7. RAI FOR SINGLE FULL-TIME WORKING PARENT

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	95	32%	Unaffordable
Rest of NSW	147	20%	Acceptable
Greater Melbourne	111	27%	Unaffordable
Rest of VIC	165	18%	Affordable
Greater Brisbane	111	27%	Unaffordable
Rest of QLD	122	25%	Acceptable
Greater Adelaide	143	21%	Acceptable
Rest of SA	221	14%	Very Affordable
Greater Perth*	114	26%	Moderately Unaffordable
Rest of WA*	120	25%	Moderately Unaffordable
Greater Hobart	130	23%	Acceptable
Rest of TAS	167	18%	Affordable
ACT	118	26%	Moderately Unaffordable

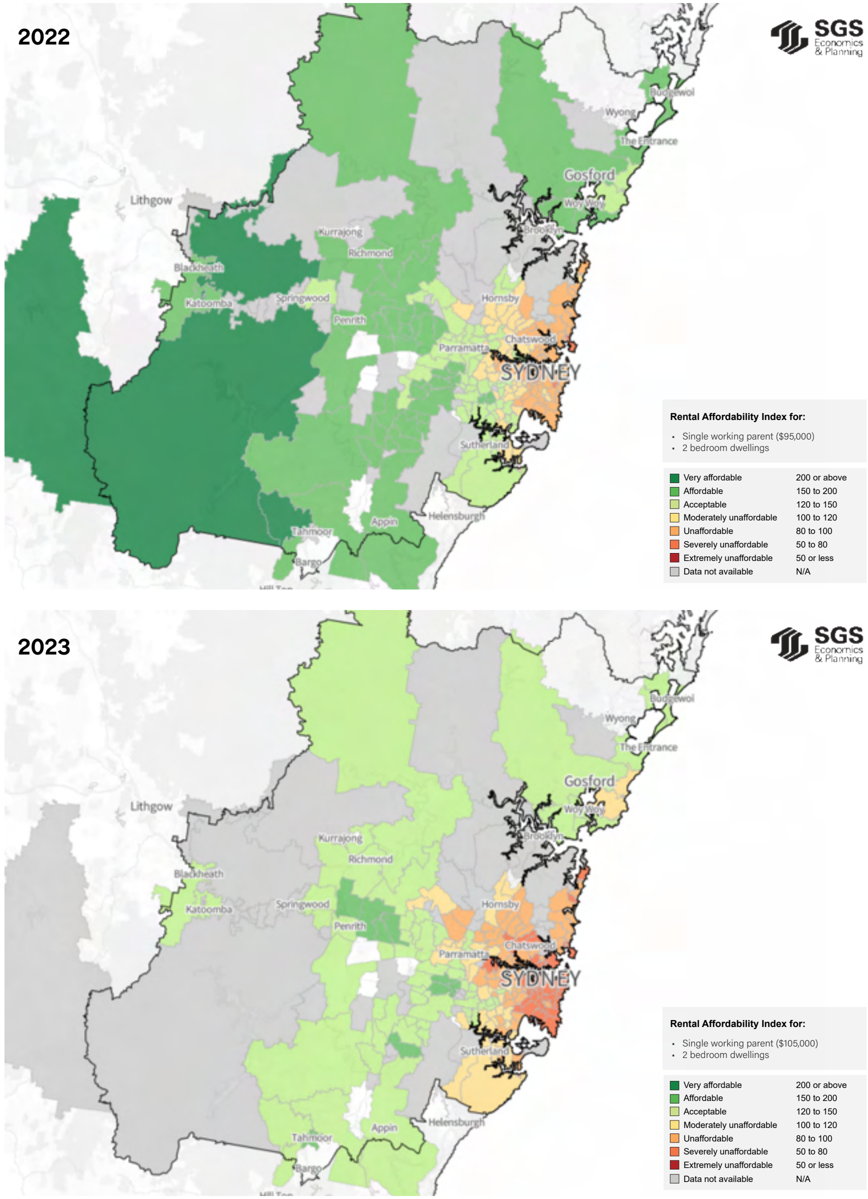
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 14. RAI SCORES FOR SINGLE FULL-TIME WORKING PARENT, CAPITAL CITIES, 2013 - 2022



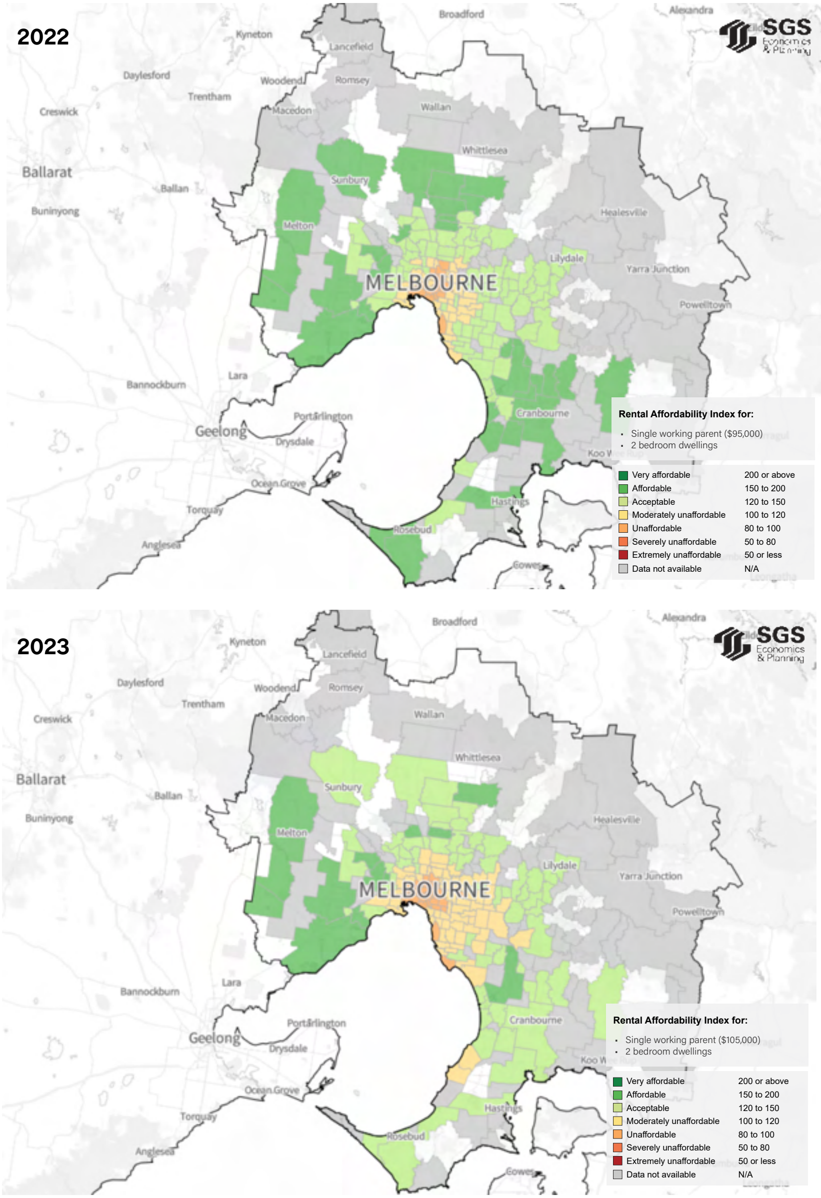
Source: SGS Economics and Planning, 2023

FIGURE 15. GREATER SYDNEY, JUNE QUARTER, 2022 AND 2023



Source: SGS Economics and Planning, 2023

FIGURE 16. GREATER MELBOURNE, JUNE QUARTER, 2022 AND 2023



Source: SGS Economics and Planning, 2023

Single income couple with children

$104,505 p.a., 3 bedroom

Moderately Unaffordable to Acceptable rents in most metropolitan and most regional areas[10]

The single income couple with children consists of one key worker, one stay-at-home parent, and two children, one of whom is under five. This household seeks to live in a three-bedroom rental dwelling. This household lives on a single key worker income of $104,505[11] per annum.

[10]Note that RAI scores appear more affordable than for single full-time working parents, despite single income couples with children requiring larger dwellings (3 bedrooms). This is due to the spatial distribution of dwelling forms, as 2 bedroom dwellings are more heavily represented (compared to 3 bedroom dwellings) in the inner regions of cities, and therefore have a higher median rent

[11]For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.

This household faces Moderately Unaffordable rents across metropolitan areas (with Sydney being Unaffordable), although inner parts of cities can be Severely Unaffordable (with parts of Sydney being Extremely Unaffordable).

Affordability has been declining drastically and consistently in Greater Brisbane and Greater Perth since 2020. RAI scores are now 109 and 119, relative to scores of 137 and 157 three years prior, respectively. Greater Sydney has experienced a similar trend and is now Unaffordable with a RAI score of 90.

In most metropolitan areas, Acceptable rents can only be found in outer suburbs (illustrated in Figure 18 and Figure 19), which are typically disadvantaged in terms of access to work and other opportunities. Indeed, even outer suburbs like Penrith have fallen from Acceptable to Moderately Unaffordable. Given the size of this family, there is considerable additional financial pressure from day-to-day living costs, which have increased rapidly since 2022.

Regional areas, excluding Queensland, are Acceptable or Affordable, with the highest score of 167 recorded for the Rest of SA, although these are generally following the same downward trend.

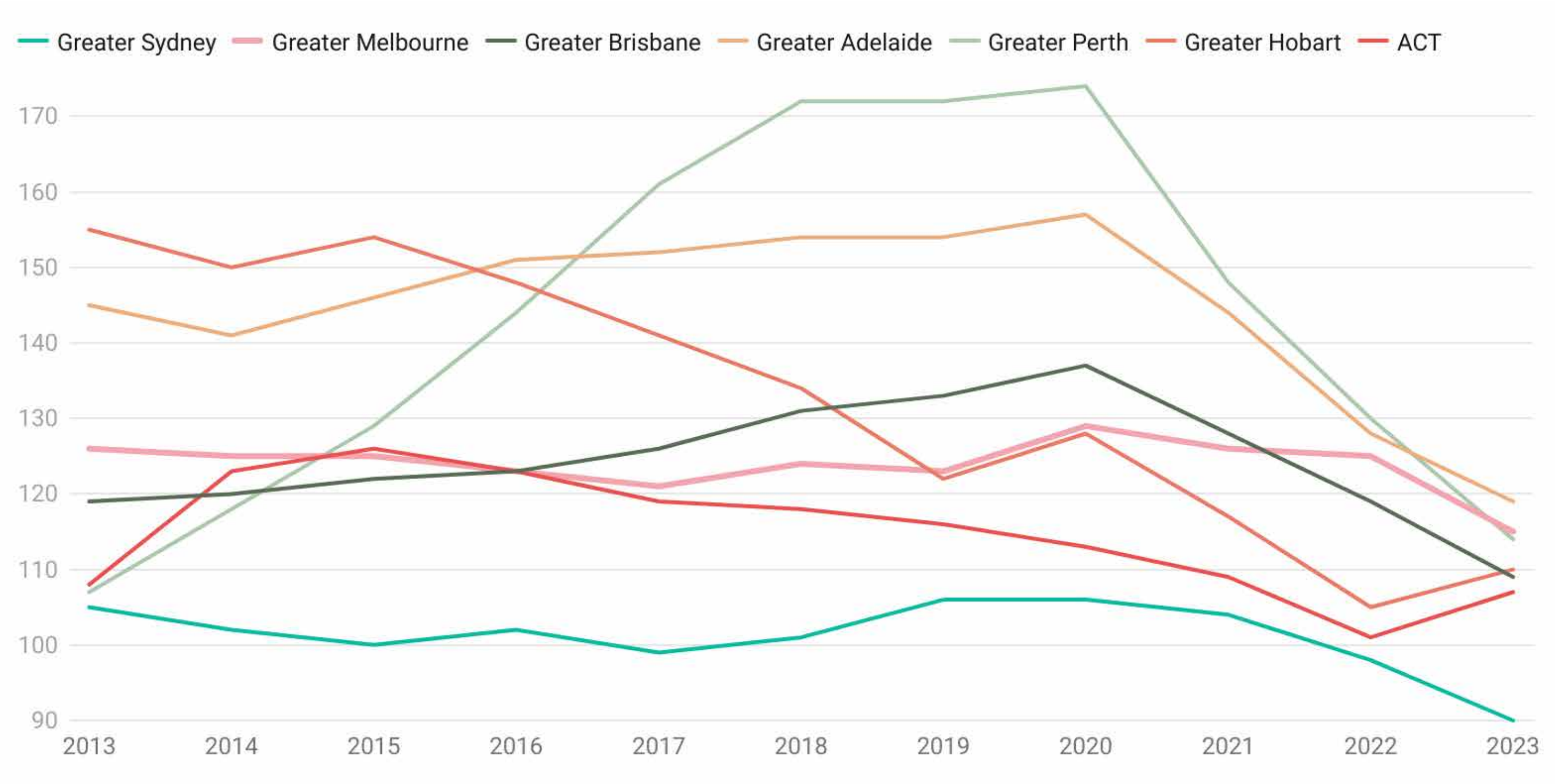
Like other household types with children, this household type may have experienced continued financial stress due to rising cost of living, and the burden of additional costs like childcare and health care.

TABLE 7. RAI FOR SINGLE INCOME COUPLE WITH CHILDREN

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	90	33%	Unaffordable
Rest of NSW	121	25%	Acceptable
Greater Melbourne	115	26%	Moderately Unaffordable
Rest of VIC	138	22%	Acceptable
Greater Brisbane	109	28%	Moderately Unaffordable
Rest of QLD	107	28%	Moderately Unaffordable
Greater Adelaide	119	25%	Moderately Unaffordable
Rest of SA	167	18%	Affordable
Greater Perth*	114	26%	Moderately Unaffordable
Rest of WA*	120	25%	Moderately Unaffordable
Greater Hobart	110	27%	Moderately Unaffordable
Rest of TAS	137	22%	Acceptable
ACT	107	28%	Moderately Unaffordable

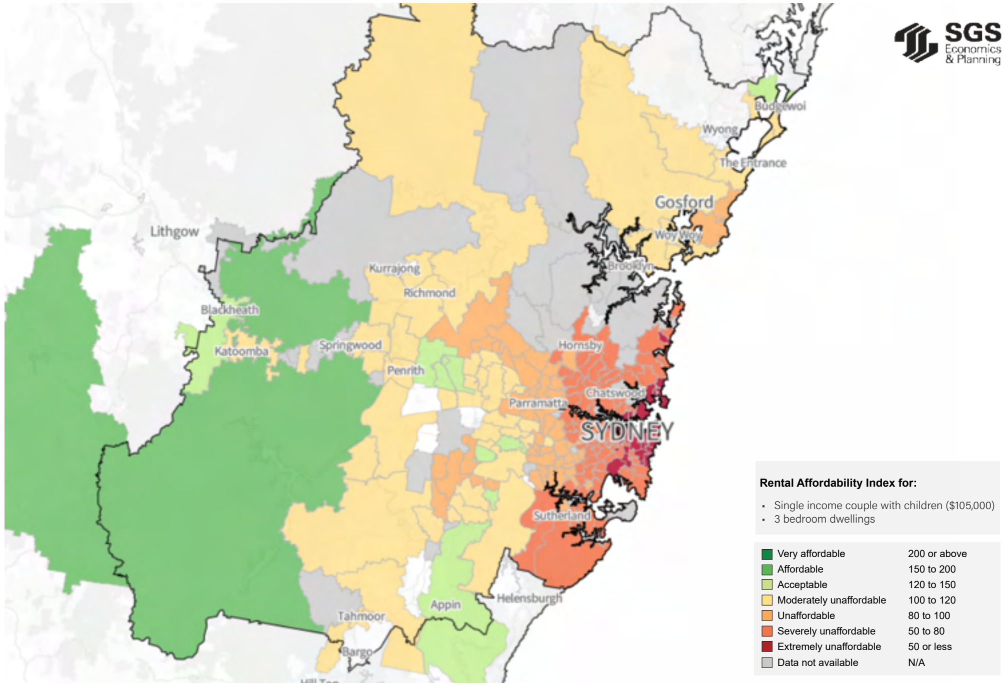
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 17. RAI SCORES FOR A SINGLE INCOME COUPLE WITH CHILDREN, CAPITAL CITIES, 2013 - 2023



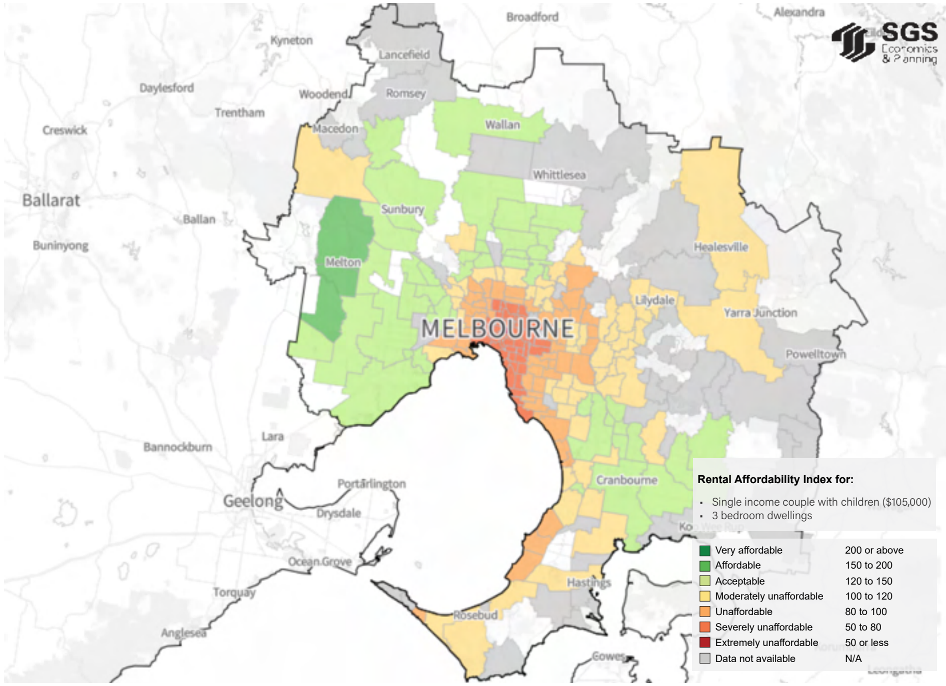
Source: SGS Economics and Planning, 2023

FIGURE 18. GREATER SYDNEY JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

FIGURE 19. GREATER MELBOURNE JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

Dual income couple with children

$209,010 p.a., 3 bedroom

Affordable to Very Affordable across all metropolitan and regional areas.

The full-time key worker couple has two children under ten and seeks to rent a three bedroom dwelling. This household lives on two full time teachers' wages, with a combined annual income of $209,010 per annum[12].

[12]For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.

Annual income for this household type has increased by over $5,600 since 2022, or 2.8 per cent. Meanwhile, the average of median rents for 3-bedroom dwellings across all regions rose by 8.0 per cent.

Given this household type's high income, the dual income couple with children household can generally access Affordable to Very Affordable rents across most metropolitan areas. Regional areas in particular offer Very Affordable rents.

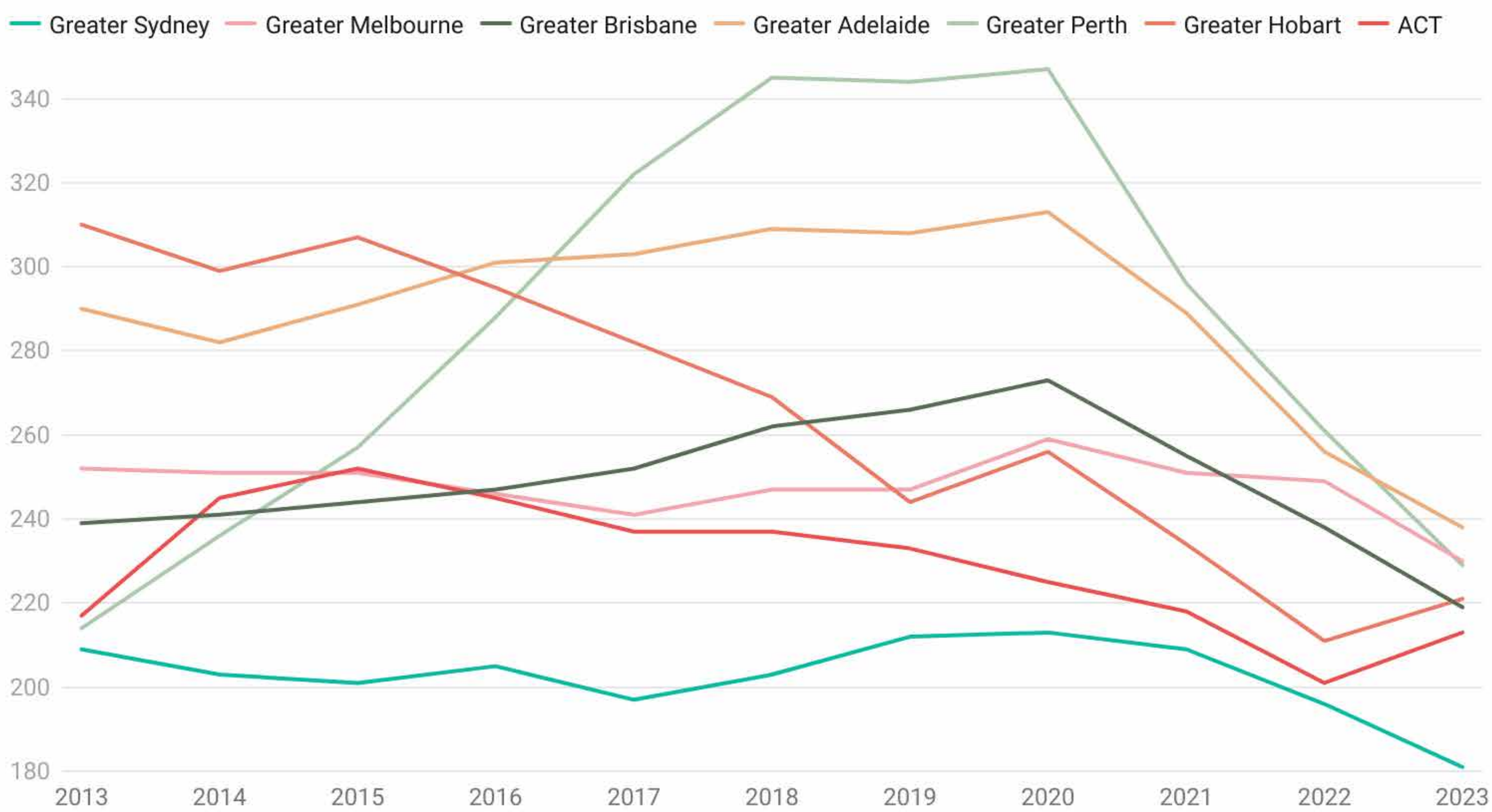
Despite the minor reduction in rental affordability over the past two years, the least affordable region, Greater Sydney, still requires this household to spend just 17 per cent of their income on rent, leaving a reasonable amount for other living and parenting expenses.

TABLE 8. RAI FOR DUAL INCOME COUPLE WITH CHILDREN

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	181	17%	Affordable
Rest of NSW	242	12%	Very Affordable
Greater Melbourne	230	13%	Very Affordable
Rest of VIC	275	11%	Very Affordable
Greater Brisbane	219	14%	Very Affordable
Rest of QLD	214	14%	Very Affordable
Greater Adelaide	238	13%	Very Affordable
Rest of SA	334	9%	Very Affordable
Greater Perth*	229	13%	Very Affordable
Rest of WA*	239	13%	Very Affordable
Greater Hobart	221	14%	Very Affordable
Rest of TAS	275	11%	Very Affordable
ACT	213	14%	Very Affordable

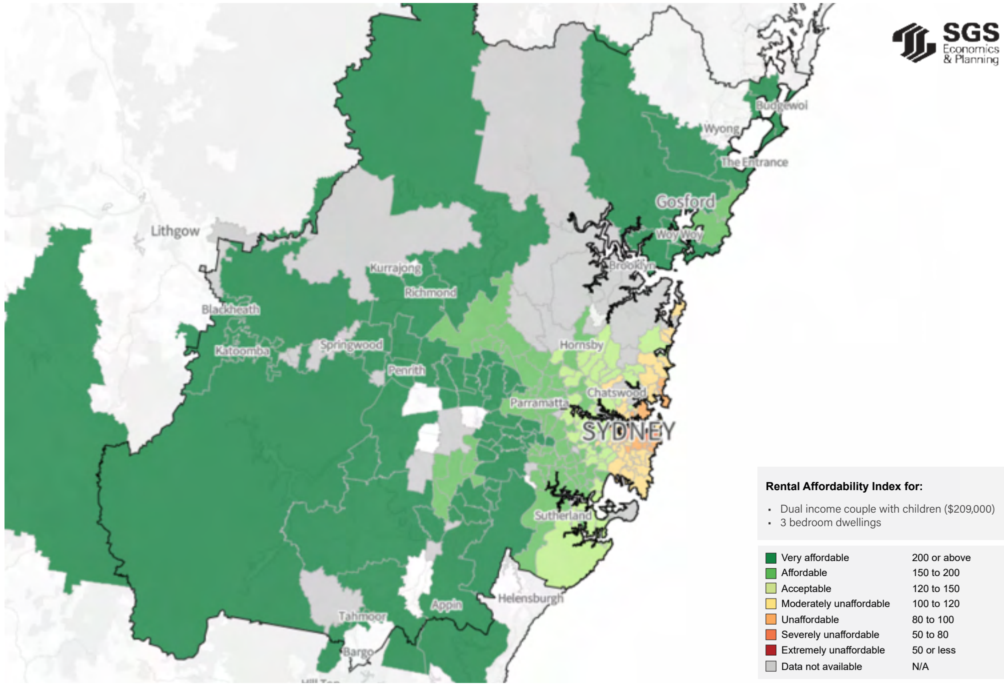
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 20. RAI SCORES FOR DUAL INCOME COUPLES WITH CHILDREN, CAPITAL CITIES, 2013-2023



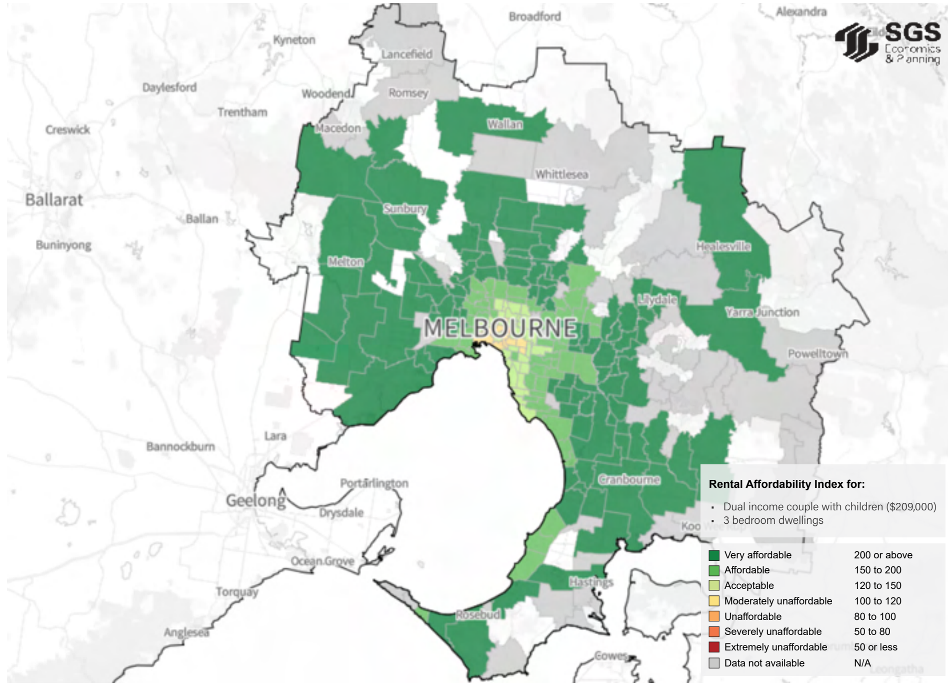
Source: SGS Economics and Planning, 2023

FIGURE 21. GREATER SYDNEY JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

FIGURE 22. GREATER MELBOURNE JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

Student sharehouse

$84,802 ($28,267per student) p.a., 3 bedroom

Unaffordable to Moderately Unaffordable across most metropolitan areas.

The student sharehouse household comprises three students between the ages of 18 and 35 seeking to rent a shared three-bedroom dwelling. Each member of this household receives an income support payment in the form of Youth Allowance or Austudy. In addition, each student earns the maximum additional income allowable before income support payments are affected. The estimated gross annual income for this household is $84,802 or $28,267 per student.

The annual income of the student sharehouse household has remained almost stagnant over the past year, while rents for 3-bedroom dwellings have increased markedly. As a result, rental affordability declined in all regions except the ACT and Greater Hobart (where rental rates were also stable), in many cases to a historic low.

This follows a period of improved affordability in 2020, during which the income available to students greatly increased because of coronavirus supplement payments. All improvements from that period have now been eroded. Across all metropolitan regions, this household now faces worse affordability than in 2019.

Rental affordability ranges from Severely Unaffordable to Unaffordable across Australia, except for the Rest of SA which is Acceptable. Greater Sydney and the ACT are the least affordable, with RAI scores of 72 and 78, respectively, requiring 39 to 42 per cent of income to be spent on rent.

Across most inner and middle suburbs of metropolitan cities, rents are Unaffordable to Moderately Unaffordable for the student sharehouse household. Members of this household type are therefore forced to choose between rental stress or having to locate in areas with poorer access to inner-city tertiary institutions and part-time work.

Regional areas fare better for the most part (except regional Queensland), with Moderately Unaffordable to Acceptable rents, but have a lower concentration of higher education institutions.

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

Many tertiary institutions are in high rent and central locations. Over the past year, residential demand in these inner locations has returned, after a lull during the pandemic. The wave of unaffordability is seen to extend outward from the city centres, as shown in Figure 24 Figure 25, meaning students would have to live further away from education precincts, potentially increasing other cost such as transport fares and travel time.

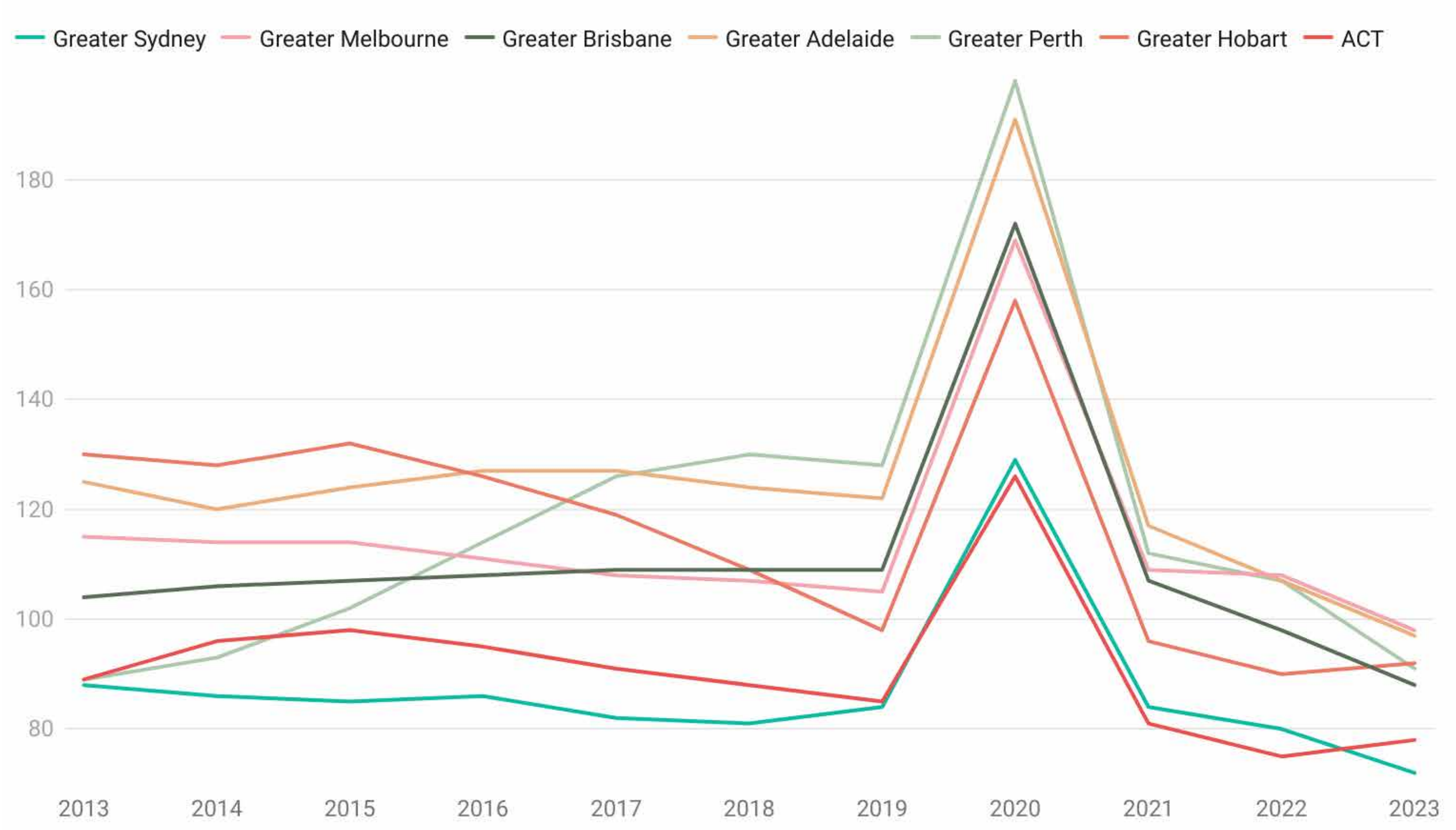
Additionally, the risk of turnover and vacancies are 'owned' by the sharehouse, so the share of rent increases if someone leaves and there are vacant days. These factors exacerbate the experience of rental stress.

TABLE 9. RAI FOR STUDENT SHAREHOUSE

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	72	42%	Severely Unaffordable
Rest of NSW	96	31%	Unaffordable
Greater Melbourne	98	31%	Unaffordable
Rest of VIC	116	26%	Moderately Unaffordable
Greater Brisbane	88	34%	Unaffordable
Rest of QLD	86	35%	Unaffordable
Greater Adelaide	97	31%	Unaffordable
Rest of SA	136	22%	Acceptable
Greater Perth*	91	33%	Unaffordable
Rest of WA*	95	32%	Unaffordable
Greater Hobart	92	33%	Unaffordable
Rest of TAS	115	26%	Moderately Unaffordable
ACT	78	39%	Severely Unaffordable

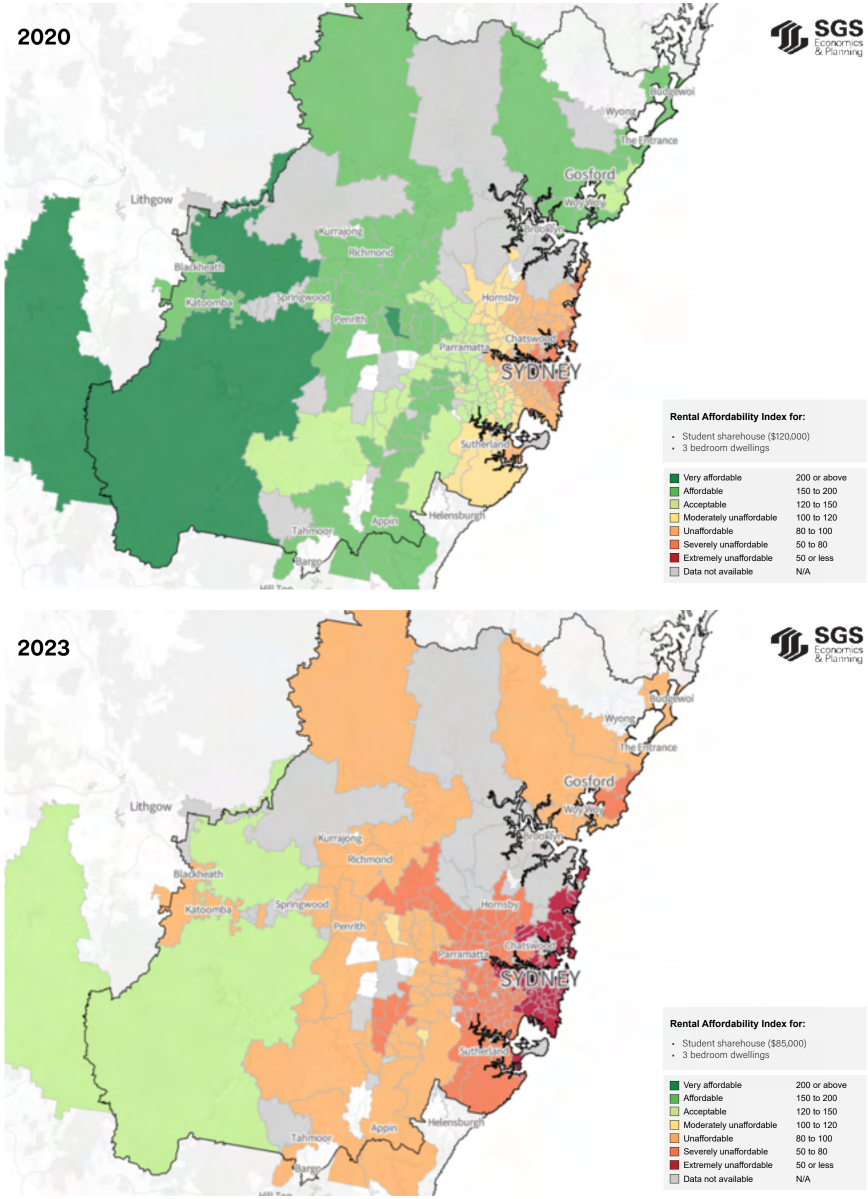
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 23. RAI SCORES FOR STUDENT SHAREHOUSES, CAPITAL CITIES, 2013-2023



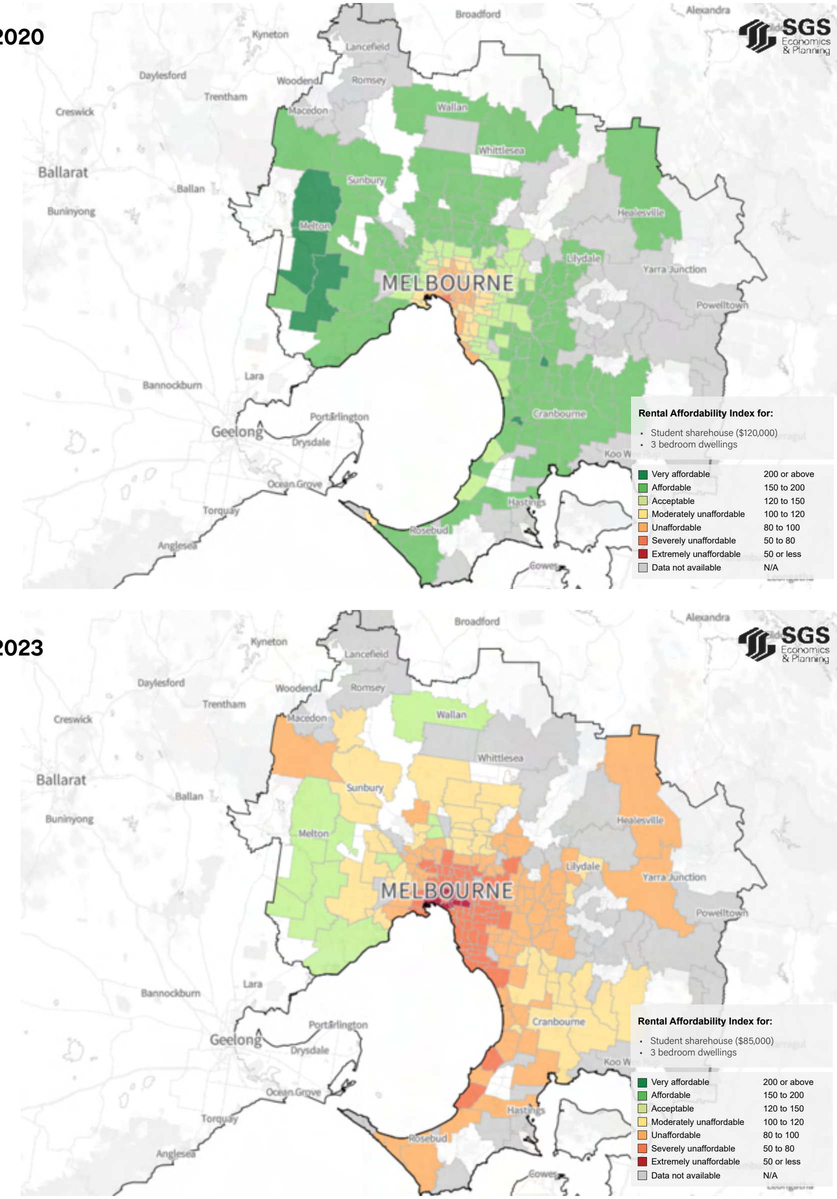
Source: SGS Economics and Planning, 2023

FIGURE 24. GREATER SYDNEY, JUNE QUARTER, 2020 AND 2023

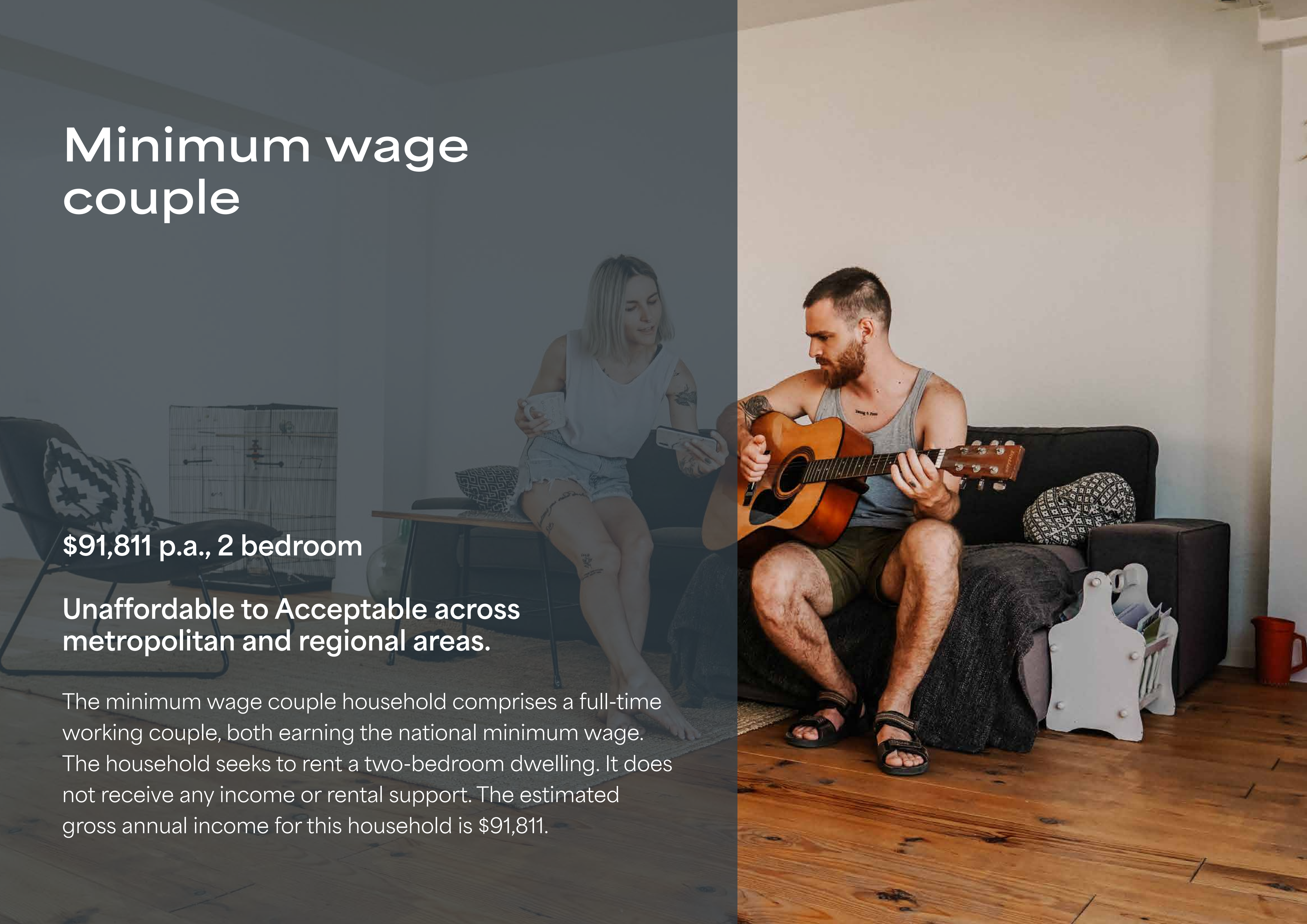


Source: SGS Economics and Planning, 2023

FIGURE 25. GREATER MELBOURNE, JUNE QUARTER, 2020 AND 2023



Source: SGS Economics and Planning, 2023



Minimum wage couple

$91,811 p.a., 2 bedroom

Unaffordable to Acceptable across metropolitan and regional areas.

The minimum wage couple household comprises a full-time working couple, both earning the national minimum wage. The household seeks to rent a two-bedroom dwelling. It does not receive any income or rental support. The estimated gross annual income for this household is $91,811.

The minimum wage increased by 8.6 per cent since July 2022, which exceeds headline inflation. Despite this, rental affordability has worsened in all metropolitan areas except Greater Hobart and the ACT, as rental rates for 2-bedroom dwellings have soared (12 per cent across all capital cities in the year from June 2022 to 2023).

This household now faces Unaffordable to Moderately Unaffordable to Unaffordable rents across all metropolitan areas. Greater Sydney is the least affordable, with a RAI score of 81, indicating that 37 per cent of household income would be required to rent at the median rate.

Affordability in Greater Melbourne, which improved during 2020 and 2021, has now almost reverted to the affordability level of 2019. Despite being on a dual income, this household type would only be able to find Affordable lettings on the outskirts of Melbourne or in regional Victoria.

In Greater Sydney, rents are Unaffordable to Severely Unaffordable for this household in inner and middle suburbs. Severely Unaffordable areas are much wider spread in Sydney compared to Melbourne and have extended further from the CBD (which itself is Extremely Unaffordable) in 2023 than ever before.

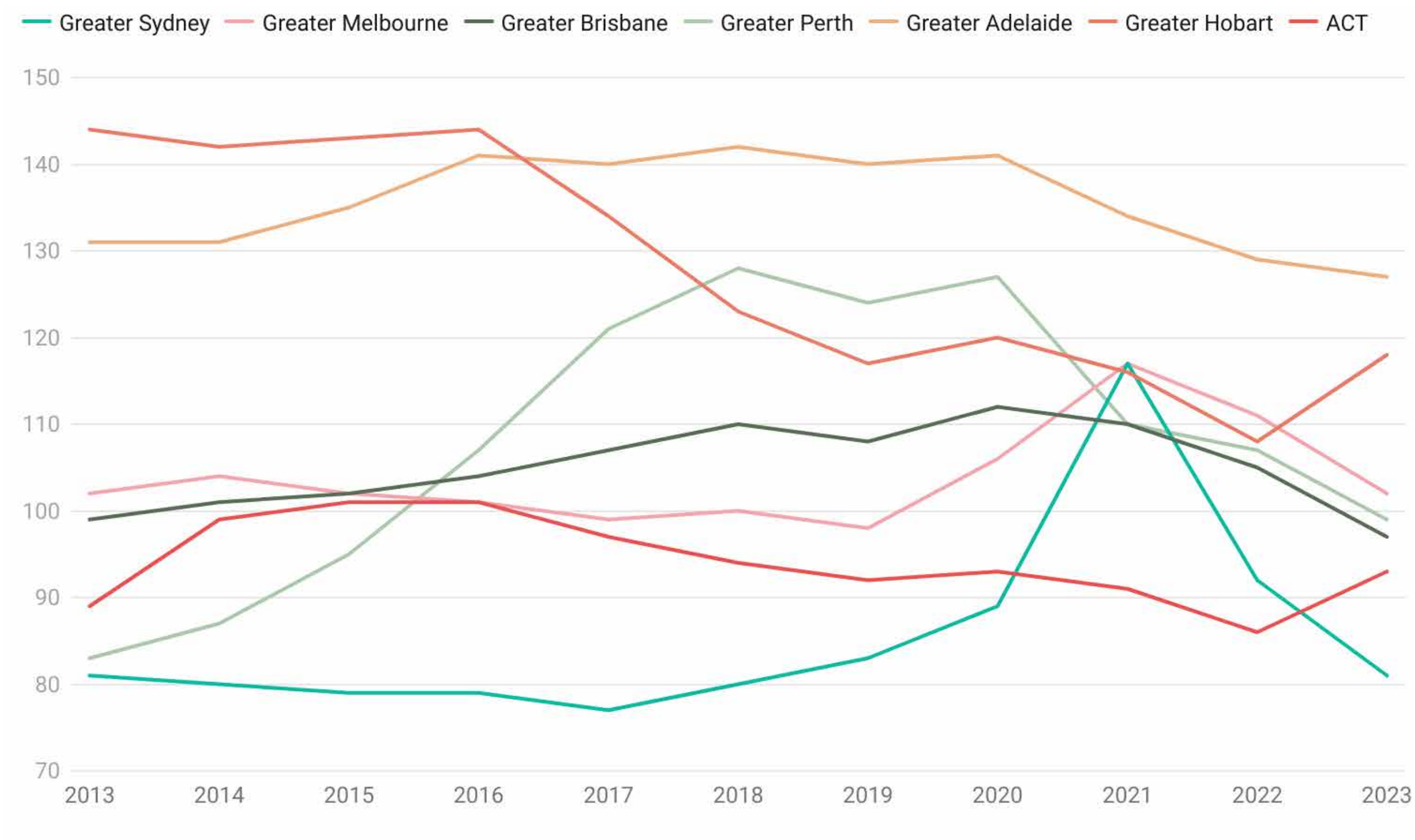
Regional areas offer greater affordability, particularly in Victoria, Tasmania and South Australia, where rents are Affordable. It should be noted that minimum wage workers are often employed on a casual basis. This is associated with lower income certainty, which can place these households under additional stress (as rent paid will not change in periods of lower income). This analysis assumes the couple work 38 hours a week each, which may be unrealistic and therefore understate affordability concerns for this household type.

TABLE 10. RAI FOR MINIMUM WAGE COUPLE HOUSEHOLD

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	81	37%	Unaffordable
Rest of NSW	126	24%	Acceptable
Greater Melbourne	102	30%	Moderately Unaffordable
Rest of VIC	151	20%	Affordable
Greater Brisbane	97	31%	Unaffordable
Rest of QLD	106	28%	Moderately Unaffordable
Greater Adelaide	127	24%	Acceptable
Rest of SA	194	15%	Affordable
Greater Perth*	99	30%	Unaffordable
Rest of WA*	102	29%	Moderately Unaffordable
Greater Hobart	118	26%	Moderately Unaffordable
Rest of TAS	151	20%	Affordable
ACT	93	32%	Unaffordable

Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 26. RAI SCORES FOR MINIMUM WAGE COUPLES, CAPITAL CITIES, 2013-2023



Source: SGS Economics and Planning, 2023

FIGURE 27. GREATER SYDNEY, JUNE QUARTER, 2023

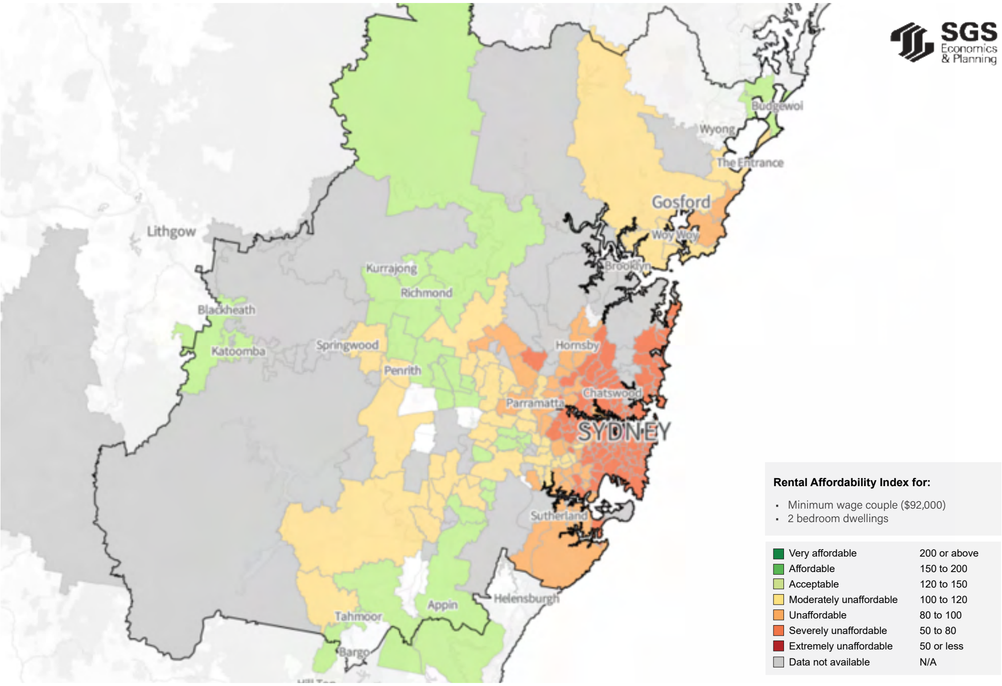
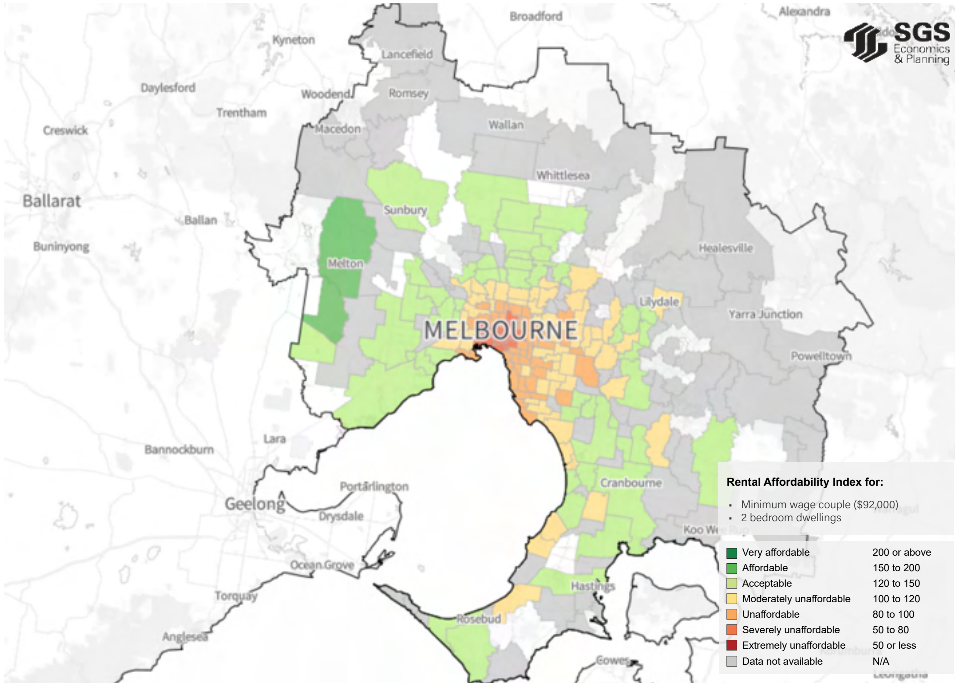


FIGURE 28. GREATER MELBOURNE, JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

Hospitality worker

$62,761 p.a., 1 bedroom

Severely Unaffordable to Moderately Unaffordable across both metropolitan and regional areas.

The hospitality worker household is a lone-person household seeking to rent a one-bedroom dwelling. This worker lives on a single hospitality worker income of $62,761 per annum[13].

[13]For city-specific RAI scores, this has been adjusted to reflect differences in earning across geographic locations in Australia.

Rents for the hospitality worker household are Severely Unaffordable to Moderately Unaffordable across Australia's metropolitan areas.

With a RAI score of 70, Greater Sydney is the least affordable city for the hospitality worker[14], requiring households to pay 43 per cent of their income if renting at the median rate. This follows a period of improving affordability, between 2017 and 2021, the gains of which have now been reversed. Most notably, areas of hospitality employment, such as inner and middle areas of Sydney, are Severely Unaffordable.

Greater Melbourne, while the third most affordable metropolitan region for this cohort, has had dramatically declining affordability, falling to a historic low after reaching a peak during 2021. There are now almost no areas with Acceptable rents in the entirety of Greater Melbourne for hospitality workers, compared to 2021 when there were options including in inner Melbourne.

Other than Greater Hobart and the ACT, all metropolitan regions have worse affordability in 2023. Regional areas have better affordability, with regional Tasmania being the most affordable, overtaking regional South Australia.

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

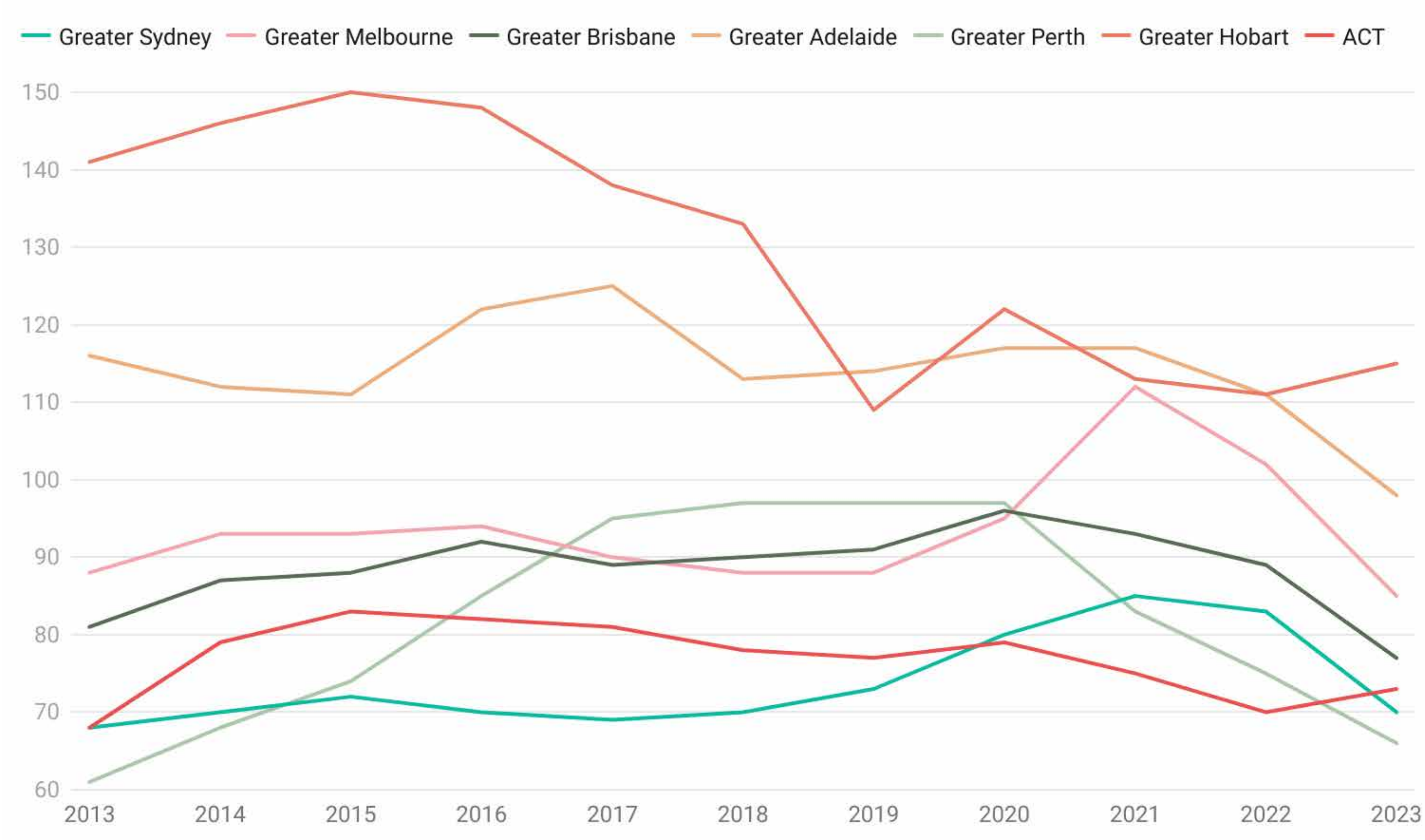
[14]Excluding Perth, as rental data for 1-bedroom dwelling is not available.

TABLE 11. RAI FOR HOSPITALITY WORKER

	RAI score	Rent as a share of income	Relative Unaffordability
Greater Sydney	70	43%	Severely Unaffordable
Rest of NSW	118	25%	Moderately Unaffordable
Greater Melbourne	85	36%	Unaffordable
Rest of VIC	121	25%	Acceptable
Greater Brisbane	77	39%	Severely Unaffordable
Rest of QLD	87	35%	Unaffordable
Greater Adelaide	98	31%	Unaffordable
Rest of SA	149	20%	Acceptable
Greater Perth*	66	45%	Severely Unaffordable
Rest of WA*	73	41%	Severely Unaffordable
Greater Hobart	115	26%	Moderately Unaffordable
Rest of TAS	157	19%	Affordable
ACT	73	41%	Severely Unaffordable

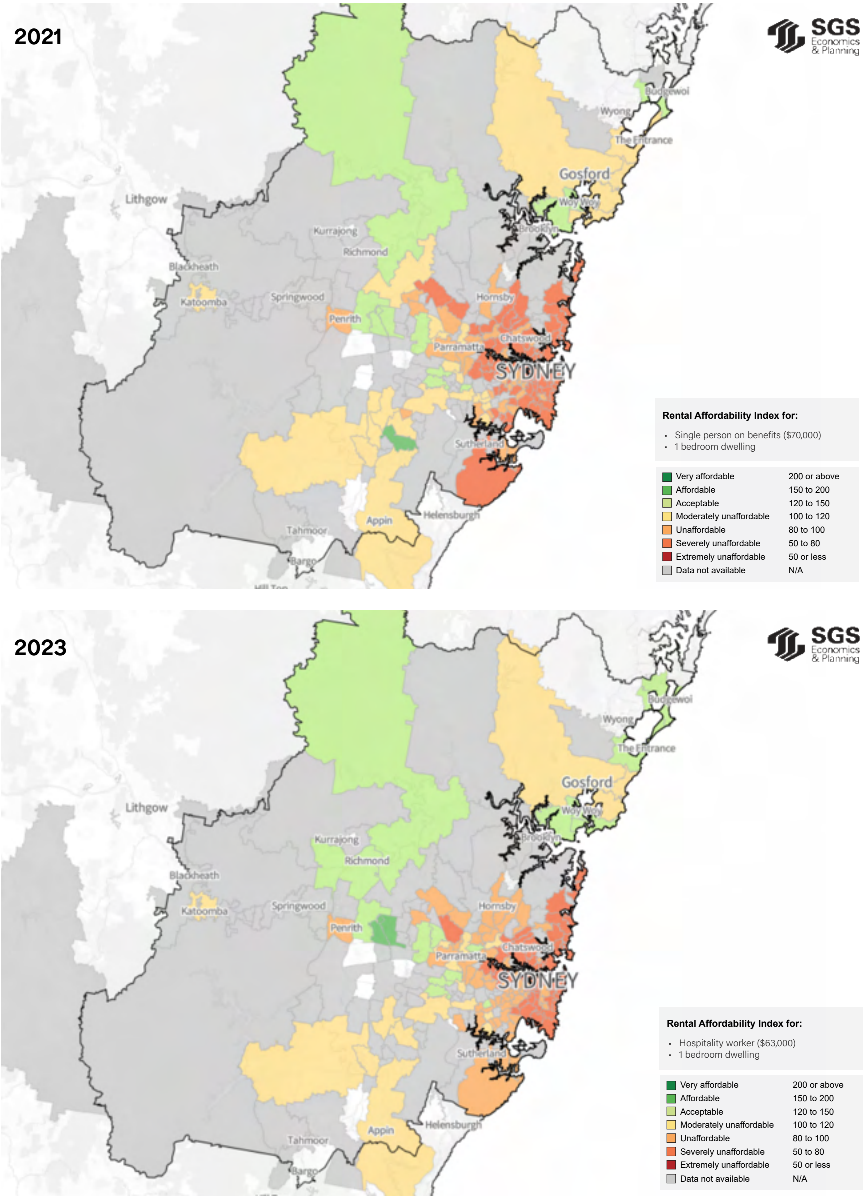
Source: SGS Economics and Planning, 2023
*RAI has been calculated using median rents for all dwelling types rather than one bedroom due to data unavailability

FIGURE 29. RAI SCORES FOR A HOSPITALITY WORKER, CAPITAL CITIES, 2013 - 2023



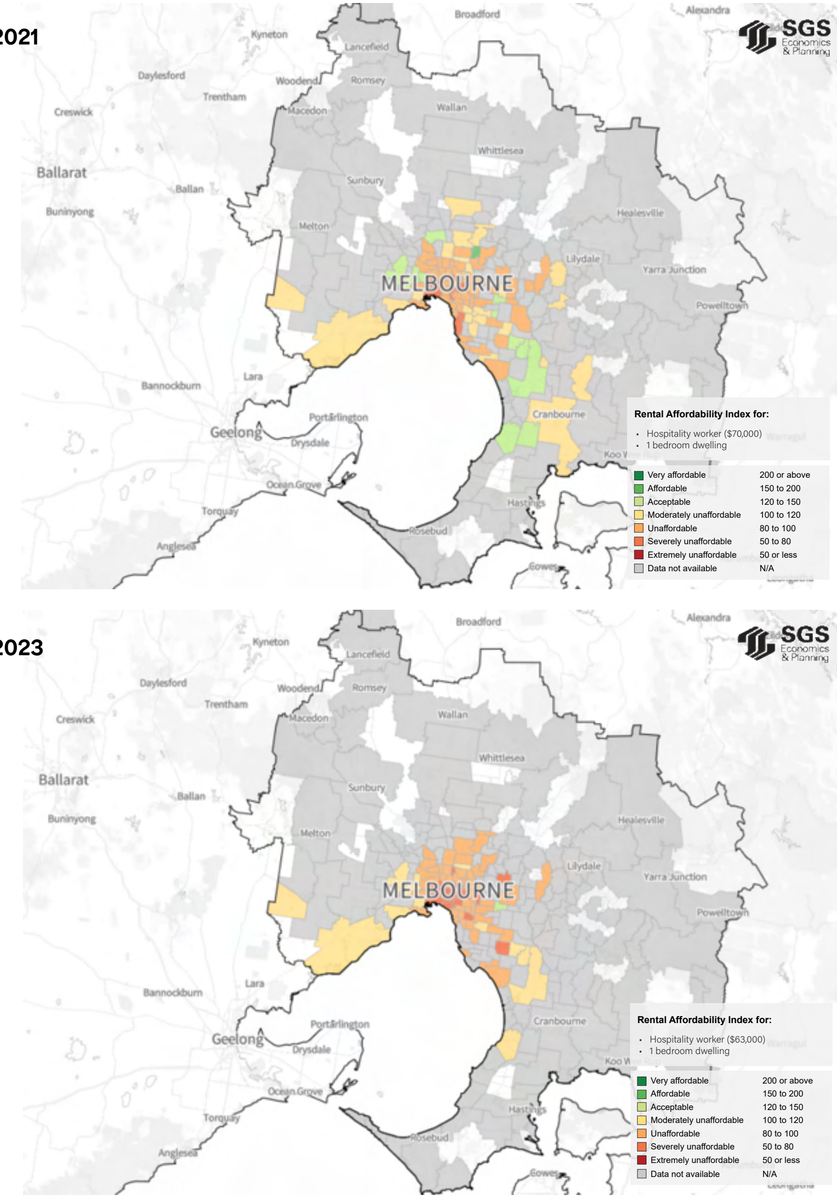
Source: SGS Economics and Planning, 2023

FIGURE 30. GREATER SYDNEY, JUNE QUARTER, 2021 AND 2023



Source: SGS Economics and Planning, 2023

FIGURE 31. GREATER MELBOURNE, JUNE QUARTER, 2021 AND 2023



Source: SGS Economics and Planning, 2023

03 National trends

03 National trends

3.1 Background

Nationwide, the proportion of households renting is on the rise, having increased from 26 per cent to 31 per cent between 1995 and 2020. Over the same period, the proportion of public housing tenants almost halved, from 5.5 per cent to 2.9 per cent[15]. Housing costs for renting households have also increased over the same period, relative to owners. Renters currently spend an average of 20 per cent of their income on housing costs, while owners with a mortgage pay 15.5 per cent. AHURI estimates that 1.3 million households need additional housing assistance[16].

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

Investors have pushed out would-be homeowners, so more households with middle to higher incomes are renting for longer. This impacts lower income renters by driving up rents. Additionally, higher income households seek more affordable rents to increase their ability to save a deposit to move into ownership, which further displaces lower income households from lower cost rentals and increases their level of housing stress.

Since May 2022, interest rates have risen from a historic low of 0.10% to 4.10%, which has had multiple impacts upon renters. On one hand Increasing costs of development have slowed the delivery of new supply, while would-be-first homebuyers are also pushed into the rental market[17], increasing demand and competition. Landlords will also try to pass on their increased costs to tenants and given the currently low vacancy rates, often possess the market power to do so.

There is less social and affordable housing stock available than there was a decade ago. As a result, more (very) low-income Australians rely on the private rental market and are forced to pay unaffordable rents. As it stands, 42 per cent of all low-income renter households are in rental stress, compared to 35 per cent in 2008. This rises to 47 per cent for households in NSW[18].

While not a main driver of rental affordability, in some inner-city areas, there are many apartments sitting vacant as an investment[19]. For investors, vacant properties are often held on to for long term capital gains. This reduces the availability of rental properties to households.

[15] Australian Bureau of Statistics. Housing Occupancy and Costs 2019-20.
[16] Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) Modelling housing need in Australia to 2025, AHURI Final Report No. 287, Australian Housing and Urban Research Institute Limited, Melbourne.
[17] Interest Rates and the Property Market, Jonathan Kearns, AFR Property Summit, 19 September, 2022
[18] Australian Bureau of Statistics. Housing Occupancy and Costs 2019-20. [Table 13].
[19] Note that these may not be captured in common measures of vacancy rates, as they are not listed for lease.

In recent years, regional areas have been subject to several natural disasters from widespread bushfires in 2020 to flooding in 2022. These have affected both existing rental stock and new development, limiting supply and increasing rental rates. This has been compounded by an influx of regional migration driven by COVID-19 restrictions in capital cities.

The combined impact of these factors on renters includes homelessness, having to move away from family and support for more affordable housing, moving into poor quality or insecure housing, or having to forgo other essentials.

3.2 Metropolitan areas

Renters in every capital city are now in a worse position than they were in 2019, prior to the start of the pandemic.

Greater Sydney is now the least affordable capital city in the country, alongside Greater Hobart which has in fact improved marginally over the past year. For Greater Brisbane, which ranks third worst, the 2023 RAI is the lowest it has achieved in the time the index has been released.

Over the last year affordability has deteriorated rapidly in the two largest capital cities. The worsening in affordability has more than offset the improvements that occurred between 2020 and late 2021. This has been driven by a complex interaction of factors including inflationary pressures affecting construction and other housing costs, rising interest rates, and a return to pre-pandemic rate of population growth.

Over the past two years, the RAI score of Greater Sydney has decreased by nearly 11 per cent per annum, and if the trend continues, it will soon be the only capital city in Australia where rental affordability for the average rental household is below the critical threshold of 100. With a RAI score of 104 in June 2023, the average rental household would pay 29 per cent of their income if renting at the median rate.

Rent prices in Greater Sydney are significantly higher than any other region in Australia. The median rental price in Greater Sydney in June 2023 was $650, increasing by $100, or 18.2% in the year prior. During this time, the average rental household income in Greater Sydney only increased by 2.4%.

A comparison of RAI scores in Greater Hobart and Greater Sydney over recent years (see Figure 32) shows that Hobart has historically been more affordable, until 2018, and the gap in affordability widened during the COVID-19 pandemic. While the gap has closed over the last two years, it has predominantly been driven by a worsening of affordability in Sydney rather than improvements in Hobart.

Prior to the pandemic, Greater Perth was the most affordable capital city, by a large margin. This deteriorated rapidly between 2020 and late 2021, bringing affordability in line with most cities (excluding Melbourne and Hobart). Conversely, during this time, most other capital cities improved in affordability.

Since the end of 2021, as pandemic restrictions eased, Greater Perth has continued to decline in rental affordability at a rate of 10% per annum, which is the worst of all metropolitan areas. Greater Sydney and Greater Brisbane are the next worst performing capital cities which both fell by 7 per cent per annum. Worsening affordability in 2023 has been most pronounced in Greater Melbourne, which is now at its worst level since 2018.

In 2022, the return of international tourism and student demand meant that rental rates for one bedroom and two-bedroom dwellings had begun to return to pre-pandemic levels, ending what was the greatest improvement in affordability for households who require these forms of housing (i.e., singles, couples without children, or small families).

In 2023, this trend intensified. Across Greater Sydney, Greater Melbourne, Greater Perth and Greater Brisbane, the median price for a one-bedroom dwelling rose by 10 per cent on average in 2022, and by 21 per cent in 2023. For 2-bedroom dwellings, the story was much the same, increasing by 10 per cent in 2022, and by 17 per cent in 2023.

Even in cities with improved affordability such as Greater Hobart and the ACT, the tangible improvement for very low-income households is negligible, as they still face severely unaffordable rents in most metropolitan areas.

FIGURE 32. RAI COMPARISON - SYDNEY AND HOBART (2012-2023)

Source: SGS Economics and Planning, 2023
Note: Red dashed line represents the onset of COVID-19 and restrictions, and the green dashed line represents the easing of most movement and border restrictions

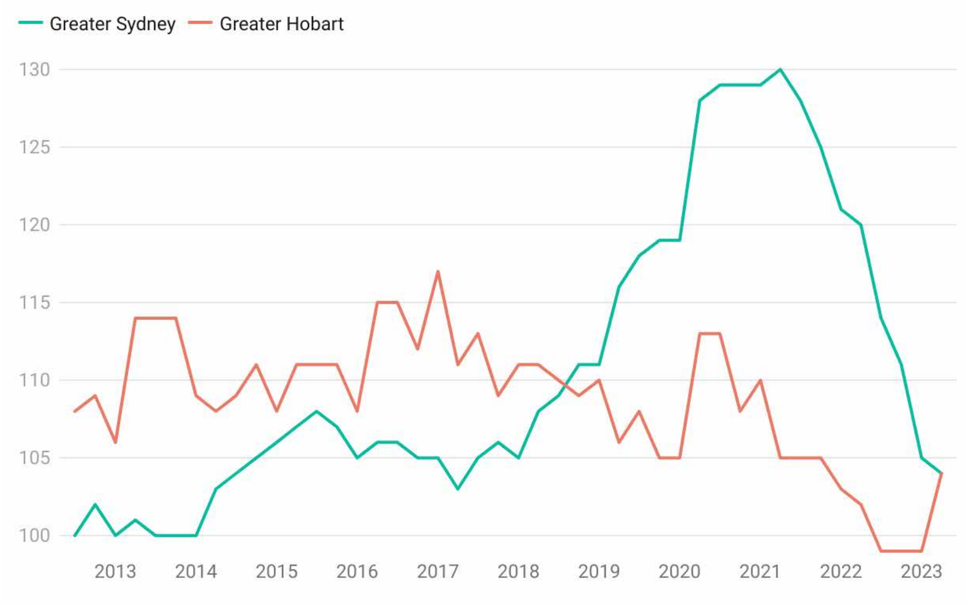


FIGURE 33. RENTAL AFFORDABILITY, CAPITAL CITIES (2018-2023)

Source: SGS Economics and Planning, 2023

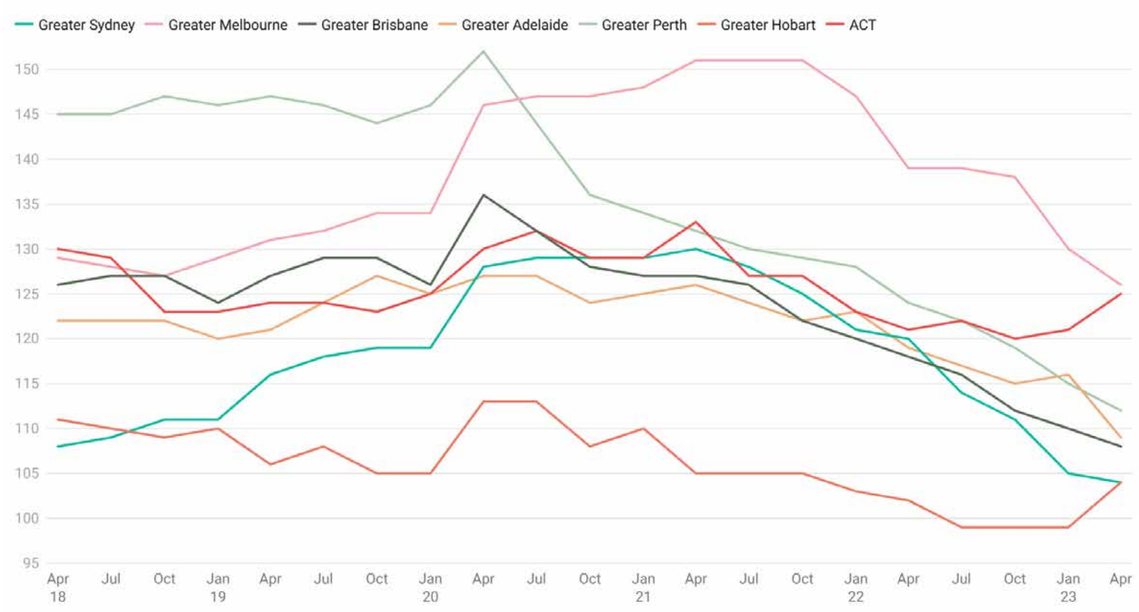


TABLE 12. NATIONAL RAI TRENDS – METROPOLITAN AREAS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1-year CAGR[20]	2-year CAGR	3-year CAGR
Greater Sydney	100	101	103	107	106	103	108	116	128	130	120	104	-13%	-10%	-7%
Greater Melbourne	122	126	127	126	127	128	129	131	146	151	139	126	-10%	-9%	-5%
Greater Brisbane	110	119	120	117	118	121	126	127	136	127	118	108	-9%	-8%	-7%
Greater Adelaide	106	109	115	112	121	124	122	121	127	126	119	109	-8%	-7%	-5%
Greater Perth	102	102	105	115	126	139	145	147	152	132	124	112	-10%	-8%	-10%
Greater Hobart	108	114	108	111	115	111	111	106	113	105	102	104	2%	0%	-3%
ACT	115	121	129	133	129	134	130	124	130	133	121	125	3%	-3%	-1%

Source: SGS Economics and Planning, 2023

[20]Cumulative Annual Growth Rate

TABLE 13. NATIONAL RAI SUMMARY – METROPOLITAN AREAS (JUNE 2023)

	RAI	Share of income spent on rent	Relative unaffordability
Greater Sydney	104	29%	Moderately unaffordable rents
Greater Melbourne	126	24%	Acceptable rents
Greater Brisbane	108	28%	Moderately unaffordable rents
Greater Adelaide	109	27%	Moderately unaffordable rents
Greater Perth	112	27%	Moderately unaffordable rents
Greater Hobart	104	29%	Moderately unaffordable rents
ACT	125	24%	Acceptable rents

Source: SGS Economics and Planning, 2023

3.3 Rest of state areas

During the COVID-19 pandemic, the outward-migration of city residents caused residential demand to increase in regional locations, where supply was limited, resulting in declining rental affordability, while most capital cities experienced the opposite.

The improvement in affordability in capital cities did not last, and indeed the affordability gains from this period have essentially evaporated. However, this did not mean that the reverse occurred in the regions, with affordability continuing to decline over the past year. Rather, the rental affordability in every rest of state area was worse than its corresponding state's capital city, other than Regional NSW.

Over the past year, affordability has worsened considerably in Regional QLD, Regional SA, and Regional WA, declining by 7 to 8 per cent. Regional QLD is now the least affordable rest of state area after being the third most affordable in 2020. Regional WA, which was the only Affordable rest of state area in 2020, has consistently worsened over the three years since. It's also important to note the vast area and variation across towns, some of which have particularly low vacancy rates and rental affordability.

Despite now being the most affordable rest of state area, rental affordability in Regional SA fell by 7 per cent annually over the last two years.

Other than Regional TAS, which was stagnant, affordability in every rest of state area declined by at least 3 per cent over the last year.

Other key rest of state area trends include:

- Rental affordability in every rest of state area has fallen by at least 5% per annum since 2020. As Figure 34 shows, since the onset of the COVID-19 pandemic, rental affordability in rest of state areas began to decline and has since continued on this path.
- Regional NSW RAI score has decreased by 7% per cent over the past three years, falling from 125 to 102 (Acceptable to Moderately Unaffordable). It has now been the least affordable rest of state area since 2015.
- Regional SA rental affordability worsened significantly, and it is now at its lowest level since 2013.

Figure 35 shows that net internal migration to the regions was, in March 2021, approximately 50 per cent higher than the historical peak. While this is small relative to the size of capital city populations, it is significant relative to the size of regional towns. The impact on affordability is amplified as the movement occurred in a very short space of time and was coupled with pandemic-induced inefficiencies in residential development.

The persistence of these trends remains to be seen as Australia transitions to a post-pandemic state.

FIGURE 34. RENTAL AFFORDABILITY, REST OF STATE AREAS, 2012-2023

Source: SGS Economics & Planning, 2023
Note: Red dashed line represents the onset of the COVID-19 pandemic.

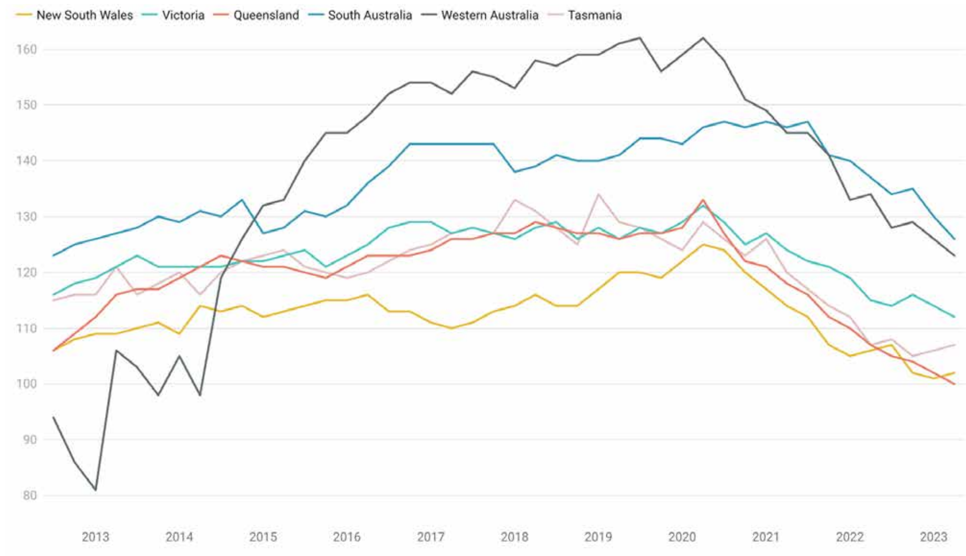


FIGURE 35. NET INTERNAL MIGRATION (POPULATION) TO ALL REST OF STATE AREAS

Source: ABS Regional internal migration estimates, August 2021

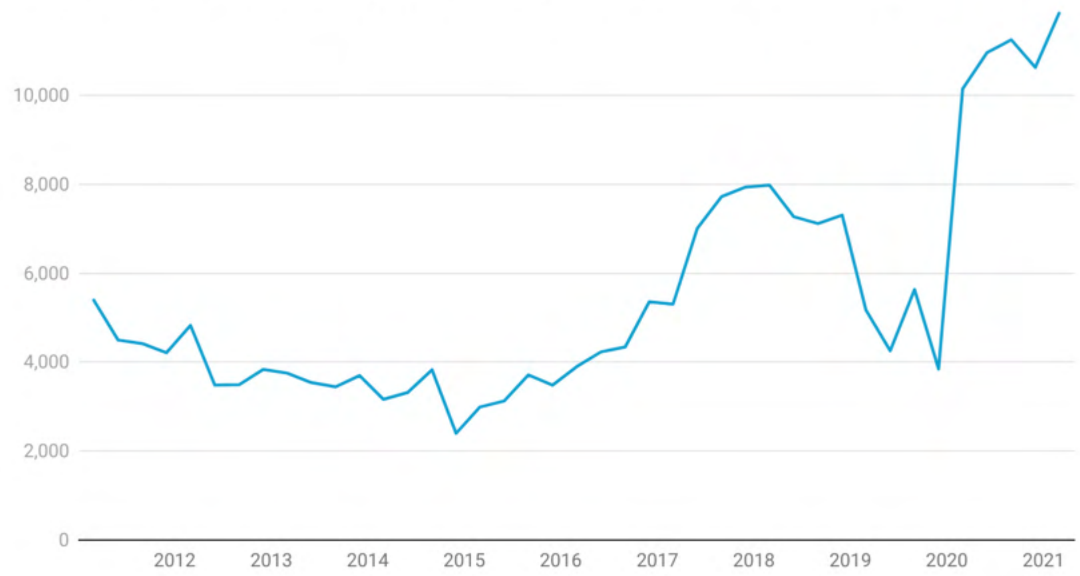


TABLE 14. NATIONAL RAI TRENDS – REST OF STATE AREAS (JUNE 2023)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1-year CAGR[21]	2-year CAGR	3-year CAGR
Rest of NSW	106	109	114	113	116	110	116	120	125	114	106	102	-4%	-6%	-7%
Rest of Vic.	116	121	121	123	125	127	128	126	132	124	115	112	-3%	-5%	-5%
Rest of QLD	106	116	121	121	123	126	129	126	133	118	107	100	-7%	-8%	-9%
Rest of SA	123	127	131	128	136	143	139	141	146	146	137	126	-8%	-7%	-5%
Rest of WA	94	106	98	133	148	152	158	161	162	145	134	123	-8%	-8%	-9%
Rest of Tas.	115	121	116	124	120	127	131	129	129	120	107	107	0%	-5%	-6%
Rest of NSW	106	109	114	113	116	110	116	120	125	114	106	102	-4%	-6%	-7%

Source: SGS Economics and Planning, 2023

[21]Cumulative Annual Growth Rate

TABLE 15. NATIONAL RAI SUMMARY – REST OF STATE AREAS (JUNE 2023)

	RAI	Share of income spent on rent	Relative unaffordability
Rest of NSW	102	29%	Moderately unaffordable rents
Rest of VIC	112	27%	Moderately unaffordable rents
Rest of QLD	100	30%	Moderately unaffordable rents
Rest of SA	126	24%	Acceptable rents
Rest of WA	123	24%	Acceptable rents
Rest of TAS	107	28%	Moderately unaffordable rents
ACT	125	24%	Acceptable rents

Source: SGS Economics and Planning, 2023

04 State trends

04 State trends

4.1 New South Wales

GREATER SYDNEY

The average rental household in Greater Sydney, in June 2023, has a gross income of $117,019 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

With a RAI score of 104, rental affordability across Greater Sydney has rapidly declined in the last year, marking the second year in a row with a downward trend, following a period of improvement since 2017 - particularly during 2020-2021 (after the onset of the COVID-19 pandemic). Affordability is now at its lowest point since 2017, being Moderately Unaffordable to the average rental household.

For very low-income households, this has exacerbated affordability concerns and Sydney remains critically unaffordable to significant proportions of the renting population. While the average rental household in Greater Sydney spends around 29% per cent of its total income on rent at the median rental rate, this share is much higher for lower-income households, meaning that there is a significant proportion of the renting population in Unaffordable to Extremely Unaffordable rental agreements.

Sydney's harbour, northern, and coastal suburbs represent the least affordable locations. There are no suburbs with coastline on the Sydney Harbour with Acceptable rental affordability. Inner areas are also either Unaffordable or Extremely Unaffordable, extending beyond Parramatta in the west and Liverpool in the south-west.

The average rental household generally must travel 15-20km from the CBD to areas such as Campsie and Lakemba in the south, or Rosehill and Paramatta to the west, to find Acceptable rents.

The 12 months from June 2020 to June 2021 reflect many of the impacts of the COVID-19 pandemic. Following an improvement in affordability in late 2020 stemming from falling rents, the Sydney CBD (RAI score of 109) reverted to its Unaffordable pre-pandemic level (RAI score of 95) in 2021 and continued to fall in 2022 (RAI score of 92).
In 2023, it continued to deteriorate and is now at 83. Nearby Pyrmont is now Severely Unaffordable (RAI score of 78).

Many other inner suburban locations such as Waterloo, Camperdown, and Erskineville declined even more sharply in affordability, all falling into a lower affordability bracket (90 to 74, 109 to 90 and 92 to 81 respectively). This pattern extends to the urban fringes of Greater Sydney, more than 70km from the CBD, such as Camden and Wyong.

Western and South-west Sydney (from Camden, through Liverpool, to Parramatta) were previously among the most affordable regions of the city, with RAI scores ranging from Acceptable to Affordable in 2021. These have now deteriorated, becoming Moderately Unaffordable or Unaffordable (e.g., Leppington). Similarly, the Bankstown to Campsie corridor was a key area offering Affordable rents in 2022, now all in the Acceptable range in 2023.

TABLE 16. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER SYDNEY (JUNE QUARTER, 2022)

Rank	Postcode	Suburbs	RAI score	Rent as share of avg household income
1	2092	Seaforth	56	54%
2	2063	Northbridge	71	42%
3	2030	Vaucluse, Dover Heights, Watson Bay	72	42%
4	2076	Wahroonga, Normanhurst, North Wahroonga	74	41%
5	2126	Cherrybrook	74	41%

Source: SGS Economics and Planning 2023
Note: RAI has been calculated using a rounded gross income of $115,000
Only postcodes with greater than 80 records are considered for the top 5 list.

FIGURE 36. RENTAL AFFORDABILITY INDEX, GREATER SYDNEY, 2012-2013

Source: SGS Economics and Planning, 2023

REST OF NSW

The average rental household in regional NSW has a gross income of $84,651 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

With a RAI score of 102, regional NSW now straddles the border between Moderately Unaffordable and Unaffordable rents. The average rental household in regional NSW would face paying 29 per cent of its total income if renting at the median rate. If this trend continues, the region will soon fall into the Unaffordable category.

The greatest decline over the past three years is evident in the coastal areas of regional NSW (e.g., Tweed Heads, Woolgoolga, Port Macquarie) and inland areas such as Orange and Mudgee. These changes from Affordable to Unaffordable reflect shifting housing preferences during the COVID-19 pandemic; it remains to be seen whether this change will persist.

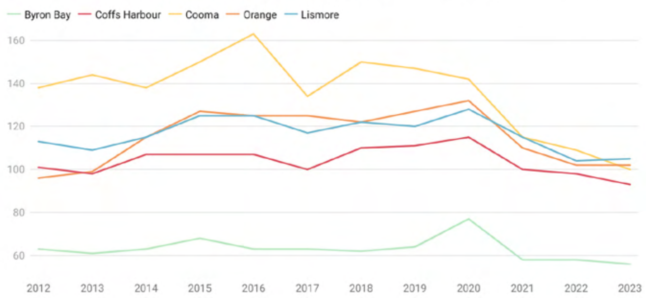
FIGURE 37. RENTAL AFFORDABILITY INDEX, REGIONAL NSW

Source: SGS Economics and Planning, 2023

While rental affordability has declined in regional NSW, many areas of the state still offer Acceptable to Very Affordable rents. However, these areas tend to be remote and with limited access to services. Regional centres like Bathurst, Orange, Dubbo, and effectively the entire coastline, all offer at best, Moderately Unaffordable rents at the median level. Wagga Wagga still had Acceptable rents in 2022, but in 2023 has become Moderately Unaffordable, becoming another regional centre where lower income renters would be priced out.

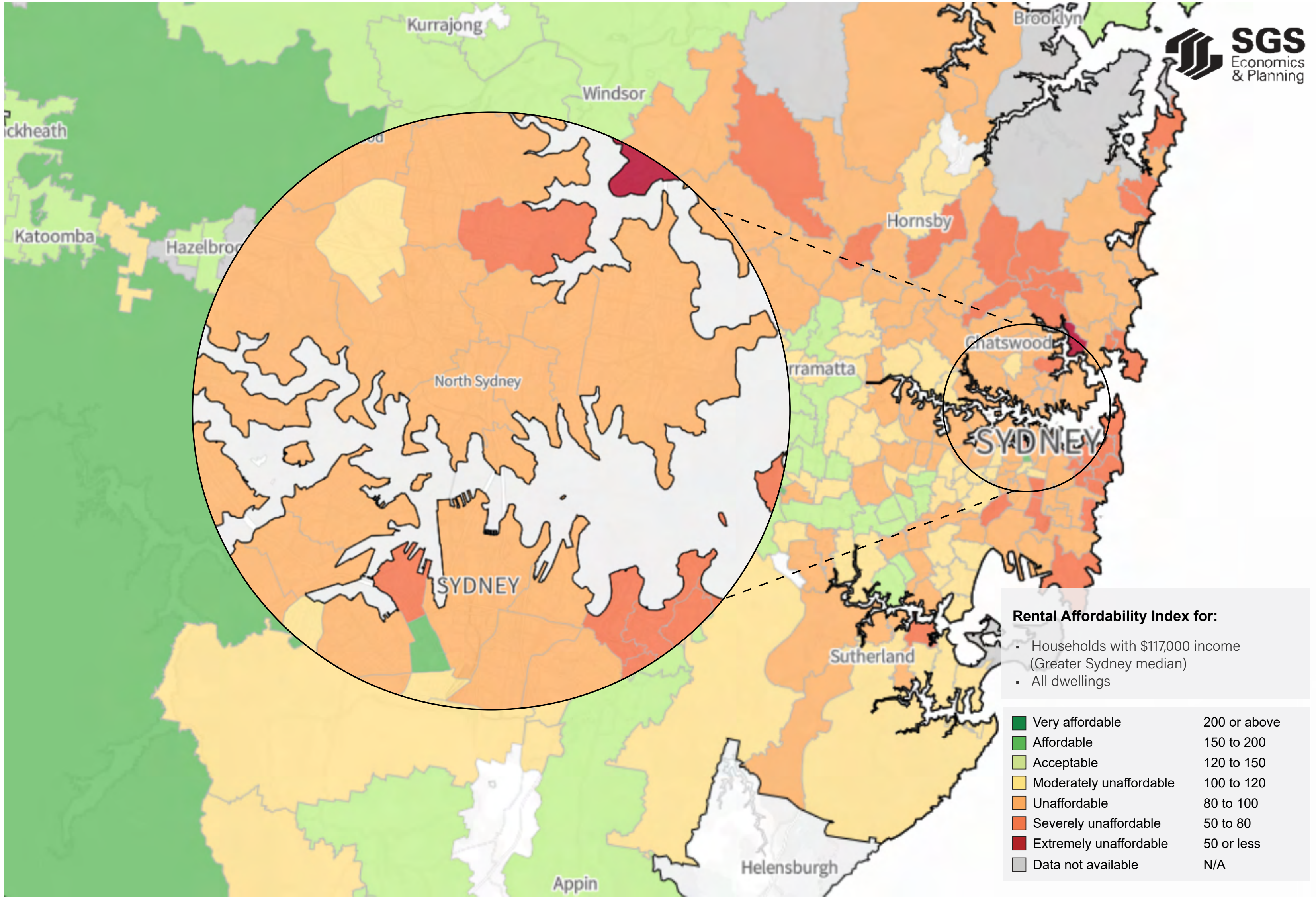
As Figure 38 shows, regional NSW covers the full spectrum of rental affordability, however most postcodes share the same story of declining rental affordability. Byron Bay is one of the least affordable suburbs in the country, while Cooma, which has been Acceptable to Affordable, is now Unaffordable. Lismore, which suffered heavily during the 2022 flooding events, has stabilised, but is yet to recover.

FIGURE 38. RENTAL AFFORDABILITY, SELECTED POSTCODES IN REGIONAL NSW



Source: SGS Economics and Planning, 2023
Note: Regional NSW rental household incomes increase from $54,312 in 2011 to $84,651 in 2023

FIGURE 39: GREATER SYDNEY, JUNE QUARTER, 2023



Source: SGS Economics & Planning, 2023

4.2 Victoria

GREATER MELBOURNE

The average rental household in Greater Melbourne has a gross income of $108,955 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

With a RAI score of 126 in the June quarter of 2023, affordability in Greater Melbourne has continued to decline from the decade-heights that were reached in 2021. After falling by 8 per cent in 2022, rental affordability fell by another 10 per cent in 2022, reaching the same point as it was in 2018 and offsetting the improvements that were realised during 2020-2021. The rapidly rising rents (of 16 per cent over the last year) has been primarily driven by 1 and 2-bedroom dwellings, which first recovered and then exceeded pre-pandemic levels.

Despite falling below pre-pandemic levels of affordability, Greater Melbourne remains the most affordable capital city in Australia. The average rental household seeking to rent in Greater Melbourne faces paying around 24 per cent of its total income if renting at the median rate. This is considered Acceptable (relative to being considered Affordable in 2021) but is rapidly approaching Moderately Unaffordable rents.

The COVID-19 pandemic, and associated public health responses, have resulted in significant changes to the spatial pattern of rental affordability across Melbourne. In 2022, many inner suburbs, particularly in the inner north, provided Affordable rents (i.e., less than 15 per cent of household income), while most inner suburbs were at least Acceptable (rents less than 25 per cent of household income) for the average rental household. Renters could live as close as 5-10km away from the CBD in suburbs such as Footscray, North Melbourne, Parkville or Carlton, as well as Hawthorn in the southeast. From Footscray to Meadow Heights, a corridor of Affordable rents was available to the average rental household. In 2023, these Affordable areas have almost completely vanished, and many inner-city suburbs that had Acceptable rents in 2022, such as Docklands and Southbank are now Unaffordable. The average rental household would have to look as far as Sunshine, about 15km from the CBD, to find Affordable rents at the median rate.

Tertiary education precincts, such as Carlton, Parkville, and Hawthorn, became significantly more affordable in 2021. The return of students and face-to-face learning resulted in declining affordability during 2022, and this accelerated in 2023. While these areas remain Acceptable to the average rental household, students on lower incomes (even a student sharehouse with three members) still find them Severely Unaffordable.

Coastal suburbs in Brighton, Brighton East, Hampton, and Beaumaris have remained Unaffordable to Severely Unaffordable and are among the least affordable areas of Melbourne (more so than the inner city).

Melbourne’s five least affordable postcodes are listed in Table 17.

TABLE 17. TOP 5 LEAST AFFORDABLE POSTCODES IN GREATER MELBOURNE (JUNE QUARTER, 2022)

Rank	Postcode	Suburbs	RAI score	Rent as share of avg household income
1	3187	Brighton East	80	38%
2	3193	Beaumaris	80	38%
3	3206	Albert Park, Middle Park	85	35%
4	3104	Balwyn North	88	34%
5	3106	Templestowe	91	33%

Source: SGS Economics and Planning, 2023
Note: RAI has been calculated using a rounded gross income of $105,000
Only postcodes with greater than 80 records are considered for the top 5 list.

FIGURE 40. RENTAL AFFORDABILITY INDEX, GREATER MELBOURNE

Source: SGS Economics and Planning, 2023

REST OF VICTORIA

The average rental household in regional Victoria has a gross income of $81,566 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

With a RAI score of 112, rental affordability in regional Victoria has decreased significantly since the onset of the COVID-19 pandemic in 2020, reaching another historic low in 2023. In contrast to Greater Melbourne, where pandemic-related trends have reversed since 2021, affordability has continued to worsen in regional Victoria. The average rental household seeking to rent in regional Victoria now faces paying 27 per cent of its total income if renting at the median rental rate.

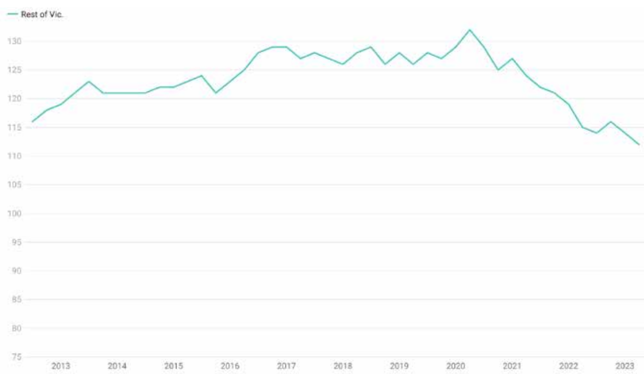
The trend of declining affordability is consistent across all parts of regional Victoria, albeit at different scales.

The Surf Coast and Geelong regions experienced some of the largest decreases in affordability between 2020 and 2021, with Ocean Grove and Torquay considered Severely Unaffordable to the average regional Victorian rental household. This trend has intensified 2022 and 2023. Apollo Bay, which had Acceptable rental affordability in 2019, now has Severely Unaffordable rents.

Affordability in regional cities such as Bendigo and Shepparton declined further, becoming Moderately Unaffordable to Unaffordable. Fringe commuter areas such as Woodend and Kyneton have also become Unaffordable.

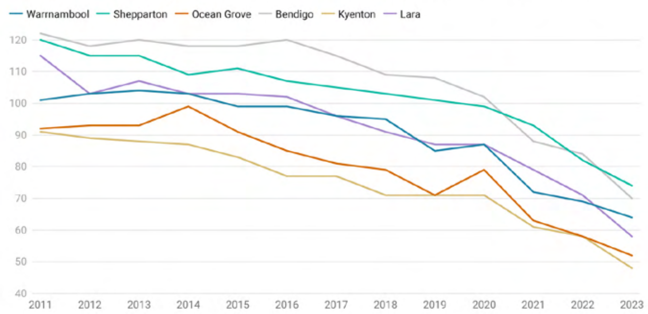
As Figure 42 demonstrates, after reaching a peak in 2020, most regional areas have had declining affordability since the onset of the pandemic. Ocean Grove has fallen dramatically since then, from Moderately Unaffordable to Severely Unaffordable. None of these suburbs have Acceptable affordability in 2023.

FIGURE 41. RENTAL AFFORDABILITY INDEX, REST OF VIC



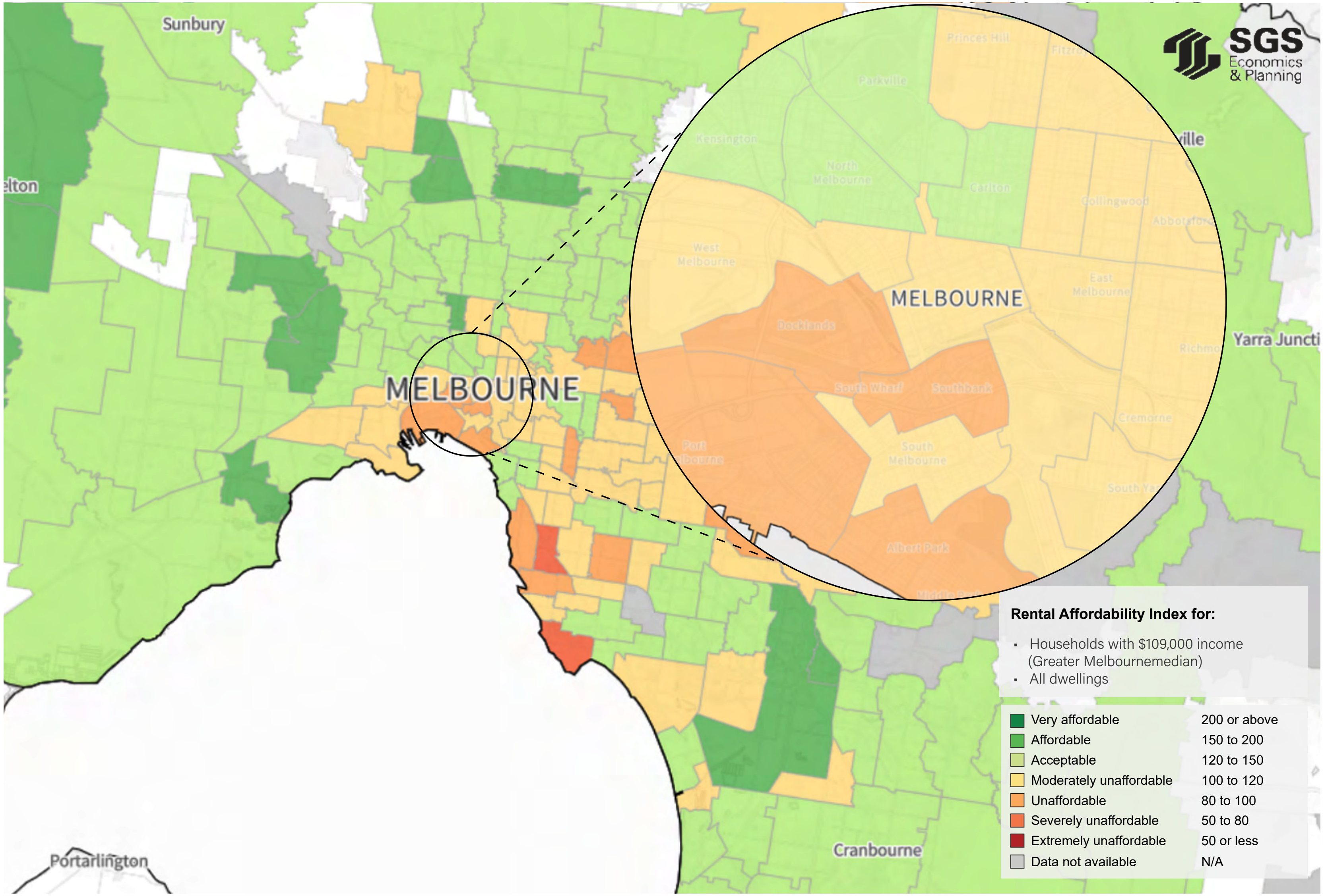
Source: SGS Economics and Planning, 2023

FIGURE 42. RENTAL AFFORDABILITY INDEX, SELECTED POSTCODES IN REGIONAL VIC



Source: SGS Economics and Planning, 2023
Note: Regional NSW rental household incomes increase from $54,312 in 2011 to $84,651 in 2023

FIGURE 43. GREATER MELBOURNE, JUNE QUARTER, 2023



Source: SGS Economics & Planning, 2023

4.3 Queensland

GREATER BRISBANE

The average rental household in Greater Brisbane has a gross income of $103,935 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

After four years of improvement between 2016 and 2020, rental affordability in Greater Brisbane declined over the past three years and has reached a historic low RAI score of 108, with median rents for the average renter considered Moderately Unaffordable. The average rental household seeking to rent in Greater Brisbane now faces paying 28 per cent of its total income if renting at the median rate.

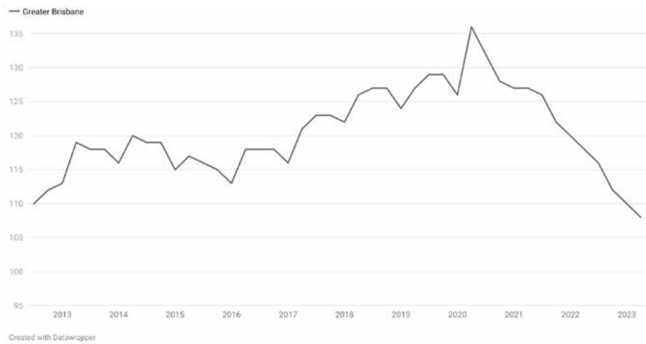
Many postcodes in inner to middle Brisbane remain Moderately Unaffordable to Unaffordable. Bardon is now Severely Unaffordable. Areas to the North West, around Samford Valley, continue to be among the most unaffordable in Queensland, being categorised as Severely Unaffordable.

In 2020, other than the Brisbane CBD itself (which was Moderately Unaffordable), most inner-city suburbs along the river offered Acceptable to Affordable levels of rental affordability. In 2023, there are no Affordable suburbs in Greater Brisbane.

Over the past three years, areas to the north and south-east of Brisbane CBD have shifted from Acceptable to Unaffordable with other areas remaining Moderately Unaffordable or Unaffordable. Suburbs that have experienced a notable decline in affordability include the eastern suburbs from Yeerongpilly to Birkdale. Affordability in southern suburbs also declined, such as in Logan (which remains very affordable) and Underwood (which became Moderately Unaffordable).

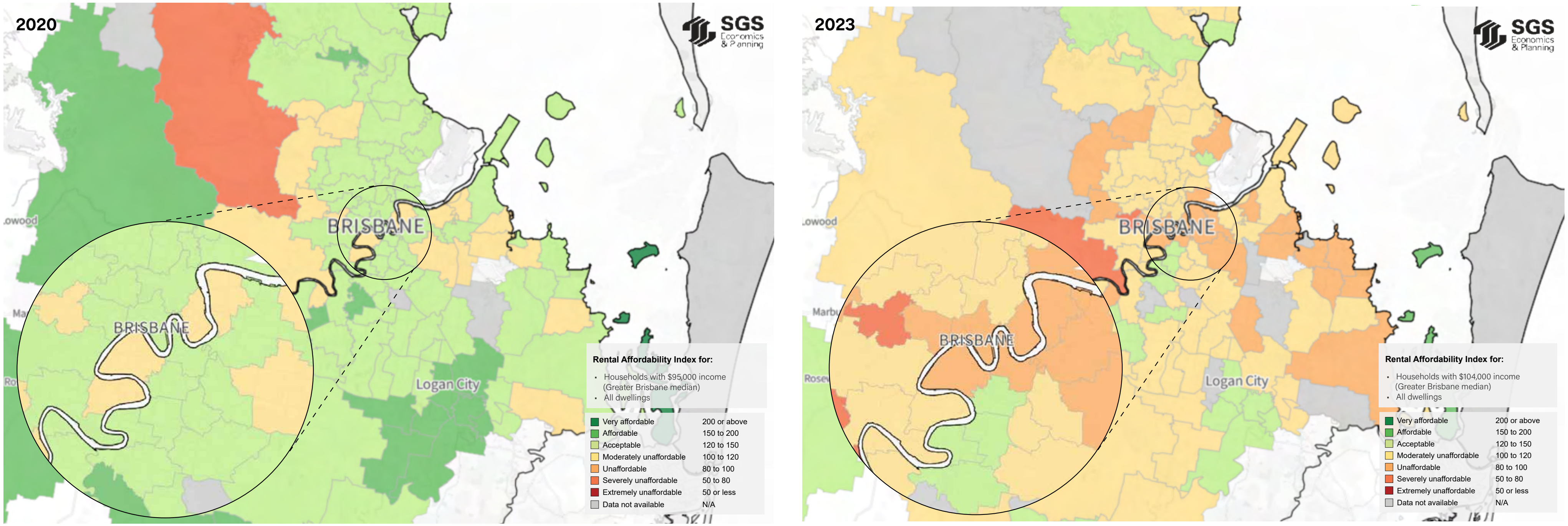
The outskirts of Greater Brisbane (Woodford, Rosewood, Sandstone Point and Caboolture) all declined in affordability by at least 20 per cent over the past three years. There has been an almost uniform deterioration in rental affordability across the city, as shown in Figure 45. Most suburbs have fallen one to two affordability categories.

FIGURE 44. RENTAL AFFORDABILITY INDEX, GREATER BRISBANE



Source: SGS Economics and Planning, 2023

FIGURE 45: RENTAL AFFORDABILITY IN GREATER BRISBANE, 2020 AND 2023



Source: SGS Economics & Planning, 2023

REST OF QUEENSLAND

The average rental household in regional Queensland has a gross income of $96,033 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

Rental affordability in regional QLD has followed a similar pattern to that of Greater Brisbane, decreasing rapidly following a peak in June 2020 and reaching a historic low point that makes it the least affordable regional area in the country.

With a RAI score of 100, regional QLD now falls into the Unaffordable category (moving from Acceptable three years ago). The average rental household faces rent at 30 per cent of its total income, reaching the threshold of rental stress for the first time measured by the RAI.

The Sunshine coast is entirely Unaffordable to Severely Unaffordable. Along Wurtulla beach, the RAI score has continued to fall further, and is now Severely Unaffordable. Coolum Beach became Severely Unaffordable in 2022, with a RAI score of 80, but now the surrounding areas of Eumundi, Tewantin, Cooroy and Noosa Heads are all Severely Unaffordable too. In 2020, The Sunshine Coast region predominantly offered Moderately Unaffordable rents with some areas with Acceptable levels of affordability. The nearest suburb offering Acceptable rents now is Gympie.

Likewise, the Gold Coast area to the south of Greater Brisbane only offers Unaffordable to Severely Unaffordable rents. In 2020, it offered Moderately Unaffordable to Unaffordable rents.

Regional centres such as Toowoomba, Bundaberg, Rockhampton and Townsville all offered Affordable to Very Affordable rent prices for the average renter in 2020. In 2023, they have all fallen to Acceptable, and the surrounding regions are generally Moderately Unaffordable to Unaffordable. It indicates that even among those residents who would be priced out of the Greater Brisbane rental market would struggle to find affordable rental housing in other cities throughout Queensland. In fact, the median rent price is the same in regional Queensland as in Greater Brisbane, despite the average rental household income outside of Brisbane being about $8,000 lower. This means that the average rental household in regional Queensland would pay an additional 2% of their income in rent compared to their Brisbane counterparts.

FIGURE 46. RENTAL AFFORDABILITY INDEX, REST OF QLD

Source: SGS Economics and Planning, 2023

4.4 South Australia

GREATER ADELAIDE

The average rental household in Greater Adelaide has a gross income of $87,076 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

Although Greater Adelaide still has the cheapest median rent of all major cities, with a RAI score of 109, it is now firmly in the Moderately Unaffordable category. This is a deterioration from the Acceptable rents in 2022, as rental affordability fell by 8 per cent, taking the city to its worst level since 2013. This means that the average rental household in Greater Adelaide faces paying 27 per cent of their total income if renting at the median rate.

The Adelaide CBD and surrounding suburbs, such as Richmond, have better affordability than many suburban parts of the city. However, this largely represents the high proportion of small dwellings (one bedroom or studio) and is influenced by the presence of student accommodation. The trend of affordability, even in these locations, is downwards, with the CBD approaching the threshold of Moderately Unaffordable.

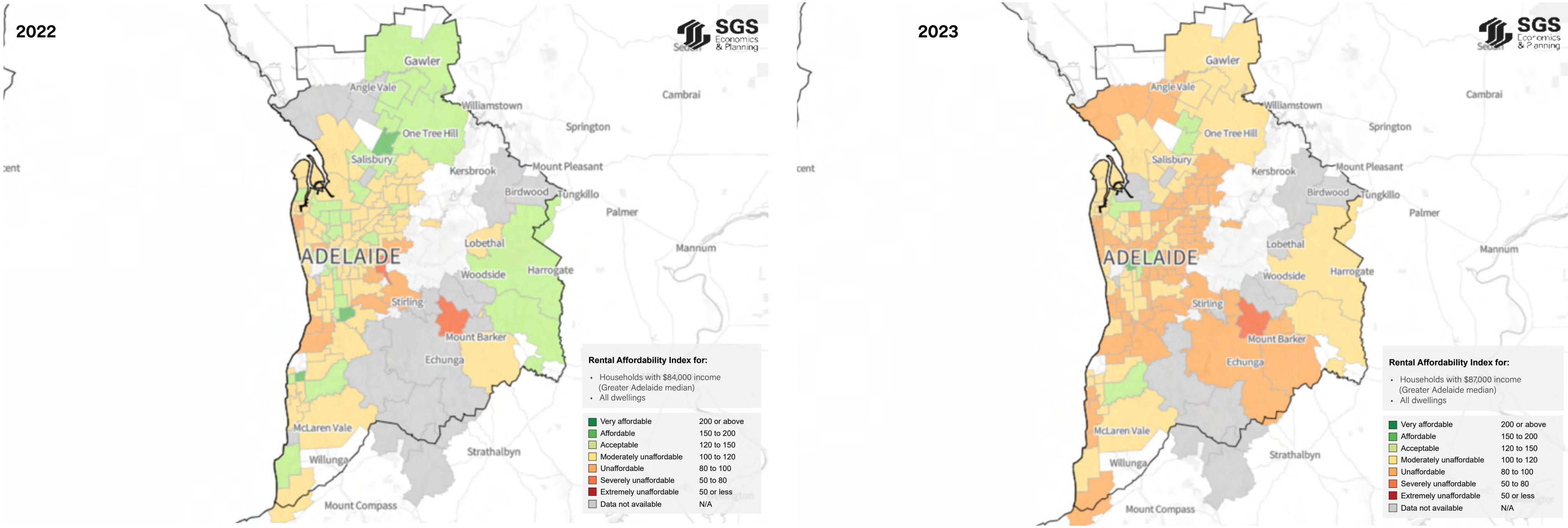
The suburbs to the north of the CBD from Croydon to Gillman had Acceptable rents in 2022. These have mostly become Moderately Unaffordable to Unaffordable in 2023. The average rental household would have to travel approximately 30km from the CBD to Hackham in the south or Elizabeth in the North, in order to find Acceptable rental affordability. This is a stark contrast to only the previous year, when the corridor from Bellevue Heights to Gillman offered Acceptable to Affordable rents, adjacent to the CBD.

Gawler and its surrounds have experienced have continued to experience a declining trend in affordability in recent years and have become Moderately Unaffordable for the first time. Nearby suburbs like Angle Vale and Virginia are now Unaffordable.

FIGURE 47. RENTAL AFFORDABILITY INDEX, GREATER ADELAIDE

Source: SGS Economics and Planning, 2023

FIGURE 48: GREATER ADELAIDE, RENTAL AFFORDABILITY IN 2022 AND 2023



Source: SGS Economics & Planning, 2023

REST OF SOUTH AUSTRALIA

The average rental household in regional South Australia has a gross income of $76,150 per annum. Among average rental households, regional SA has the second lowest income of all regions, after regional Tasmania.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

Rents in regional SA have increased by 12.9 per cent in the last year, further constraining the budget of the average rental household, and especially those with lower incomes. Still, the region offers the cheapest median rents of any region in Australia.

With a RAI score of 126, affordability in regional SA has remained Acceptable for average income households since early 2016, and it remains the most affordable non-capital city area. It is the equal most affordable region in Australia, alongside Greater Melbourne. However, rental affordability has still declined by 8 per cent over the last year and has moved closest to the Moderately Unaffordable threshold since 2012. Over the last two years, rental affordability has dropped by 7 per cent per annum.

The average income household seeking to rent faces paying around 24 per cent of household income if renting at the median rate. This is an increase from 22 per cent which these households were required to pay in 2022. Along with regional WA, affordability in regional SA has declined by more than any other rest of state area.

Most areas outside Greater Adelaide offer better rents. However, even for the average rental household, renters would have to travel as far as Berri, near the Victorian border, to find Affordable rents. Port Pirie and Peterborough are also affordable to the average renter. For those on lower incomes however, there are very few locations of Acceptable affordability.

FIGURE 49. RENTAL AFFORDABILITY INDEX, REST OF SA

Source: SGS Economics and Planning, 2023

4.5 Western Australia

GREATER PERTH

The average rental household in Greater Perth has a gross income of $103,805 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

With a RAI score of 112, rental affordability in Greater Perth has declined considerably over the past three years (10 per cent per annum), making the city Moderately Unaffordable for the first time since 2016. This reflects a sharp increase in rents since the onset of the COVID-19 pandemic, which incomes, while high, have not offset. Since mid-2020, rents in Greater Perth have increased by 52.4 per cent. Meanwhile, incomes have increased by just 12.1 per cent.

The average rental household faces paying 27 per cent of its income if renting at the median rate, compared to 24 per cent the previous year. This downward trend has been the most rapid across all capital cities. Prior to 2020, Perth was the most affordable capital city, but now ranks third and is significantly less affordable that Greater Melbourne and the ACT.

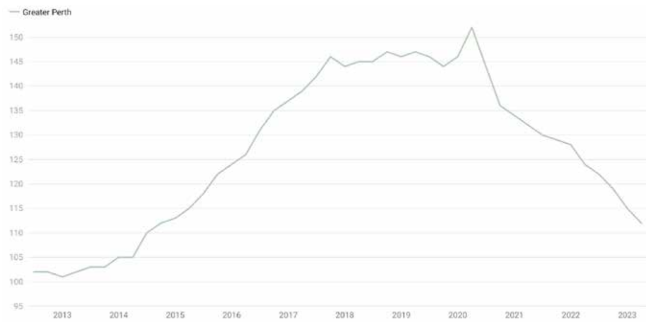
As of June 2023, there were still suburbs offering Acceptable rents in Greater Perth, including the CBD and north towards Marangaroo. However, it should be noted that many of these suburbs (e.g., Maylands, Mount Lawley and Osborne Park) have declined in affordability over the past year (previously classified as Affordable rents in 2022) and are on the brink of falling into the Moderately Unaffordable category if trends continue.

Likewise, the eastern and southeastern suburbs are predominantly still Acceptable, although are closer to Moderately Unaffordable now than they were in 2022. Some suburbs which were Affordable in 2022, such as Maddington, Orange Grove and Kelmscott have fallen to the Acceptable level in 2023. Along the North Coast, rents have deteriorated, and are now Moderately to Severely Unaffordable for the average renter.

While there were several Affordable suburbs in Greater Perth in 2022, there is only one postcode offering at least Affordable rents in 2023, around Winthrop and Bateman. This area is surrounded by Moderately Unaffordable to Unaffordable rents.

Renting is much less affordable for lower income households such as pensioners, those receiving JobSeeker payments, and hospitality workers. Low vacancy rates compound the pressure they face, increasing the difficulty and time needed to secure accommodation.

FIGURE 50. RENTAL AFFORDABILITY INDEX, GREATER PERTH



Source: SGS Economics and Planning, 2023

FIGURE 51. GREATER PERTH, JUNE QUARTER, 2022 AND 2023

Source: SGS Economics & Planning, 2023

REST OF WESTERN AUSTRALIA

The average rental household in regional Western Australia has a gross income of $110,441 per annum. This is the only case in which regional incomes are greater than those in the capital city. High average incomes reflect, and are skewed, by wages in the resources industry, with those in other sectors often earning far less.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

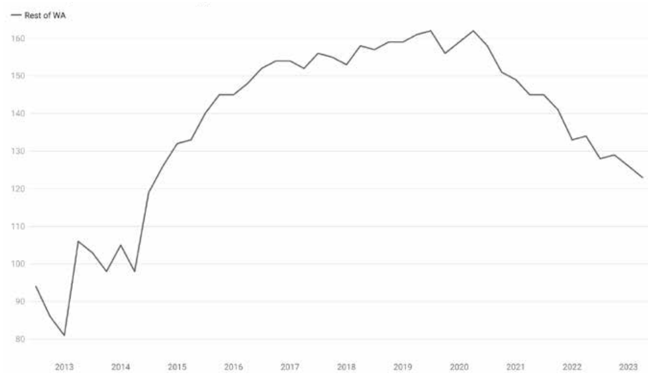
Regional WA has a RAI score of 123 and the average rental household faces rent of around 24 per cent of its total income. Its RAI score has decreased by 8 per cent over the past year, and 9 per cent per annum over the last three years. In 2020, the average rental household would have paid 19 per cent of their income if renting at the median rental, which has risen to 24 per cent in 2023.

Following rapidly improving affordability between 2014 and 2017, regional WA continued to improve, reaching a peak affordability in 2020. Since the onset of the pandemic, affordability has declined sharply and has returned to its lowest level since 2014.

Most of regional WA still offers Acceptable to Very Affordable rents, although covering such a massive land area, the variation between regional centres and remote areas is vast. On the household income side, Figure 52 illustrates the differences in average income across parts of regional WA.

Bunbury is now Acceptable to Moderately Unaffordable, While Busselton is Moderately Unaffordable to Unaffordable. Kalgoorlie is also both Moderately Unaffordable. Karratha and Port Headland are Severely Unaffordable.

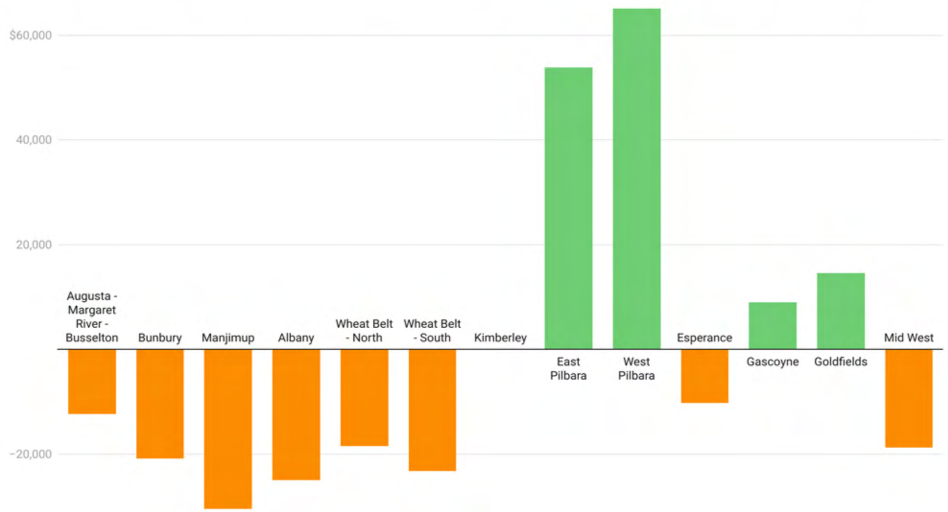
FIGURE 53. RENTAL AFFORDABILITY INDEX, REST OF WA



Source: SGS Economics and Planning, 2023

FIGURE 52. RENTAL HOUSEHOLD INCOME VARIATION ACROSS REST OF WA (DIFFERENCE TO REST OF WA AVERAGE)

Source: SGS Economics and Planning, 2023



4.6 Tasmania

GREATER HOBART

The average rental household in Greater Hobart has a gross income of $86,491 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

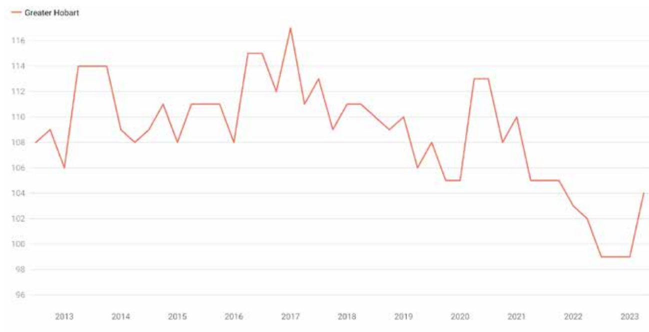
Contrary to most capital cities, median rents in Greater Hobart have remained stable over the past year, making Greater Hobart one of only two regions to have improved affordability (the other being ACT). Despite closing the gap, it remains the equal least affordable capital city (a position it has held since 2018) alongside Greater Sydney.

While this is an encouraging signal, rents increased rapidly over the previous few years (21.5 per cent in the 2 years prior, from June 2020 to 2022), which have not been offset by the improvement in affordability in the year since June 2022. The average rental household still faces extremely high rents relative to the household income. With a score of 104, the average rental household in Hobart is still dangerously close to being in rental stress (below a RAI score of 100) if renting at the median rate, paying 29 per cent of their total income in rent.

Since 2016, the median rental rate in Hobart has grown by 60 per cent (consistent across dwelling sizes). This is currently 4 per cent lower than the Melbourne median, despite the average rental household income being 21 per cent lower. However, this is an improvement relative to 2022, when median rents in Hobart were in fact 11 per cent higher than those in Melbourne.

Rapidly growing rents were likely driven by an inadequate supply of rental housing, as evidenced by the consistent unavailability of bond lodgement data in many areas of Hobart (shown as grey in the RAI map, particularly for smaller dwellings).

FIGURE 54. RENTAL AFFORDABILITY INDEX, GREATER HOBART

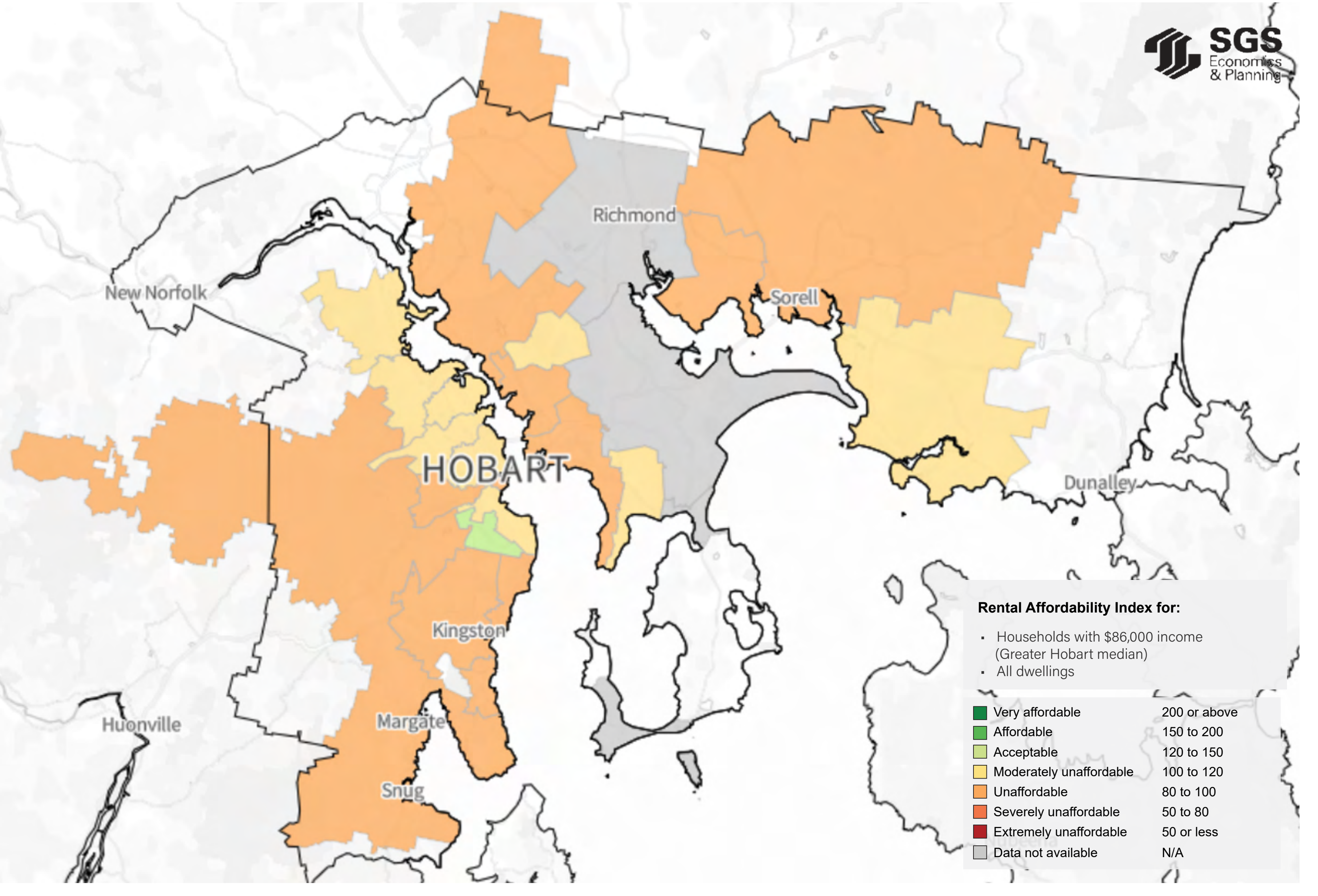


Source: SGS Economics and Planning, 2023

The onset of the COVID-19 pandemic resulted in significantly improved affordability in several parts of the city, from Central Hobart to Lindisfarne. However, these gains were short lived. By June 2022, the RAI score returned to pre-pandemic lows. Since then, very little has changed.

Almost all parts of Greater Hobart are considered Moderately Unaffordable or Unaffordable, with affordability decreasing significantly from Mount Nelson to Glenorchy over the past two years.

FIGURE 55. GREATER HOBART, JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

REST OF TASMANIA

The average rental household in regional Tasmania has a gross income of $72,428 per annum.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

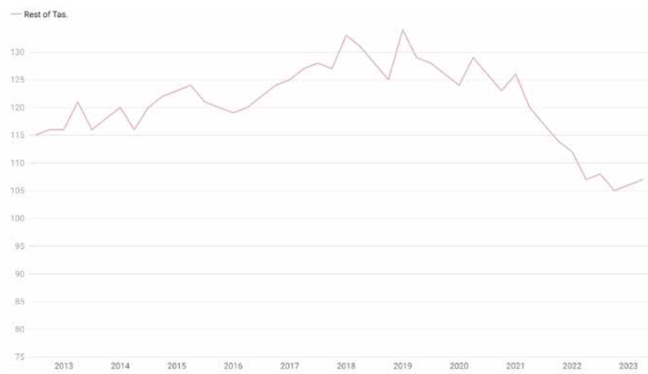
In 2022, regional Tasmania experienced a large decline in affordability, to a historic low RAI score of 107. This has remained unchanged in 2023. The average rental household faces paying around 28 per cent of their income if renting a dwelling at the median rate, which is nearing the definition of rental stress.

Regional centres in Tasmania, particularly Launceston, much like Hobart, offers Moderately Unaffordable to Unaffordable rents. To find Acceptable to Affordable rents, households would have to pursue opportunities in areas in the north-west of the state, with towns like Burnie and Devonport having Moderately Unaffordable levels of rent.

The east coast of the state, from Swansea down to Orford, has shifted from Acceptable in 2022 to Moderately Unaffordable in 2023, meaning there are fewer options for the average renter now.

For pensioner couples and other low-income households, there are very few options for even Acceptable rents, and no suburbs for which these household types would find Affordable rents and the median rate in the entire state. The Acceptable rents are only available in central Tasmania, which is far from services and therefore likely to be an undesirable option for pension households.

FIGURE 56. RENTAL AFFORDABILITY INDEX, REST OF TAS



Source: SGS Economics and Planning, 2023

4.7 Australian Capital Territory

The average rental household in the Australian Capital Territory has a gross income of $126,248 per annum, the highest in the country.

Relative unaffordability	Share of income spent on rent	Index Score
Very Affordable	15% or less	>200
Affordable	15-20%	151-200
Acceptable	20-25%	121-150
Moderately unaffordable	25-30%	101-120
Unaffordable	30-38%	81-100
Severely Unaffordable	38-60%	51-80
Extremely Unaffordable	60% or more	<50

Source: SGS Economics and Planning, 2023

Contrary to almost all other parts of the country, median rents decreased (albeit marginally) over the past year, primarily during the first two quarters of 2023.

With a RAI score of 125, the ACT is one of only two regions where rental affordability improved in 2023, along with Greater Hobart. It is now the second most affordable capital city (an outcome which is largely due to the decline of other cities), with rents that are Acceptable to the average ACT rental household. Like other capital cities, particularly those most impacted by restrictions during the COVID-19 pandemic, the city experienced an improvement in affordability during 2020 and 2021. In 2022, this reverted and the city reached its lowest RAI score since 2013. The modest improvement in the most recent year leaves affordability in the ACT at approximately the same point as in 2019.

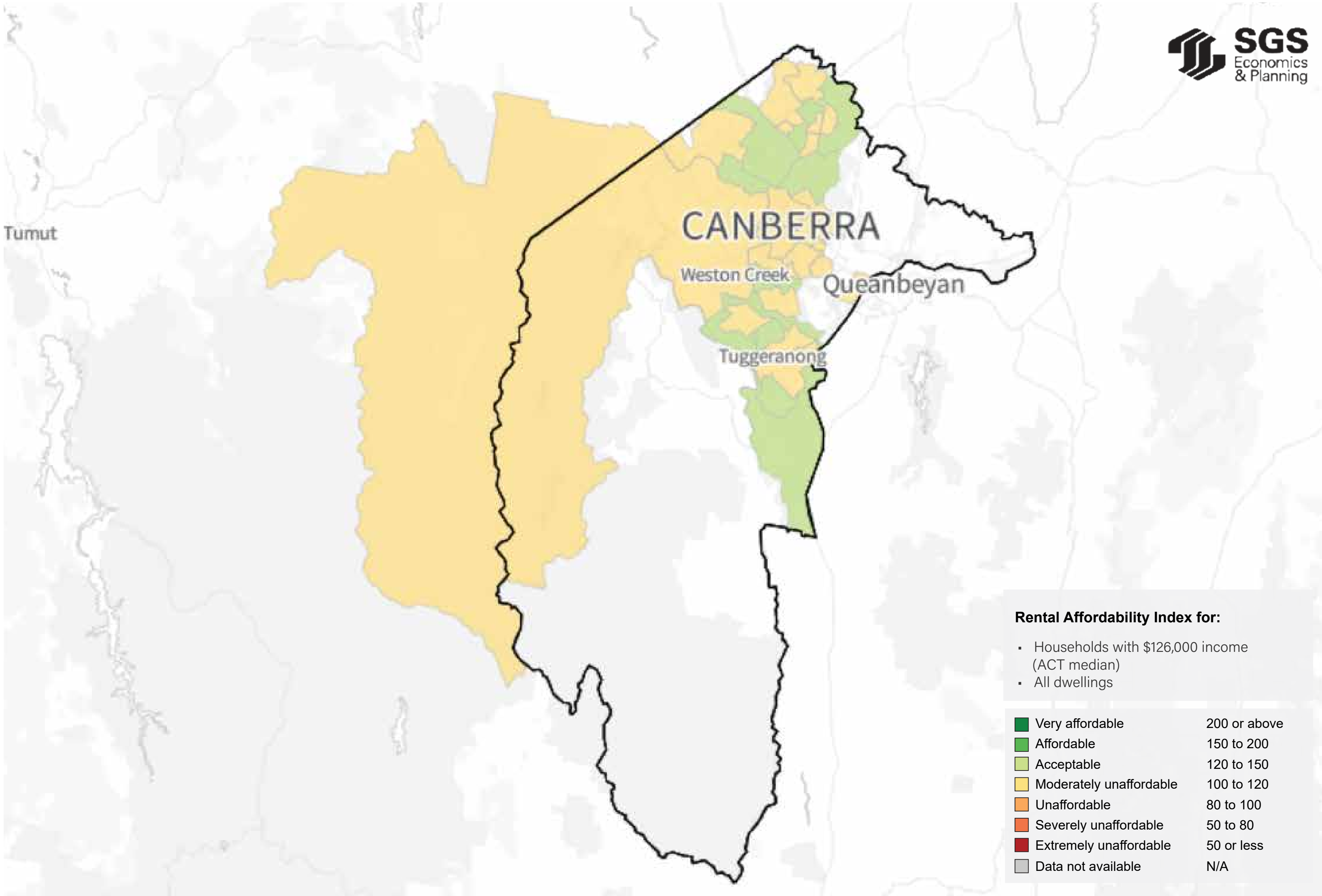
The spatial patterns of affordability within the city have changed little over the last year. In 2023, areas near Tuggeranong and Gungahlin returned to Acceptable levels of rent. However, in central Canberra, every suburb is now Moderately Unaffordable.

While the ACT remains on the border of Acceptable affordability, low-income households face particularly unaffordable rents (such as the student sharehouse and hospitality worker household profiles), which are pushed up by the overall high-income earning workforce. Every suburb in the ACT is Unaffordable to Severely Unaffordable for the student sharehouse. For pensioners, both singles and couples, the entire territory is Severely to Extremely Unaffordable, despite the improvement in rental affordability seen over the last year.

FIGURE 57. RENTAL AFFORDABILITY INDEX, ACT

Source: SGS Economics and Planning, 2023

FIGURE 58. ACT, JUNE QUARTER, 2023



Source: SGS Economics and Planning, 2023

Appendix 1

The following provides information on state and territory specific methodological considerations, including exclusion parameters used to exclude outliers and erroneous data. Across all states, where no valid data was available, a RAI score was not calculated.[22]

METROPOLITAN AND REST OF STATE ANALYSIS

Australian Capital Territory

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

New South Wales

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

Northern Territory

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

South Australia

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

Tasmania

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

Victoria

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

Western Australia

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

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

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. For example, the median rent of a three bedroom dwelling is estimated as the weighted average of the rents of three bedroom flats, three bedroom townhouses and three bedroom houses.
- The median rental price of 'all dwellings' is calculated as the weighted average of all 1-3 bedroom categories (this applies for overall RAI).
- Metro and regional median rents are not included in available data. They are calculated as the weighted average of postcode medians.
- Observations were excluded if there were fewer than ten listings for that postcode.

Appendix 2

REFERENCE LIST FOR HOUSEHOLD PROFILES

Australian Bureau of Statistics (ABS) (Employee Earnings and Hours, Australia, May 2021. Available online: https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings-and-hours-australia/may-2021

Australian Bureau of Statistics (ABS) (Average Weekly Earnings, Australia), Australia, May 2023. Available online: https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release

Australian Bureau of Statistics (ABS) (2011, 2016, 2021), Census of Population and Housing. INCP Total Personal Income (weekly), Counting Persons, Place of Usual Residence.

Australian Government Department of Social Services, Age Pension. Available online: https://www.dss.gov.au/seniors/benefits-payments/age-pension

Fair Work. Available online: https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/minimum-workplace-entitlements/minimum-wages

Services Australia (2023) Available online: https://www.servicesaustralia.gov.au/organisations/about-us/corporate-publications-and-resources/guide-australian-government-payments/historical-versions-guide-australian-government-payments

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