

Rental Affordability Index

Regional trends,
drivers, and impacts

AHURI National Housing Conference 2022

Rental Affordability Index

November 2021 Key Findings



What is the RAI?

Collaboration between SGS, National Shelter, Beyond Bank, and Brotherhood of St Laurence

The RAI is a price index: rental prices relative to income levels

- Score of 100 reflects 30 per cent of household income spent of rent – rental stress threshold

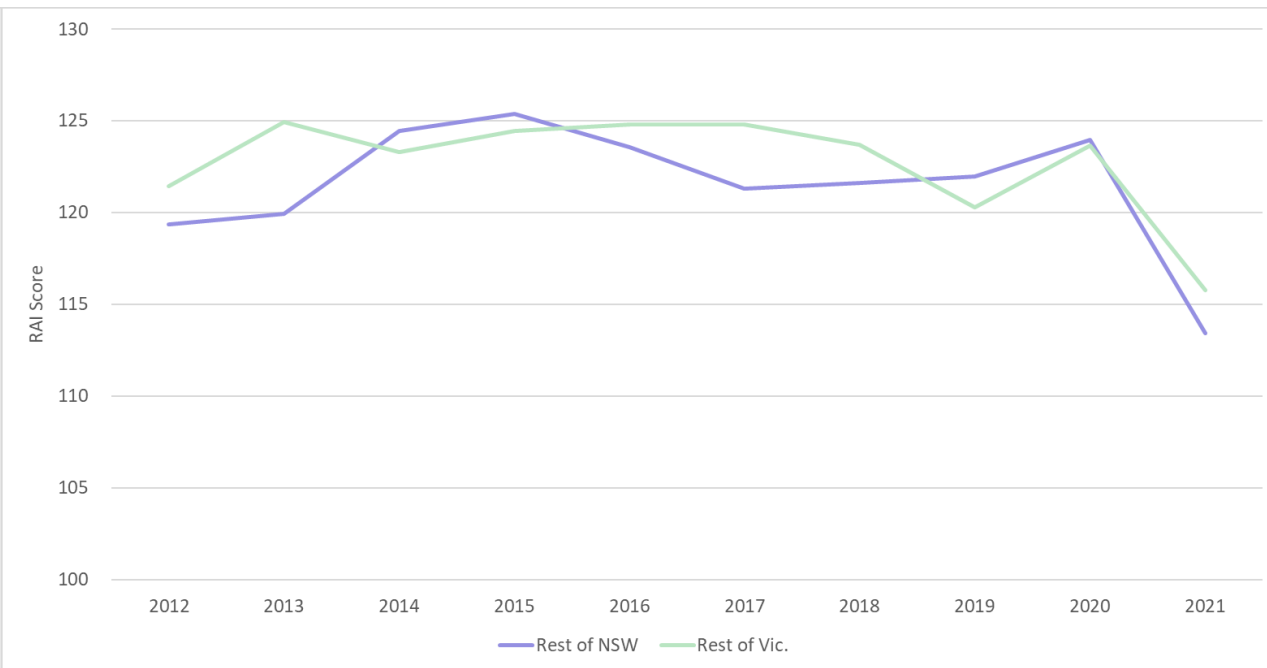
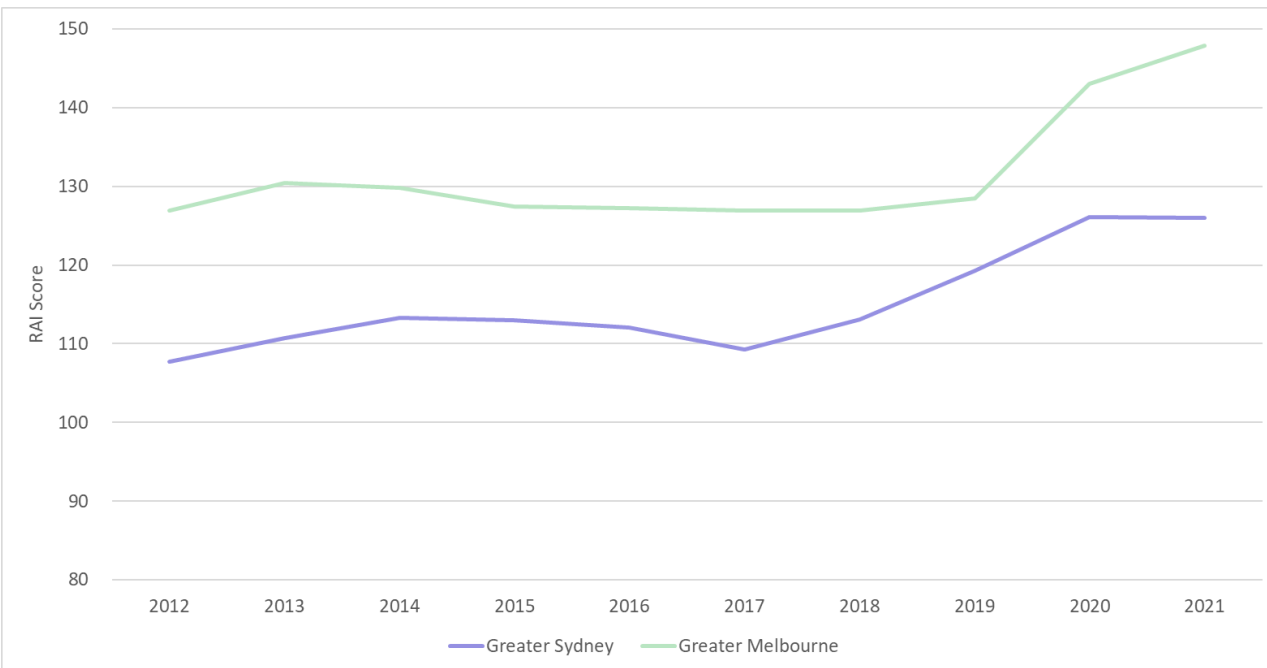
The RAI estimates affordability using rental bond and income data, for various household types, at city-wide and postcode levels

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

Regional Rental Affordability Trends

Metropolitan and regional areas had very different experiences during the pandemic

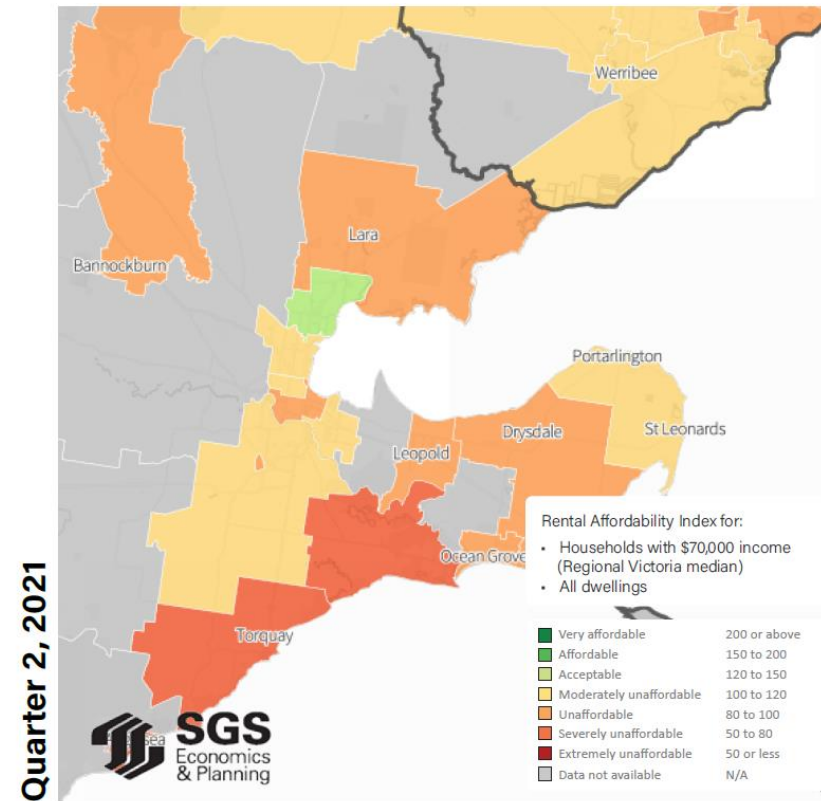
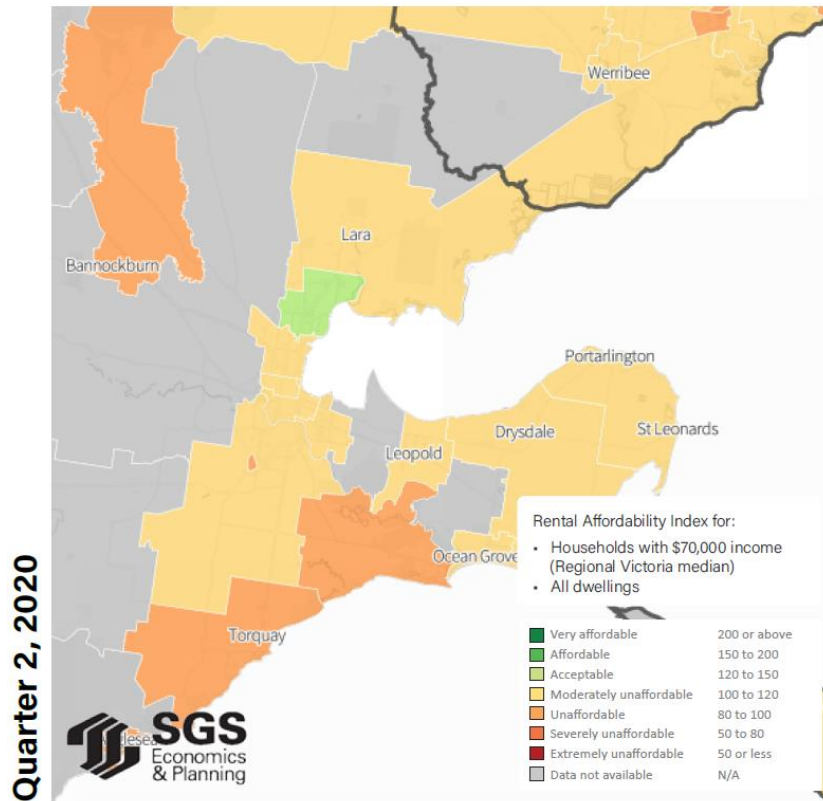
- All 'Rest of State' areas declined in affordability
- Most significant in NSW, VIC, and QLD



Regional Rental Affordability Trends

Many areas, particularly coastal towns, were already unaffordable based on regional incomes – this has worsened significantly since 2020

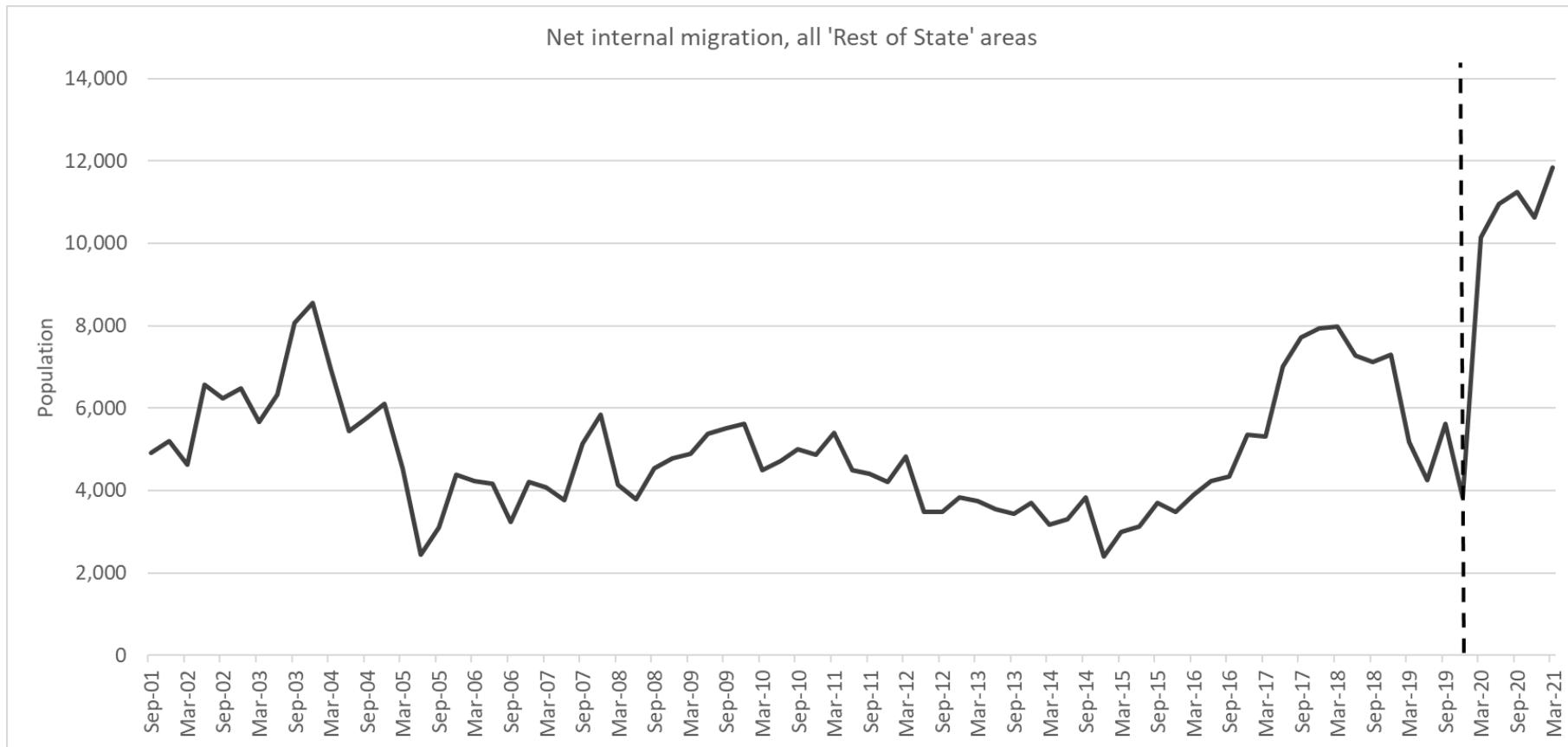
- Byron Bay and Noosa were the least affordable locations in June in 2021
- Much of Geelong is now considered Severely Unaffordable



Recent Rental Affordability Drivers

High internal migration in a short space of time

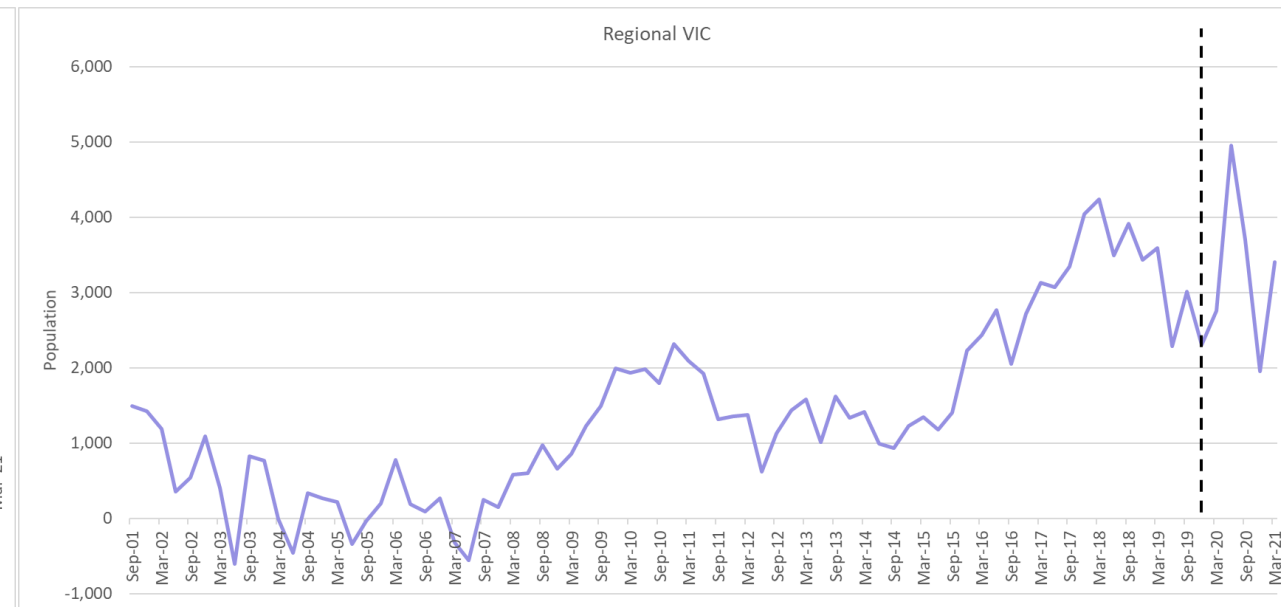
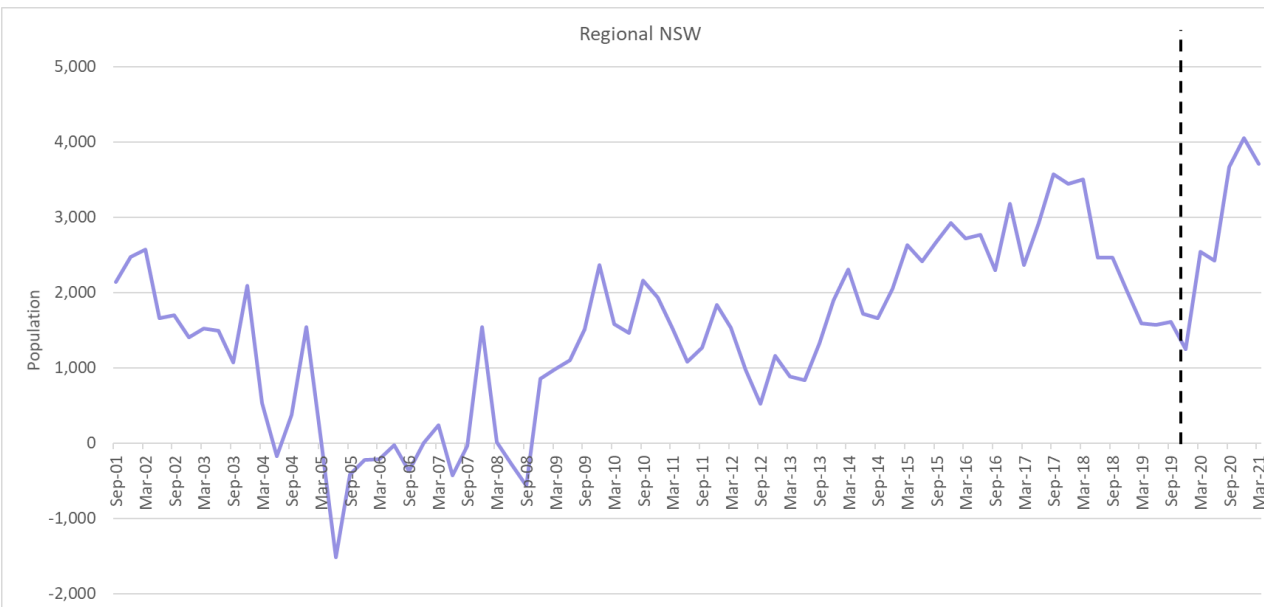
- While minor for capital cities, migration is high relative to regional town populations



Recent Rental Affordability Drivers

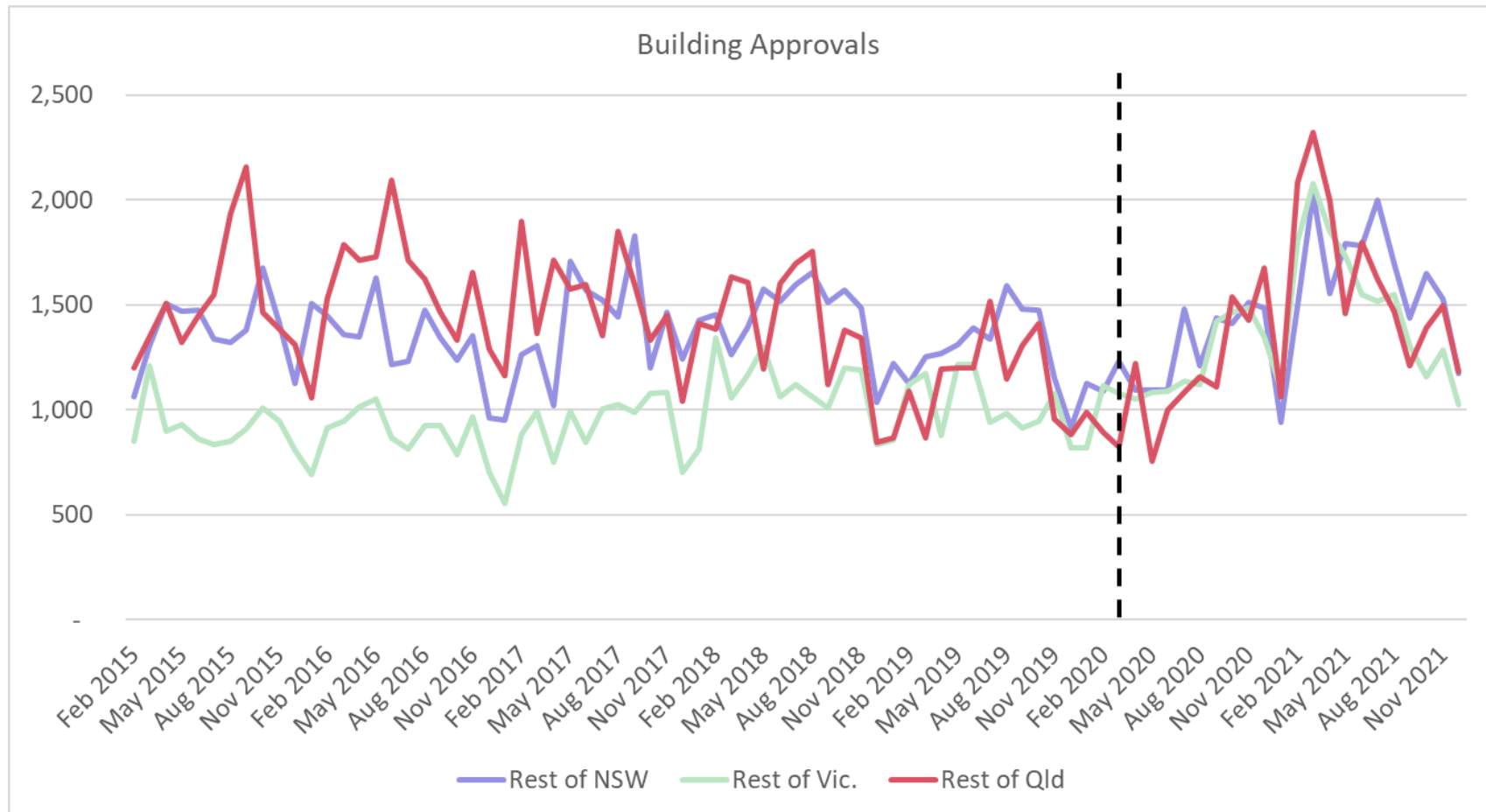
High internal migration in a short space of time

- Migration to escape COVID restrictions?
- Permanent sea/tree preference shift?



Future Regional Rental Affordability

Some positive signs – higher development activity to increase supply



Future Regional Rental Affordability

Future migration patterns are still unclear.

However, what we do know is:

- Even increased supply and a return to pre-COVID trends won't help those on lower incomes who already found private rental unaffordable
- Migration influx induces demand for many services (teachers, childcare, health, etc) – these key workers need affordable housing
- A concerted effort across the spectrum will be required to improve affordability – from social housing stock to affordable key worker housing to tax/planning policy

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