

Census shows more higher income renters while lowest income renters struggle

Based on AHURI Final Report No. 416: Affordable private rental supply and demand: short-term disruption (2016–2021) and longer-term structural change (1996–2021)



What this research is about

This research analyses changes in the supply of private rental housing affordable and available to lower-income households (Q1 and Q2 households) over both the short term (2016–21) and the longer term (1996–2021). It also provides analyses of how COVID-19 policy and population responses temporarily altered the long-run structural trajectory of the private rental sector (PRS) in Australia.

The context of this research

Over the last 35 years, the PRS has come to play a critical role in housing Australians, yet there is accumulating evidence that the sector does not provide an adequate supply of affordable rental dwellings for lower-income and vulnerable households. This research is the sixth in a series analysing national affordable private rental supply over five-year (intercensal) periods using Census data. The previous reports in the series reference 1986–96, 1996–2001, 2001–06, 2006–11 and 2011–16.

The key findings

The research takes into account affordability and availability of accommodation for these households. Lower-income households are households with incomes in the lowest 40 per cent of the national gross household income distribution. They are divided into 'very low' income households (the lowest quintile or 'Q1') and 'low' income households (the second-lowest-income quintile or 'Q2'). The approach measures whether lower-income households occupy rental dwellings that are affordable, based on a weekly rent of no more than 30 per cent of gross household income, and available, referring to the extent to which the affordable dwellings are occupied by lower-income households (rather than households with higher incomes).

Private Rental Sector is growing, particularly for mid-market rentals

In 2021, the Australian PRS housed more than 2.36 million households, a 17 per cent increase of nearly 340,000 households since the 2016 Census. This growth rate has been greater than total household growth in each intercensal period since 1996. PRS households have increased their share of all households from 20 per cent in 1996 to just over 25 per cent in 2021.

Between 2016 and 2021 PRS growth was concentrated at mid-market levels; in dwellings renting from around \$300–\$530 per week (\$2021). This continues a major change trend first established in 2011, reinforcing the structural shift to a market concentration of dwellings renting at mid-to-higher levels.

The 2016–21 period saw a small increase in the number of dwellings priced at the lowest end of the market (up to \$266/week, \$2021). In fact, the 2016–21 period is the only intercensal period in which there was a (small) increase in the number of dwellings in the bottom four rent segments (of the 12 rent category segments defined from rental data collected in the Census). This increase is very likely a short-term occurrence, shaped by COVID-19 conditions at the time of the Census.

Table 1: Number and proportion of rental properties at specific weekly rents, 1996, 2001, 2016, 2021

12 Weekly rent segment (\$2021)	1996		2001		2016		2021	
	Dwellings per rental segment		Dwellings per rental segment		Dwellings per rental segment		Dwellings per rental segment	
	No.	%	No.	%	No.	%	No.	%
\$1–\$106;								
\$107–\$160;	727,000	59	666,000	50	274,000	14	303,000	13
\$161–\$213;								
\$214–\$266								
\$267–\$320	228,000	18	265,000	20	237,000	12	308,000	13
\$321–\$374	109,000	9	110,000	8	336,000	17	391,000	17
\$375–\$427	57,000	5	86,000	6	341,000	17	421,000	18
\$428–\$534	64,000	5	96,000	7	416,000	21	493,000	21
\$535–\$641	22,000	2	49,000	4	202,000	10	221,000	9
\$642–\$801	14,000	1	26,000	2	128,000	6	143,000	6
\$802–\$1,068	7,000	1	13,000	1	59,000	3	54,000	2
\$1,069+	5,000	0	16,000	1	29,000	1	29,000	1
<i>Total</i>	<i>1,234,000</i>	<i>100</i>	<i>1,328,000</i>	<i>100</i>	<i>2,022,000</i>	<i>100</i>	<i>2,362,000</i>	<i>100</i>

However, even with the small increase, these low-rent dwellings comprised only 13 per cent of the PRS stock in 2021: shrinking from 59 per cent of the PRS stock in 1996 and half of the stock in 2001.

At the high end of the rent distribution (\$600/week and over), stock increases were smaller compared with earlier intercensal periods, a further reflection of the pandemic-induced, weak rent inflation around the 2020–21 period.

‘low-rent dwellings comprised only 13 per cent of the PRS stock in 2021: shrinking from 59 per cent of the PRS stock in 1996’

Increasing proportion of higher income renters in the PRS, constant numbers of lower income renters

The long-term shift in the national distribution of PRS household incomes reveals the growth of households with incomes at mid to high levels (\$1,246 a week and above, or \$65,000 and above per annum, \$2021). In 1996, these ‘wealthier’ households comprised 40 per cent of all PRS households (or 489,000 households); in 2021, they comprised 64 per cent (or 1,519,000 households), a 211 per cent increase. Furthermore, households with incomes in the top segment shown (around \$140,000 p.a. and above, \$2021), made up only 8 per cent of PRS households in 1996 but nearly one-quarter (24%) in 2021. In comparison, the total number of PRS households increased by 91 per cent between 1996 and 2021 (from 1,234,000 households to 2,362,000).

Over the same time frame, there has been a relatively constant total number of lower income renters (where each household’s income is between \$0 and \$888 per week in 2021\$) in the PRS; 508,000 households in 1996 and 488,000 in 2024, but lower income households make up a shrinking proportion of the market due to the disproportionate growth of households with higher incomes.

Table 2: Number of PRS households per income segment 1996, 2021

Weekly household income segment (\$2021)	1996		2021		% increase/ decrease 1996 to 2021
	Households per segment		Households per segment		
	No.	%	No.	%	
\$0-\$354					
\$355-\$533					
\$534-\$711	508,000	41	487,000	20	-4%
\$712-\$888					
\$889-\$1067	124,000	10	160,000	7	
\$1068-\$1245	114,000	9	196,000	8	
\$1246-\$1422	87,000	7	164,000	7	
\$1423-\$1780	138,000	11	249,000	11	
\$1781-\$2145	96,000	8	285,000	12	
\$2146-\$2669	71,000	6	258,000	11	
\$2670-\$3561	51,000	4	277,000	12	
\$3562+	46,000	4	286,000	12	
<i>Total</i>	1,234,000	100	2,362,000	100	91%
\$1246 to \$3562+	489,000	40	1,519,000	65	211%

Severe shortage of dwellings affordable for lowest income (Q1) renters

The shortage of affordable private rental homes for Q1 households in 2021 increased to 255,000 (up from 212,000 in 2016). When looking at dwellings that were both affordable and available (i.e. they were not occupied by higher income Q2 to Q5 households) the shortage in dwellings increased to 348,000 dwellings that were needed by Q1 households (up from 305,000 dwellings needed by Q1 households in 2016).

In 2021, 82 per cent of Q1 PRS households paid unaffordable rents (nationally) and 90 per cent in the aggregated capital cities (compared with 70% in non-metropolitan regions). These rates have changed little nationally and in the cities since 2006 and are the highest recorded in the series for the non-metropolitan region.

'the shortage in dwellings increased to 348,000 dwellings that were needed by Q1 households'

Shortage of affordable dwellings available for Q2 Households

There was a substantial and unanticipated increase in the number of dwellings affordable to Q2 households over the period 2016–21, likely influenced by market responses to the COVID-19 pandemic in 2020 and 2021. Australia's closed borders (from March 2020) with international students and workers being sent away, together with domestic lockdowns that severely limited mobility, resulted in a dramatic fall in demand for private rental, exacerbated by renters moving out of private rental for financial reasons and/or in a bid to manage health risks. Consequently, rents fell and vacancy rates increased. Government policies also helped sustain household incomes, while emergency measures regulated the rental sector to prevent evictions.

At the time of the 2021 Census there was theoretically around 1.3 million affordable dwellings for the 560,000 Q2 renters. However around 939,000 of those dwellings were rented to households in other income brackets (including Q1s who were in housing affordability stress). As a result, only 408,000 affordable dwellings were available, which left a shortfall of 152,000 affordable and available dwellings still needed for Q2 households. While 27 per cent of Q2 renter households nationally were paying unaffordable rents (36% in metropolitan areas), this was an improvement on 2016 rates (36% and 46%, respectively).

Table 3: the situation for Q1 private renter households

	Shortage/surplus of affordable stock		Shortage of affordable and available stock		Total number of Q1 households and % of these paying unaffordable rents	
	2016	2021	2016	2021	2016	2021
Australia	-212,000	-255,000	-305,000	-348,000	384,000	425,000
					80%	82%
Metro regions	-165,000	-191,000	-197,000	-229,000	221,000	255,000
					89%	90%
Non-metro regions	-46,000	-64,000	-108,000	-119,000	163,000	169,000
					66%	70%

Table 4: the situation for Q2 private renter households

	Shortage/surplus of affordable stock		Shortage of affordable and available stock		Total number of Q2 households and % of these paying unaffordable rents	
	2016	2021	2016	2021	2016	2021
Australia	491,000	787,000	-173,000	-152,000	476,000	560,000
					36%	27%
Metro regions	216,000	467,000	-136,000	-117,000	296,000	368,000
					46%	32%
Non-metro regions	275,000	320,000	-37,000	-35,000	180,000	192,000
					20%	18%

Q1 renters are mostly single, often renting outside the mainstream PRS

In 2021, Q1 private renter households were predominantly single persons (59%) and a further 20.5 per cent were single parent families. One-quarter were aged 65 years and over. Single parent families, couple families with children, group households and migrants were all more likely to be paying severely unaffordable rents.

Analysis of the ABS Survey of Income and Housing reveals that (in 2019–20) around half (49.7%) of Q1 individual income units (i.e. individuals or, where appropriate, couples) paid rent outside the mainstream PRS, either to another family member or to an unrelated cohabitating person. Around half of Q1 individual income units still paid unaffordable rents when cohabitating with others either informally or in a mainstream shared rental arrangement. People paying rent to a family member they live with (15%) or cohabitating (19%) are more than twice as likely to be living in crowded conditions. Furthermore, only 20 per cent of all Q1 couples and 22 per cent of Q1 single persons renting independently in the mainstream sector were paying affordable rent, compared to around 68 per cent paying rent to families.

‘The private market has consistently failed to supply enough stock affordable for Q1 households; therefore, some form of social housing is required.’

Q2 renters include low income workers

Q2 PRS households included a greater proportion of prime working aged (25–54 years) people (68% compared to Q1 households at 50%), with the dominant household types being younger people living alone (23.1%), single parent families (21.3%) and couples with children (15.4%).

Among Q2 households paying unaffordable rent, one parent families (24%), couples with children (20.7%), group households (12.0%) and migrants arriving before 2016 were most likely to pay unaffordable rents.

The COVID-19 disruption

Private renters were particularly affected by COVID-19 due to their younger age profile and more precarious position within the labour market, including higher rates of casual, fixed-term employment and underemployment. Rental providers found difficulty in letting some properties and had to offer rent reductions in order to attract new tenants to keep an income stream to cover costs. There were particular problems with properties that had housed international students or were seen as less attractive due to COVID-19 restrictions, such as large apartment buildings.

In 2022, after the pandemic, rents began to increase substantially, leading to what was often termed a 'rent crisis' in 2023, as migration and mobility returned to pre-COVID levels, placing additional demand pressure on the PRS.

What this research means for policy makers

There is an immediate need for rental stock that is affordable and available for Q1 households. The private market has consistently failed to supply enough stock affordable for Q1 households; therefore, some form of social housing is required.

Policy development options for Q2 households need to focus on improving the availability of affordable PRS housing. This will require a broad range of measures involving current programs, such as increasing rates of CRA, and devising new affordable housing models such as those financed with funds raised through the National Housing Finance and Investment Corporation (NHFIC) and build-to-rent properties where these can be brought to market at rents affordable to Q2 households. Supply of affordable housing near to jobs and for key workers in inner-, middle-suburban and regional locations also needs improvement.

The lack of supply of private rental dwellings (including those occupied by short-stay rentals) in regional areas as well as smaller urban centres must be urgently addressed through targeted investment in affordable rental housing. At a more local level, further regulation to restrict the timing and use of short-stay rentals, as well as promoting the use and redevelopment of purpose-built tourist accommodation that does not reduce residential stock, is required.

To achieve long-term and transformative change, it is important to set clear goals for the PRS as part of the broader housing system for the longer term.

Methodology

This research analysed data from the ABS Census of Population and Housing to examine changes in the supply of, and demand for, affordable and available private rental housing for lower-income households over six, five-yearly Census collections (1996–2021).

To cite the AHURI research, please refer to:

Reynolds, M., Parkinson, S., De Vries, J and Hulse, K. (2024) *Affordable private rental supply and demand: shortterm disruption (2016–2021) and longer-term structural change (1996–2021)*, AHURI Final Report No. 416, Australian Housing and Urban Research Institute Limited, Melbourne.

Available from the AHURI website at ahuri.edu.au/research/final-reports/416