

Media Release

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Australia's first ever Rental Affordability Index reveals the depth and extremity of housing stress faced by renters in the current market. Both low income and moderate income households suffer poverty due to high rental costs.

Housing stress occurs when households pay 30% of income or more on rent. Low income households are required to pay around 65% of income on rent to access a tenancy. This means that rents are extremely unaffordable.

The Rental Affordability Index has been created by National Shelter, Community Sector Banking and SGS Economics & Planning. It will be released on a quarterly basis.

Low income households – according to the report – are in a dire situation, single income households are the worst off and rent costs are now locking low and moderate income households out of inner cities. The report gives a blow by blow account of rental affordability in Australia's major cities.

Australia's first ever rental affordability index launched on Tuesday November 24, 2015.

It reveals some families need to pay as much as 65% of their income to rent a property. It is generally accepted that a household is in housing stress if it pays more than 30% of income on rent.

The Rental Affordability Index has been created by National Shelter, Community Sector Banking and SGS Economics & Planning (who undertook the research). It will be released on a quarterly basis.

National Shelter's Adrian Pisarski said, "Rental unaffordability is dividing Australia in a big way. Working families according to this report – are experiencing severe housing stress. Australia's rental market is growing and that where once Australia had an owner-occupation rate of 70%, it is now closer to 65% and declining."

"This report shows housing affordability is a much bigger problem for renters than owner occupiers. The report is designed to fill a gap in available data on rental affordability and focus attention on the need to reform our rental system. Rental stress is a drag on productivity, is increasing poverty and breaking down social cohesion. We must be able to achieve multi-party support on such a critical issue!" The report reveals for low income families on \$500 a week, in

New South Wales they would have to spend 65% of their income to rent a property under current market conditions. In Queensland 54%. In South Australia 59%. In Western Australia 57% and in Tasmania 54%.

Ellen Witte from SGS Economics & Planning highlights the new Rental Affordability Index shows:

- Low income households are in a dire situation.
- Single income households are the worst off.
- Even for average working households in many cities rents are unaffordable.
- Households would struggle if rents become less affordable.
- Unaffordable rents are dividing communities and families.
- This is locking low and moderate income households out of inner cities.
- The trend over 5 years has seen no improvement, some deterioration, except in Perth.

Joe Sheehan from Community Sector Banking – that has played a key role in funding the report says Sydney has a high level of rental stress across all renters. He points out that in Sydney, Brisbane and Adelaide, many low income households are suffering.

The report reveals Perth is improving but has been unaffordable since the end of the mining boom. Hobart is experiencing a high level of rental stress, with a dire situation for low income households.

Adrian Pisarski of National Shelter said, “It shows what we have known anecdotally for far too long. Low income households are being hammered beyond belief. Moderate income working households are very hard up and have little disposable income.”

“Many middle income households are finding it hard to make ends meet. These households then ultimately don’t have disposable income to spend on key life items like health, transport, education and food.”

The first index just released reveals the following:

- In New South Wales rents are unaffordable across the board and rents for low income households are extremely unaffordable. .
- In Queensland low income households face severe and extreme housing stress accessing rental housing.
- In South Australia rents are extremely unaffordable for non-family households.
- In Tasmania, lower incomes result in high rental unaffordability.
- In Victoria rents are extremely unaffordable for low income households.
- In WA there is improving affordability but not an end to housing stress.
- The average household in greater Sydney would be spending at least 28% on rent to access rental housing (scoring 108 on the index) – people are classified as living in moderate housing stress.
- In Brisbane, the average household would now be spending 25% on rent (a score of 121 on the index) to access rental housing.

- In Adelaide, the average household would spend 26% on rent to access rental housing (a score of 114 on the rental affordability index).
- In Hobart, the average household spends 27% on rent to access rental housing (a score of 110 on the index).
- In Perth, the average household spends 25% on rent to access rental housing (a score of 119 on the index).

Adrian Pisarski says that there is no national strategy to address deterioration of rental stress or homelessness. He says there's a clear lack of investment both from government and through institutional investment. He points out disinvestment by governments over the past 5 years through cutting the National Rental Affordability Scheme (NRAS) sell offs of social housing and disrupting reforms.

He says there are many key steps governments should be taking including creating a national strategy which uses all available tools (tax reform, investment, planning, best use of states and local government and the community sector) and reforming the National Affordable Housing Agreement. He says Australia is now on a path which may see it end up like the United Kingdom ... where there simply is not enough affordable housing.

Joe Sheehan said "Australia now needs to build 180,000 new affordable houses every year simply to keep up. That is not happening. Data shows the cost of an average first home mortgage has jumped in the past decade from 44% of a worker's wage to 61%." He warns current trends on affordable housing are shocking ... highlighting that in 1981, 61% of 25 to 34 year olds bought a house and now it is 47%.

He highlights rents in some States have risen by 76% ... locking many out of the housing market. Joe Sheehan says stimulating institutional investment - put straight into affordable housing - is critical. Joe Sheehan says \$10 billion in institutional funding will deliver a further 30,000 to 40,000 houses. He says part of the solution is to transfer housing stock from state Governments to Community Housing Organisations – allowing them to maximise their capacity to borrow funds.

Joe Sheehan added, "There is now every chance your children may never own their own home. It is a dismal outlook. All we are hearing from the housing not-for-profit sector is that there is a real urgency to act now. We cannot afford to end up like the UK where they seem to have almost given up dealing with the scale of their crisis. There has been a massive jump in the number of Australians experiencing housing stress. It is time for serious action."

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