MEDIA RELEASE: Embargoed until Thursday 16 June 2016

Australians falling into poverty as rents chew up incomes

June 16 2016: The second release of Australia's first ever Rental Affordability Index (RAI) reveals the lowest-income households in Australia are paying up to 85 per cent of their income on rent, while rental unaffordability is extending to professionals.

The data has reinforced calls for policy reform to address rental and housing affordability. The Index has been created by National Shelter, Community Sector Banking and SGS Economics & Planning. It includes data from the September and December 2015 quarters as well as historical data dating back to 1996. Data was not available for Victoria.

Under current market conditions, the RAI reveals low-income households typically need to pay 50 to 85 per cent of their income on rent. It is generally accepted that a household is in housing stress if it pays more than 30 per cent of its income on rent.

Adrian Pisarski, Executive Officer of National Shelter, said the latest index highlights many rental households are falling into poverty and are being pushed to suburban fringes due to high rents.

"Australia's lowest income households – those on around $500 a week – are paying up to 85 per cent of their income on rents. Middle-income households are also falling into housing stress as high rents chew up incomes that aren't keeping pace with rising housing costs. It is clear that rental unaffordability is dividing Australia," Pisarski said.

"Low and moderate income households are being forced out of inner-city areas into fringe suburbs where there are fewer jobs, less infrastructure such as transport, and fewer opportunities, which is only entrenching their disadvantage. Essential service workers like teachers, nurses and police are also being affected, potentially leaving service gaps in the suburbs they're being priced out of."

Ellen Witte, an Associate at SGS Economics & Planning, said rental unaffordability had started to intensify from the early 2000s in Queensland and New South Wales. "This coincided with the 50 per cent reduction in the capital gains tax in 1999 and the fact that for the first time in decades, new housing stock was falling behind demand. This resulted in a surge of investment in housing, driving up prices, and pushing out first home buyers, forcing them to rent."

Economist Saul Eslake noted that in 1991-92, first-home buyers each accounted for about 17 per cent of total housing market, with the remainder going to 'repeat buyers'. "By the current financial year, however, the share of total housing lending going to first-time buyers is just 11 per cent, while the share going to investors rising to 46 per cent,"Eslake said.

“So would-be home-buyers have been squeezed out of the housing market by investors who have, in effect, converted dwellings that might otherwise have been acquired by home-owners into rental dwellings which those would-be home-buyers have been obliged instead to rent – a perverse example of ‘supply creating its own demand,” he said.

SGS Economics’s Witte said the percentage of households renting has grown to 35 per cent across Australia, with many struggling to make ends meet and cover other essential living costs like transport, food and utility expenses. “Single income households are the worst off and the trend over the last five years has mostly seen no improvement, except in Perth, where the mining downturn is likely to have taken the heat out of rents,” she said.

“Historical trends between 1996 and 2011 show that rental affordability has deteriorated dramatically across all of NSW and Queensland since the early 2000s. The decline in rental affordability is expected to follow similar trends in other states,” she said.

“Long-term trends in most cities present a pessimistic outlook for rental affordability. More young Australians are being squeezed out of the owner-occupier property market due to high housing costs, and this is driving up demand and prices for rental accommodation, exacerbating the rental accommodation shortage,” Witte explained.

Andrew Cairns, Chief Executive Officer of Community Sector Banking, which helped fund the report, said the nation had 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.

“$10 billion in funding would deliver 30,000-40,000 more homes and go some way to addressing this crisis,” he said.

National Shelter's Pisarski said governments should be taking concrete steps to alleviate the rental crisis, including creating a national strategy that uses all available tools such as tax reform, government investment and state and local government resources.

“We need a national strategy to address the deterioration of rental stress but what we are getting is the opposite. Government cuts over the past five years, including cuts to the National Rental Affordability Scheme (NRAS), have only contributed to the current rental crisis,” he said.

“We need concrete action from all governments in partnership with the community sector to alleviate this rental affordability problem,” Pisarski said.

Media contact
Nicki Bourlioufas: 0411 786 933 or nicki@spotoncpr.com
For data enquiries, please call Ellen Witte, SGS Economics and Planning, 0421 372 940, 02 8307 0121 or EWitte@sgsep.com.au

City-by-City Breakdown
Under the capital city data that low income households continue to experience severe unaffordability:
Sydney

- Greater Sydney is the least affordable metropolitan area in Australia in recent years, with a RAI of 109 in the last two quarters of 2015.
- However, affordability levels have stabilised in Sydney in recent years.
- Near the city centre, there has been no relief for the average household in meeting housing costs, though some areas in the west have experienced slight improvements in affordability.

Brisbane

- With a RAI of 116, rental affordability in Greater Brisbane has decreased over the past two years; it is the only city to have recorded such a trend of the metro areas studied.
- This is due to a declining income growth rate in Brisbane. Over the past two years, household income has declined by 0.2 per cent, while rents have increased overall by 2.5 per cent. Median household rents have fluctuated between $390 and $406 per week.
- Some areas in the inner city, south of the Brisbane River (i.e. West End, South Brisbane and East Brisbane) have experienced improvements in rental affordability, probably as a result of localised growth in apartment supply.

Perth

- Greater Perth has a RAI of 126, meaning rents are acceptable. With a score of 108 (moderately unaffordable) in December 2013, affordability has increased significantly over the past two years.
- The increase in affordability has been more significant in regional WA compared to the metro area, away from moderately unaffordable rents to acceptable rents, possibly in part due to the mining downturn.

Adelaide

- Greater Adelaide has a RAI of 117, meaning rents are moderately unaffordable. There has been a moderately positive trend in rental affordability over the last two years. Since the November 2015 release, the RAI score has risen by 3 points.
- This is a result of household incomes rising faster than rents in recent years. Over the past three years, household income rose 7.5 per cent while rents rose 1.7 per cent.
- Some areas in the south of Adelaide have become less affordable, while some areas in the north have become more affordable since the last release.

Hobart

- Greater Hobart has a RAI of 111, meaning the city remains moderately unaffordable. After Sydney, Greater Hobart is the least affordable city, due to relatively lower incomes and high rental yields.
- Unaffordability has increased slightly, as the RAI score dropped by 1 point.
- Pockets at the fringes of Greater Hobart have become more affordable.

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 June 2016 RAI provides an update of the November 2015 RAI report by providing analysis of data from the two most recent available quarters, September and December 2015. The RAI does not include updated findings for Victoria due to lack of rental bond data available to undertake the required analysis. The report includes findings from analysis of historical data from Queensland and New South Wales, which was not included in November 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 including Jobs Australia, Oxfam Australia, Scope and ACOSS.