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Australia's rental affordability crisis pushing people into homelessness

November 23 2016: Sydney continues to be Australia's least affordable city for rental accommodation but, of all cities, Melbourne has seen the greatest decline in affordability since 2013, according to the latest Rental Affordability Index (RAI), released on 23 November, 2016.

"The latest Rental Affordability Index shows housing stress is a common reality for people in the rental market, especially those on low incomes, who have little left to spend on essentials like food, electricity, fuel and education, after paying rent," said Andrew Cairns, CEO Community Sector Banking. "People in the lowest income households are being pushed out of the rental market, and into poverty and homelessness - this situation is most dire in Sydney."

Produced by National Shelter, Community Sector Banking and SGS Economics & Planning, the RAI is an easy to understand indicator of rental affordability relative to household incomes across Australia. Released biannually, the RAI is intended to complement the Housing Affordability Index (HAI), which is a price index for the purchase of houses.

Adrian Pisarski, Executive Officer of National Shelter, said the index shows "low income households continue to face unaffordable rents and high levels of housing stress despite some improvements in the rental market - additional supply in capitals has not eased rental affordability for low income households".

"We are most concerned that there is no national strategy to tackle housing affordability, especially when we see that additional supply is not reaching low income households, and increases in homelessness are being reported," Pisarski said.

Ellen Witte, an Associate at SGS Economics and Planning, said it was also a great concern that "although low and single income households are worst off, even average households would struggle if rents become less affordable".

"With home ownership falling further out of reach for many households, rental unaffordability is a key issue to address in Australia's housing equation. The index shows rental affordability is dividing Australia, with service rich areas tending to be very unaffordable, while service poor areas are more affordable, particularly in Sydney, Melbourne and Perth," said Witte.

Cairns calls for the nation to wake up to the rental crisis. "There is a dire need for innovative financial models to support more affordable housing and we're calling on governments, companies and philanthropists to collectively use their power to create sustainable solutions now," he said.

Sydney rental affordability crisis continues

Greater Sydney continues to be at crisis levels in terms of rental affordability, with an RAI of 108 in the June quarter of 2016. The average renting household spends near 28% of its total income to pay the median rent of \$480 per week. Most inner city areas remain extremely unaffordable and regional NSW also remains the least affordable regional area, despite having improved slightly over past quarters.

Melbourne most unaffordable for low income households

Despite seeing the most significant fall in affordability since 2013, Greater Melbourne is Australia's second most affordable metropolitan area, with a RAI of 126 in the June quarter. The average renting household spends around 24% of total income on rent. However, affordability varies greatly across income groups and areas. The lowest income households face one of the worst rental affordability situations of all metro areas in Australia.

It's most dire for non-family, mostly single person, households, which would pay near 110% of total income on rent, even after discounting average rents for this group by 25% for access to social housing. Witte notes: "Obviously, this group is pushed beyond the margins of the market. Not surprisingly, we have seen a doubling of people sleeping rough in the streets of Melbourne over the last two years. More affordable areas are likely to have poor access to employment and services, while those close to jobs and services are unaffordable for average income households".

End of mining boom to impact Perth renters

While rental affordability has continued to improve at a substantial rate in Perth since the end of the mining boom, this trend may not continue in future quarters due to a decline in incomes. Greater Perth recorded an RAI of 131 in the June quarter, up from 109 two years ago. The average household would pay 23% of total income on rent. The first two quarters of 2016 recorded the first decline in average household income in the metropolitan area since late 2013, in line with the economic slowdown.

Hobart continues to be the second least affordable market for renters

Hobart continues to score poorly in the RAI due to lower incomes and high rental yields, which generate high levels of rental stress. In particular, rents remain extremely unaffordable for low income households in Greater Hobart, which would spend 50% or more of total income on rent. The average household pays around 27% of total income on rent.

Brisbane and Adelaide reasonable but volatile

While both Brisbane and Adelaide scored reasonably overall in the latest index, there was some volatility. Median rents fluctuated most significantly in Brisbane, from a high of \$409 in March to a low of \$397 in June 2016. The average household renting in Greater Brisbane would pay around 25% of total income, while those in Greater Adelaide spend near 27% of total income on rent.

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About the Rental Affordability Index

The Rental Affordability Index (RAI) has been created by National Shelter, Community Sector Banking and SGS Economics & Planning, which undertook the research. The report gives an account of rental affordability in Australia's capital cities. The higher the number of the RAI, the greater the affordability. The November 2016 RAI provides an update of the June 2016 RAI report by providing analysis of data from the two most recent available quarters, March and June 2016. This RAI does include updated findings for Victoria that was unavailable in the June report.

About National Shelter

National Shelter is a peak advocacy group whose mission is to create a "more just housing system, particularly for low-income Australian households."

About SGS Economics & Planning

SGS is a leading planning and economics firm whose purpose is to shape policy and investment decisions to achieve sustainable places, communities and economies.

About Community Sector Banking

Community Sector Banking is the not-for-profit banking specialist for more than 10,000 organisations; it's a joint venture between Bendigo and Adelaide Bank and a consortium of not-for-profit organisations