PropTrack

Rental Affordability Report

2024

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Executive Summary

Rental affordability has hit its **worst level in at least 17 years**, when records begin, according to the PropTrack Rental Affordability Index – a new and comprehensive way to measure the share of advertised rentals that households of all incomes can afford to rent.

Rental affordability is toughest in **New South Wales**, **Tasmania** and **Queensland**. In contrast, **Victoria is Australia's most affordable state** for renters. While Victorian rental affordability has worsened significantly in the past few years, it has not deteriorated as sharply as other states. As a result, Victorian rental affordability is still around the levels it was in the mid-2010s.

The deterioration in affordability has been driven by the **significant increase in rents** that we've seen since the pandemic, which wages have not kept pace with.

This report **quantifies the challenging state of rental affordability across the country**, particularly for low-income renters.

Melina Cruickshank
Chief Product and Audience Officer,
REA Group

Surging rents and a lack of affordable housing over recent years have pushed the situation for renters to its worst level in recent history. We are in a crisis that seems unfathomable for a country like Australia.

The new PropTrack Rental Affordability Index highlights the dire state of rental affordability and the challenging conditions that renters currently face across Australia.

Most people will rent at some point in their life, and at any given time the rental market directly affects around half of Australian households. Roughly 30 per cent of households rent and a further 20 per cent own an investment property. There's also a sizeable industry and ecosystem that supports our rental market more broadly.

Currently, limited availability of rentals – and of homes more broadly – is creating real challenges in the rental market. Rental vacancy rates are near record lows in most parts of the country, and rental properties are leasing extremely quickly.

Solving the rental crisis will be challenging, but there are solutions we can pursue today. In the near term, further raising Commonwealth Rent Assistance would help offset the surging cost of rent for low-income households least able to adjust to these costs, and for whom affordability is especially dire.

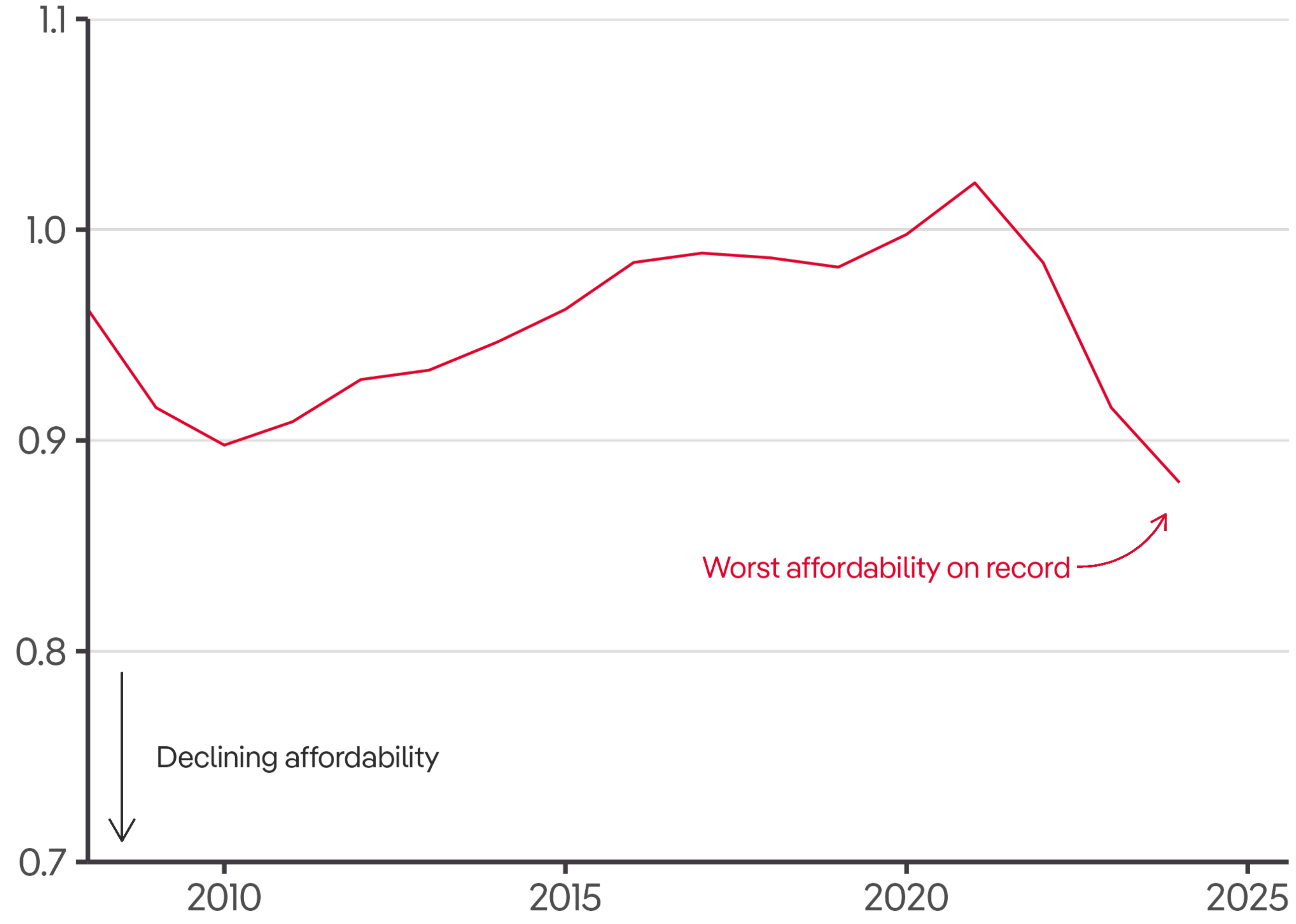
Longer term, improving rental affordability will require improving availability. National Cabinet has agreed to build 1.2 million well-located homes over the next five years. The focus on increasing housing supply is a welcome step forward, but at the current pace of building we are not on track to meet this target and we need to do more.

A healthy, well-functioning property market is crucial for all Australians. Secure and affordable housing should be a national priority, and nowhere is this more important than ensuring low-income and vulnerable households can afford a home to rent. Given the challenging state of affordability, now is the time for all levels of government and industry to act so we can improve housing outcomes for current and future generations.

Contents

PropTrack Rental Affordability Index

Australia



Sources: PropTrack, ABS

Rental affordability has fallen to its worst level on record

Surging rents over the past few years mean renters across Australia are now facing the worst level of rental affordability in at least 17 years.

The PropTrack Rental Affordability Index shows that, over the six months from July to December 2023, households across the income distribution could afford to rent the smallest share of advertised rentals since at least 2008.

That is a substantial change from conditions before and during the pandemic.

After rental affordability hit a low point in 2009-10, owing to slow income growth after the Global Financial Crisis, rental affordability gradually improved as rents increased at a slower pace than incomes. Affordability reached a high point nationally in 2020-21. This followed the initial stages of the pandemic which slowed average rent growth further, and in many parts of the country, such as inner Sydney and Melbourne, rents decreased significantly.

However, that was not the experience in all parts of the country. Many smaller states and regional areas experienced strong rental demand and rent increases from the early stages of the pandemic.

Renters in New South Wales, Tasmania and Queensland face the worst affordability

Households in New South Wales, Tasmania and Queensland face the toughest rental affordability across the country.

While rental affordability in New South Wales has not deteriorated as sharply as in some other states, it is still the least affordable state across Australia to rent in – a position it has held for most of the past 17 years. With median rents of $750 for a house and $680 for a unit in Sydney, it is substantially more expensive to rent than elsewhere in the country.

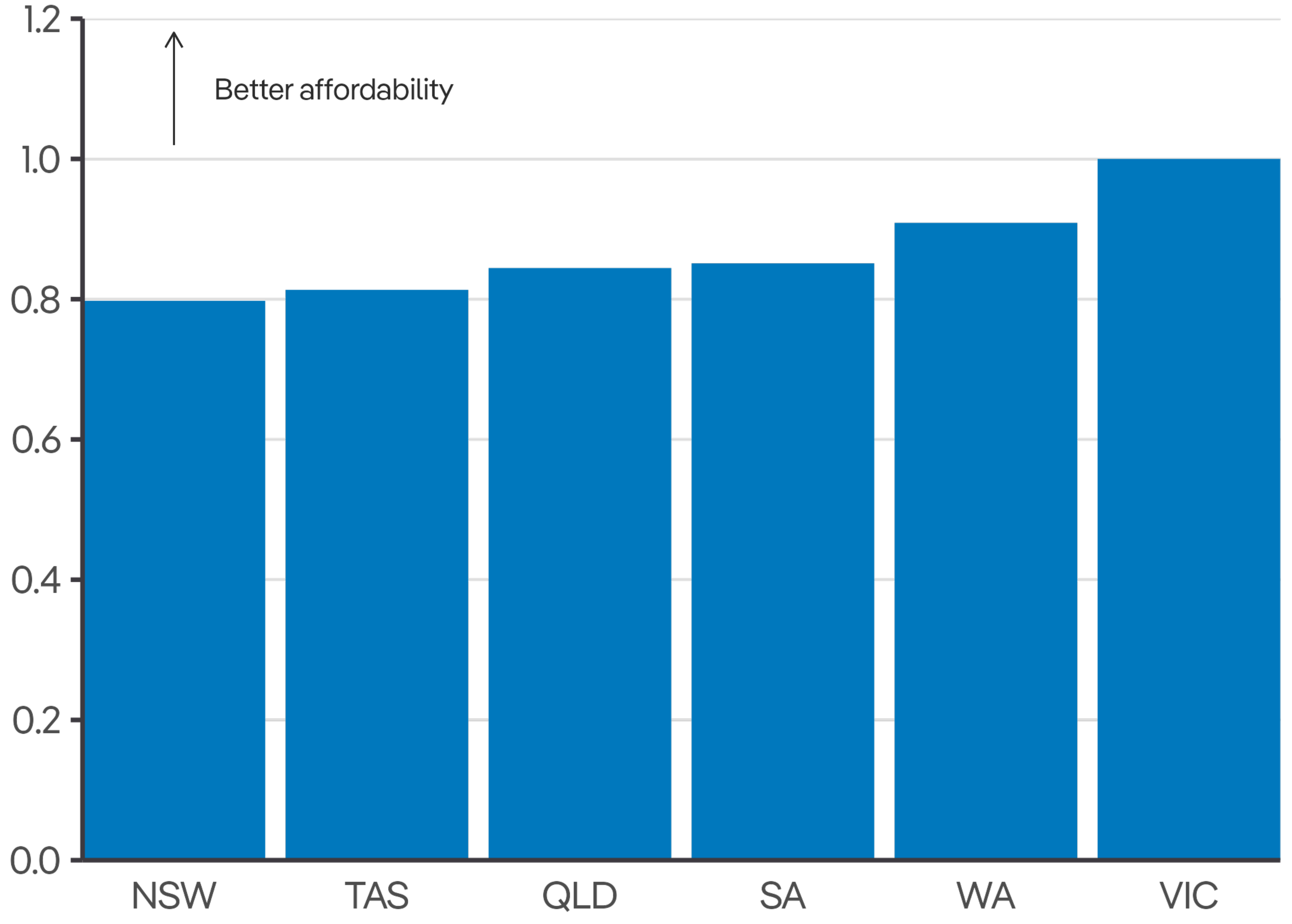
Renters in Tasmania also face extremely strained rental affordability, but in contrast to much of the country, Tasmanian rental affordability improved over the past year. From FY2020-21 to 2022-23, Tasmania eclipsed New South Wales as the least affordable state to rent in – the only time since at least 2008 that any state has been less affordable than New South Wales.

Queensland continues to rank as the third-least affordable state to rent in across Australia, a position it has held since 2017.

Victoria remains the most affordable state to rent in, by some margin. This is a recent development – Victoria was the second-least affordable for renters as recently as 2016-17. This improvement reflects the slower pace of rent growth in Melbourne since the pandemic. Current rents in Victoria are low relative to much of the country, despite households having relatively high incomes. At $550 per week, median advertised rents in Melbourne are $50 lower than Brisbane and Perth.

PropTrack Rental Affordability Index

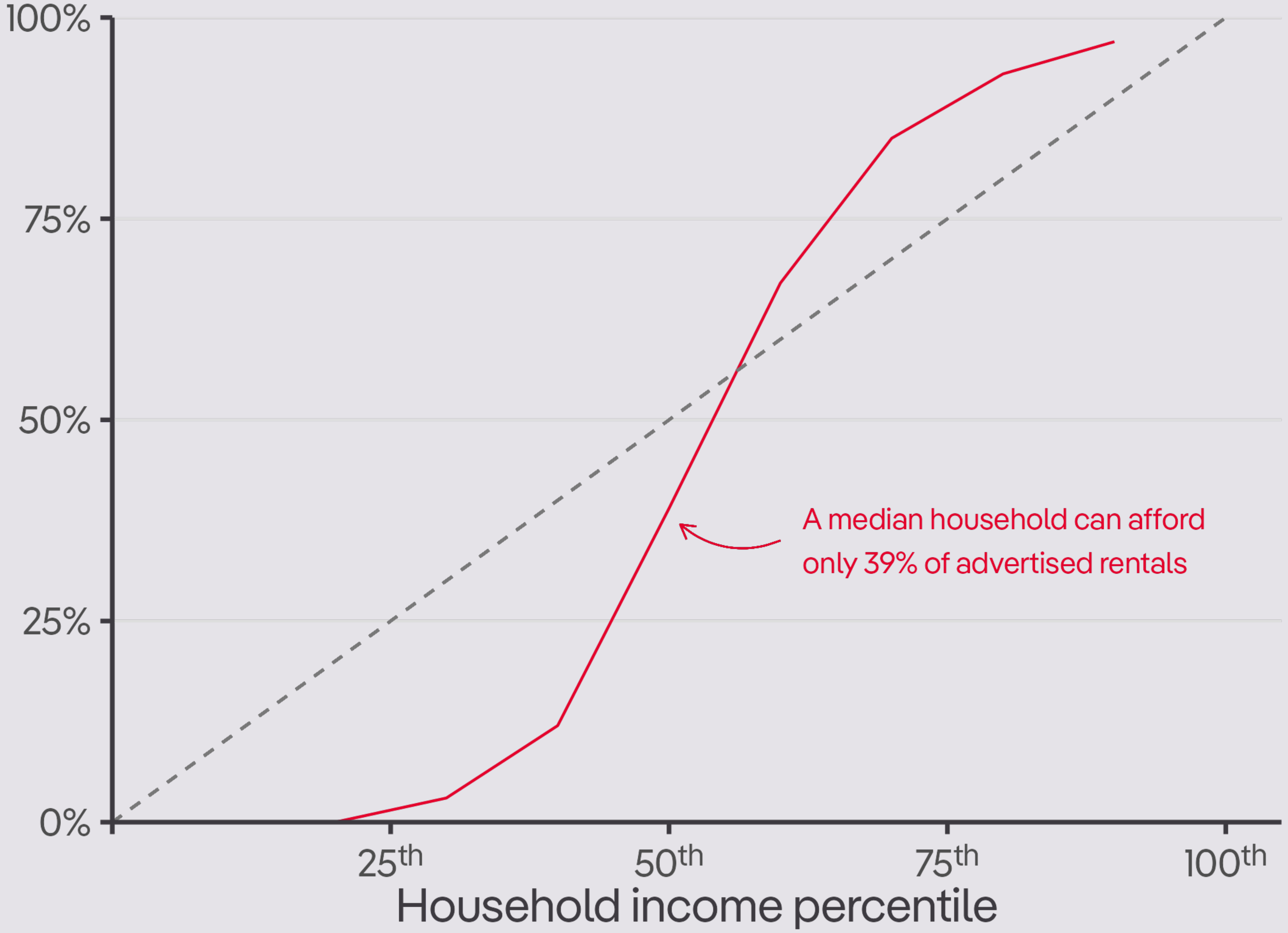
By state, 2023-24



Sources: PropTrack, ABS

Affordable share of rentals

By household income, 2023-24



Sources: PropTrack, ABS

What the PropTrack Rental Affordability Index measures

Methodology summary[1]

- Measures **the share of rentals advertised on realestate.com.au** households across the income distribution can afford
- Based on a household spending 25% of their pre-tax income on rent
- Measures affordability for prospective renters – i.e. those looking for a rental property – not those already renting their home

The PropTrack Rental Affordability Index summarises the ability of households of different incomes to afford to pay rent across Australia.

It is based on the share of rentals advertised as available to rent that households at each decile of the income distribution could afford to rent each year, while spending 25% of their pre-tax household income (or less).

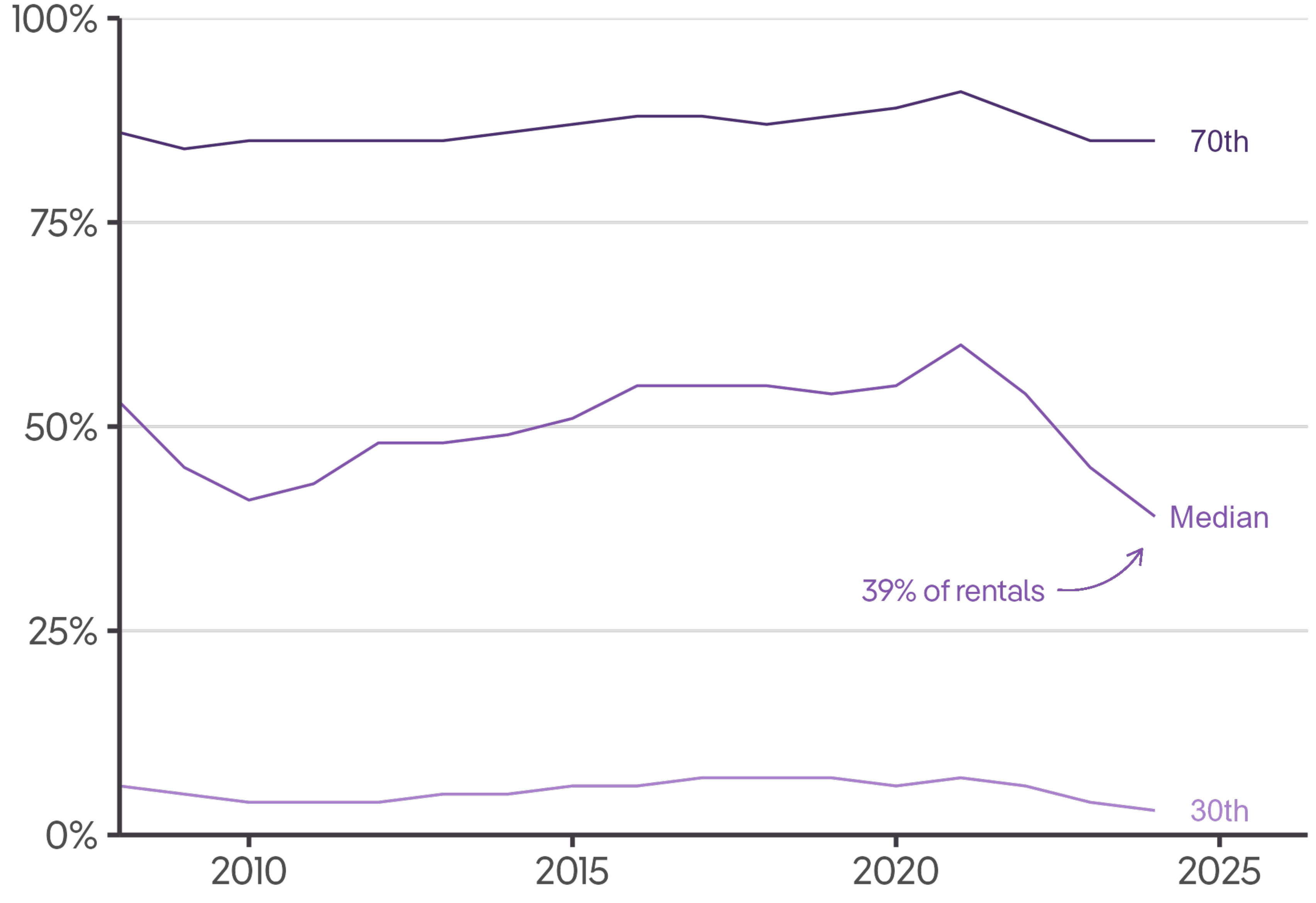
As an example, a 'typical' or median-income household, earning $111,000 a year, could spend up to $532 per week on rent and fall under the 25% threshold. Over 2023-24, just 39% of rentals across Australia were listed for less than this amount.

These affordable shares for each income decile are combined into the Rental Affordability Index measure of affordability. A measure of 1.00 means all households can afford homes in proportion to their income.

1. Full methodological details for all metrics used in the report available on p.18

Rental affordability for households over time

Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

Median-income households have never been able to afford so few rentals

Highlighting the alarming state of rental affordability at present, a household earning the median (or typical) income in Australia of $111,000 can now afford just 39% of rentals advertised over July-December 2023. This is, by a reasonable margin, the lowest share since records began in 2008.

That represents a substantial decline from historically favourable affordability conditions seen before and during the pandemic. Affordability peaked in 2020-21, when a median-income household could afford 60% of advertised rentals – although this was not true across all states.

Even relatively high-income households earning around $170,000 a year — more than 70% of Australians — are facing more challenging rental conditions than they have in some time. These households could afford 85% of advertised rentals in 2023-24 – a substantial fraction, but nonetheless the worst since 2008-09, and down from a high of 91% in 2020-21. Many, though not all, of these higher-income households would be homeowners and so not directly affected by rental affordability.

Rents surging faster than incomes has driven affordability lower

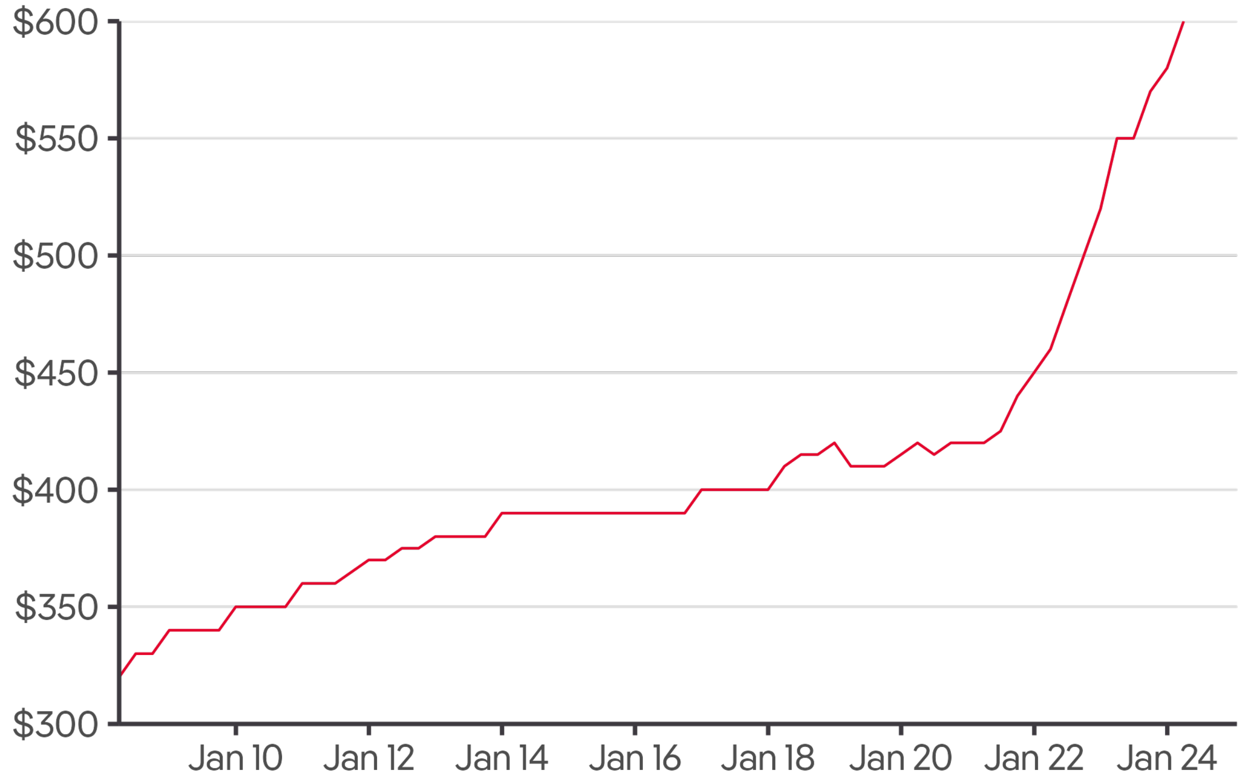
The key reason for deteriorating rental affordability is, unsurprisingly, surging rents.

In calendar year 2023 median advertised rents surged 11.5%, which followed even stronger growth in 2022, when rents grew 15.6%. Relative to before the pandemic, rents nationally are up 38%, which has significantly worsened affordability.

While all parts of the country have seen substantial increases in rent, growth has been particularly strong in Perth where rents have increased $240 since the start of the pandemic, or 67%. Brisbane and regional Queensland have also seen very strong growth: rents have increased by $200, equivalent to 50% and 53% growth, respectively. While Hobart hasn't seen as strong growth as some other cities, and rents have fallen a little in the past year, that is largely because Hobart was already quite expensive prior to the pandemic.

Incomes have not kept up. From 2019-20 to 2023-24, median household income has increased 19%. While that's faster than incomes were growing prior to the pandemic, it is far slower than the surge in rents.

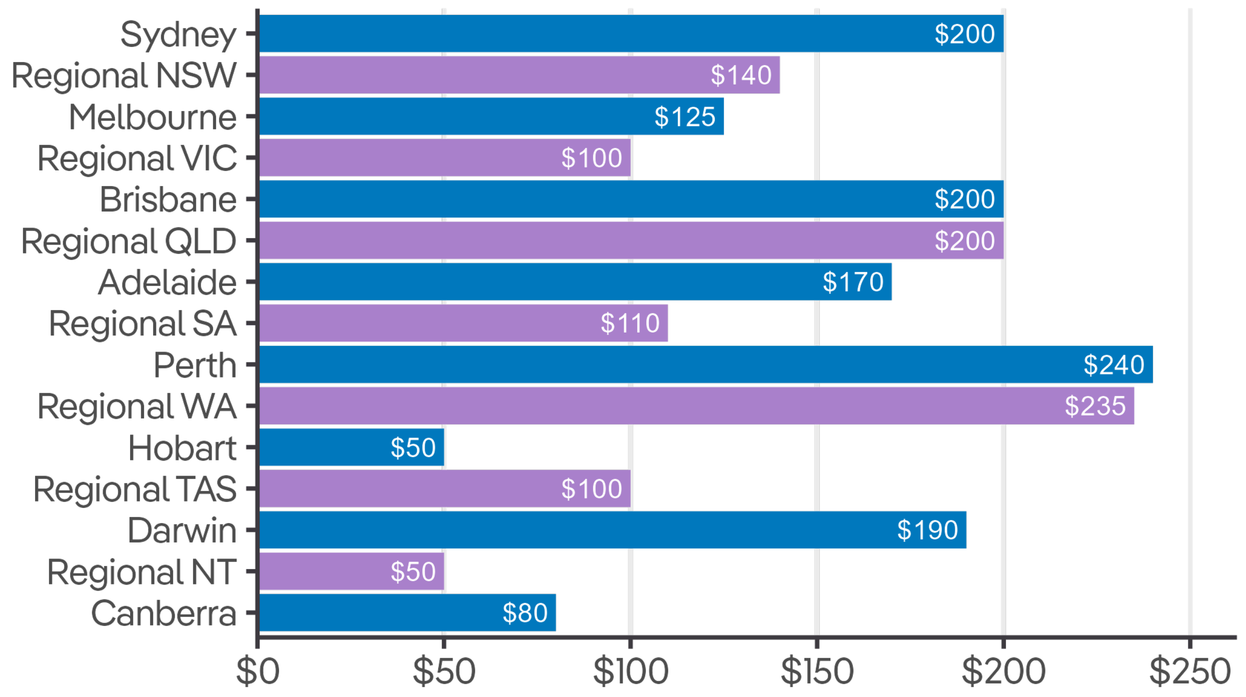
Median advertised rents



Source: PropTrack

Increase in median advertised rents

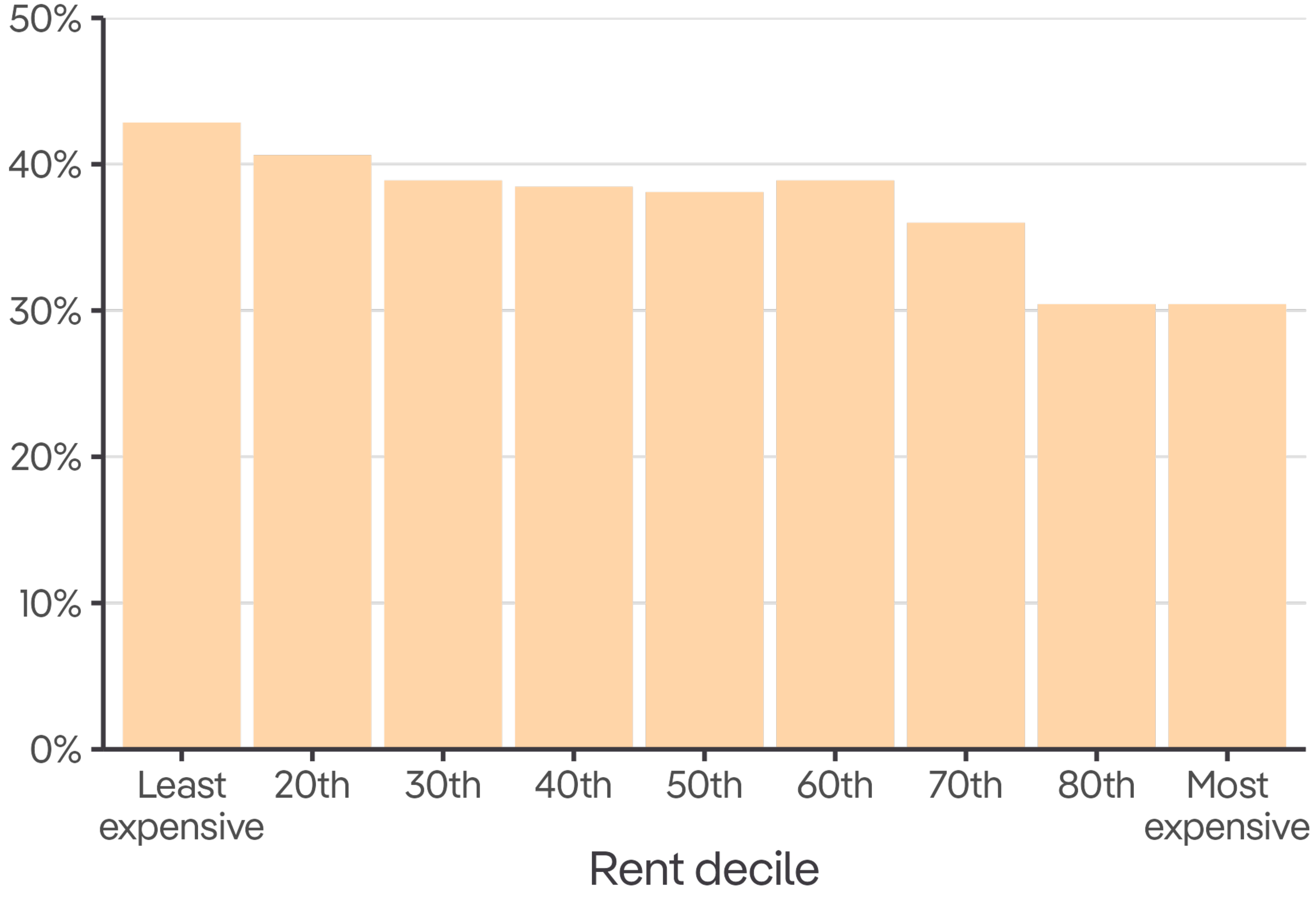
March quarter 2020 to December quarter 2023



Source: PropTrack

Rent growth by rent decile

FY 2018-19 to FY 2023-24



Source: PropTrack
Note: Measures change in advertised rent at the relevant decile

Rents have grown fastest for more affordable properties

Since the onset of the pandemic, the rental market has been most challenging for those searching for more affordable rentals.

Cost-of-living strains have pushed more renters to search for affordable rentals, those in the bottom 20% of the distribution (less than $450 per week). This has increased demand and resulted in stronger rent growth for these homes than for other rental properties.

Rental properties at the most affordable end of the market – at the 10th percentile – increased 41% more than those at the 90th percentile, up 43% since 2018-19, compared with 30% for more expensive rentals. That means that a 10th percentile rental has gone from costing $280 per week in 2018-19, to $400 today.

To some extent, this shows the pressures on rental markets in smaller capitals and regional markets, where rents are traditionally lower. These markets have seen rapid rent growth since the onset of the pandemic as lifestyles changed and many took advantage of remote work arrangements to move out of more expensive cities.

Low-income households are locked out of the rental market without support

At the lower end of the income distribution, renting is extremely challenging. For a household at the 20th percentile of income – equivalent to $49,000 per year – essentially no rentals advertised in 2023-24 would have been affordable (using 25% of pre-tax income as the definition). Even for a household at the 30th income percentile – earning $67,000 per year – just 3% of rentals advertised in 2023-24 were affordable. To be able to afford even one-in-five advertised rentals, this household would need to spend 35% of their income on rent.

More than half of these households in the lowest income quintile are older retiree households that own their home and are therefore not impacted by deteriorating rental affordability.[1] However, the remainder – including the more than half of whom rent from private landlords – will be feeling the strain of rental affordability acutely following sharp rent rises.

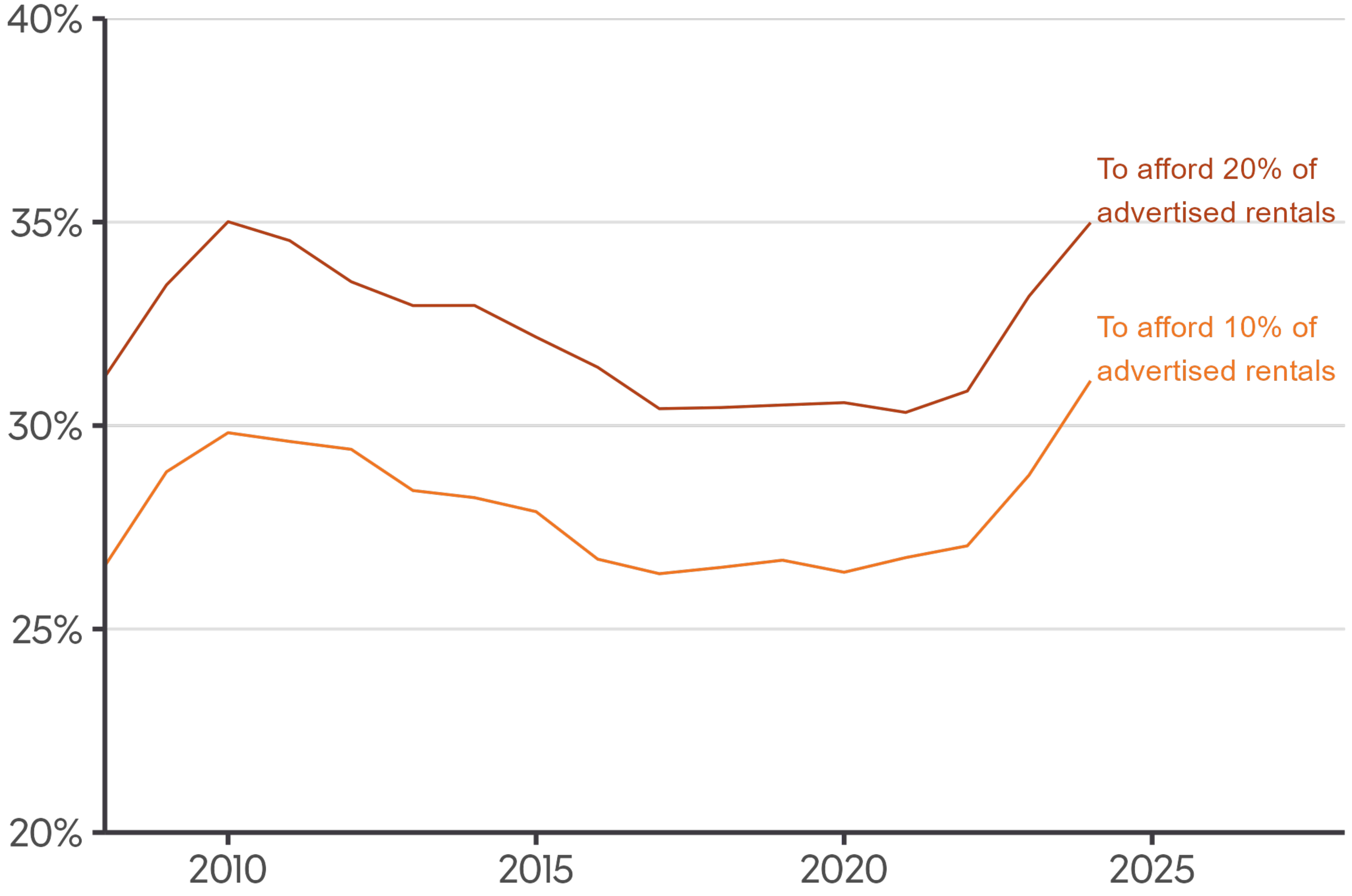
This highlights the importance of rental support for low-income renters, such as Commonwealth Rent Assistance or community housing. Without support, renting would be impossible for many of these households given their incomes.[2]

Reflecting this, 15% of households in this lowest income quintile live in housing provided by state housing authorities or community housing providers. This is three times more likely than the population as a whole.

1) ABS Household Income and Wealth, Table 6.3; 49% of lowest-income-quintile households own their home outright, much higher than the share overall, and a further 11.3% own their home with a mortgage.
2) Commonwealth Rent Assistance is included as incomes used in the analysis throughout this report.

Share of income needed to cover rent for low-income households

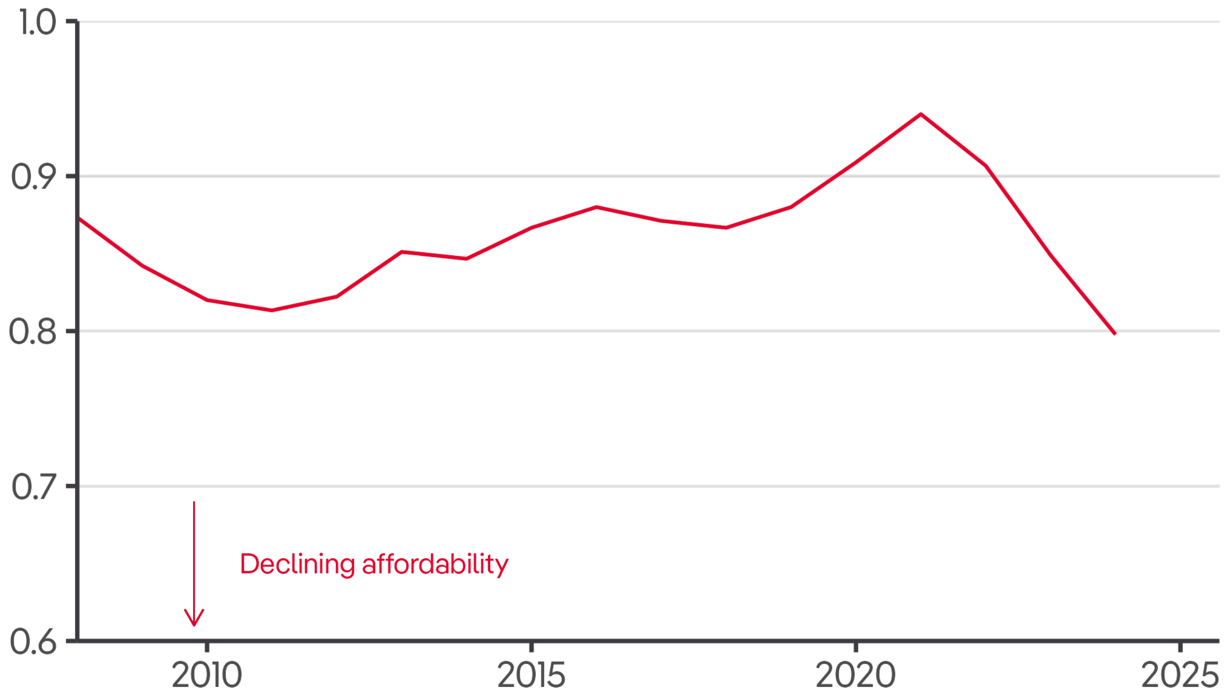
Households at 30th income percentile



Source: PropTrack, ABS

PropTrack Rental Affordability Index

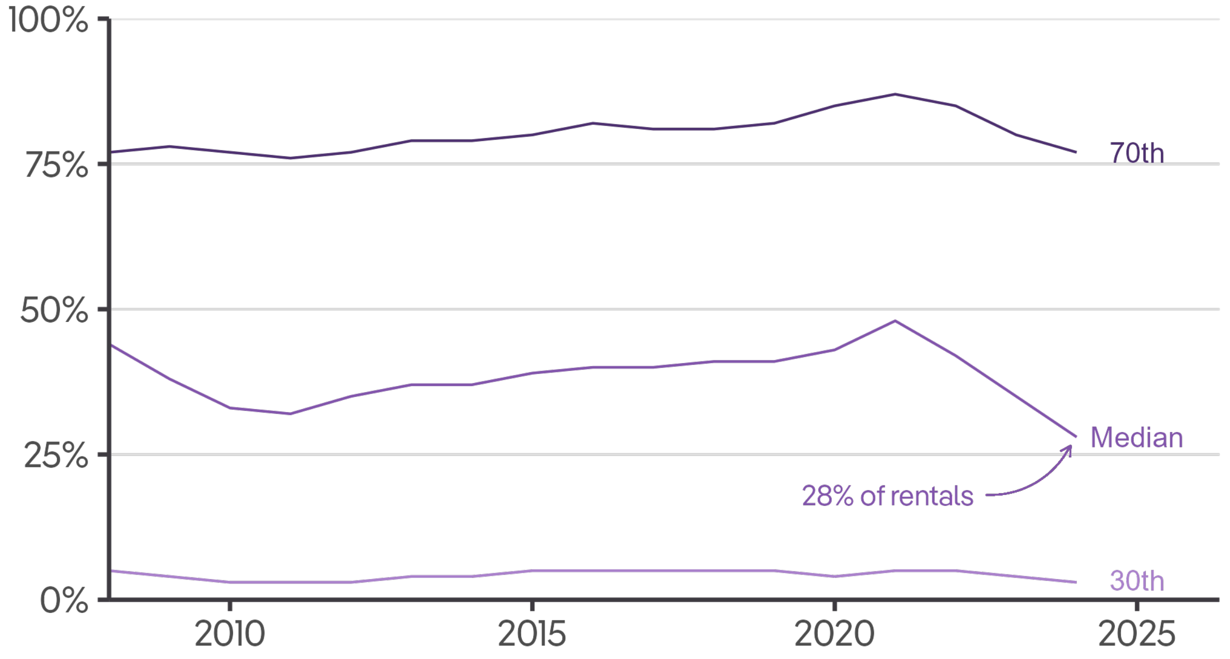
New South Wales



Sources: PropTrack, ABS

New South Wales affordability over time

Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

Renters in New South Wales face the worst affordability of any state

New South Wales is the least affordable state for renters.

Rental affordability has deteriorated significantly in New South Wales over the past three years and is now sitting at its lowest-ever level – below its previous post-Global-Financial-Crisis low.

New South Wales has been the least affordable state to rent in almost every year since our records begin in 2008 – except 2019-20 to 2022-2023, when falling rents in Sydney in 2020 and extremely tight rental markets in Hobart saw Tasmania eclipse New South Wales as the least affordable state.

The challenging level of affordability in New South Wales is, in very large part, driven by Sydney, which is by far the most expensive rental market in Australia. With a median rent of $700 per week as at December 2023, Sydney is $100 more expensive than the capital city median.

Renting in New South Wales has always been challenging for low-to-middle income households – far more so than other states. At no time in the past 17 years has a household earning median income been able to afford even half of advertised rentals.

The situation for these households is far worse today. A median income household in New South Wales could afford to rent just 28% of rentals advertised on realestate.com.au in 2023-24.

Affordability in Victoria has deteriorated sharply, but remains around its level in the mid-2010s

Victoria is the most affordable state to rent in. Compared to other states, current rents in Victoria are low compared to incomes. At $550 per week, median advertised rents in Melbourne are $50 lower than Brisbane and Perth, and $150 lower than in Sydney.

These relatively more favourable conditions in Victoria are a recent development. As recently as in 2016-17, Victoria was the second-least affordable state for renters.

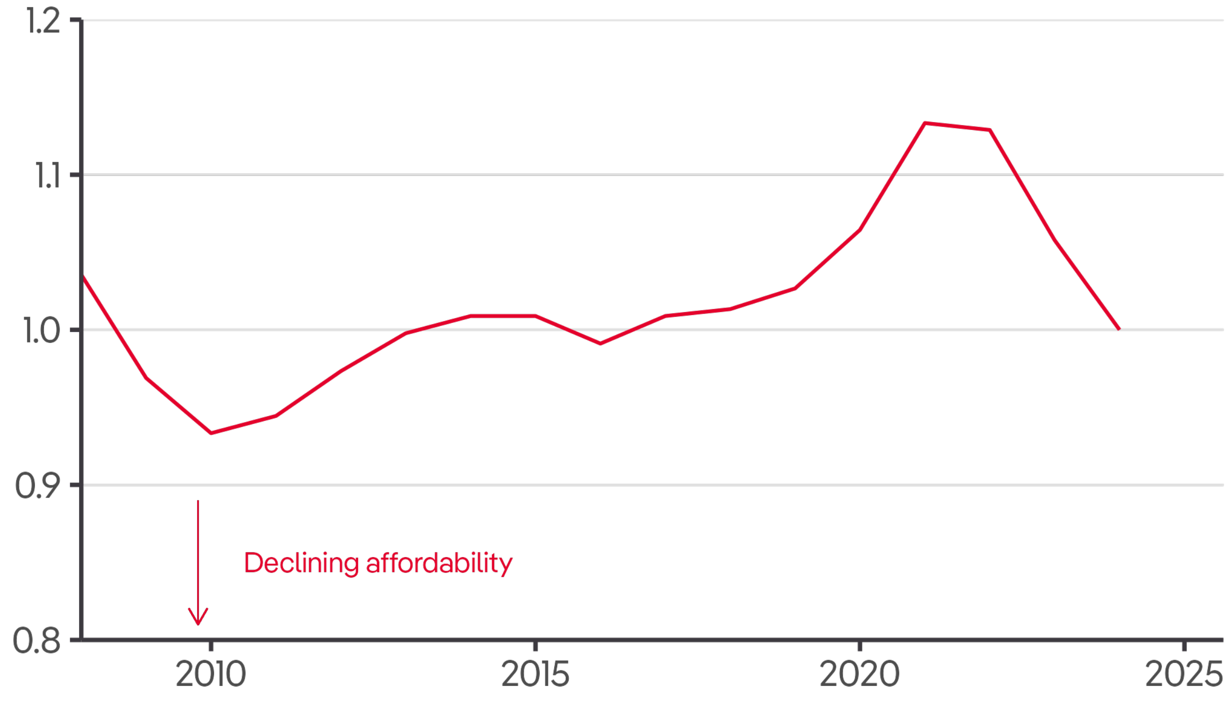
However, Victorian housing affordability has worsened markedly over the past 12-18 months, following rapid increases in rents. Advertised rents increased 18.3% in Melbourne and 4.8% in regional Victoria over the year to December 2023. This means Victorian households across the income distribution can now afford to rent the smallest share of homes since 2015-16.

A household with median income can afford to rent just more than half of all rentals advertised over the past year.

That remains high, compared with much of the country. However, this follows a period of favourable affordability across Victoria from 2019-20 to 2021-22 when rent growth was modest relative to incomes and a household with median income could afford to rent three-quarters of homes advertised.

PropTrack Rental Affordability Index

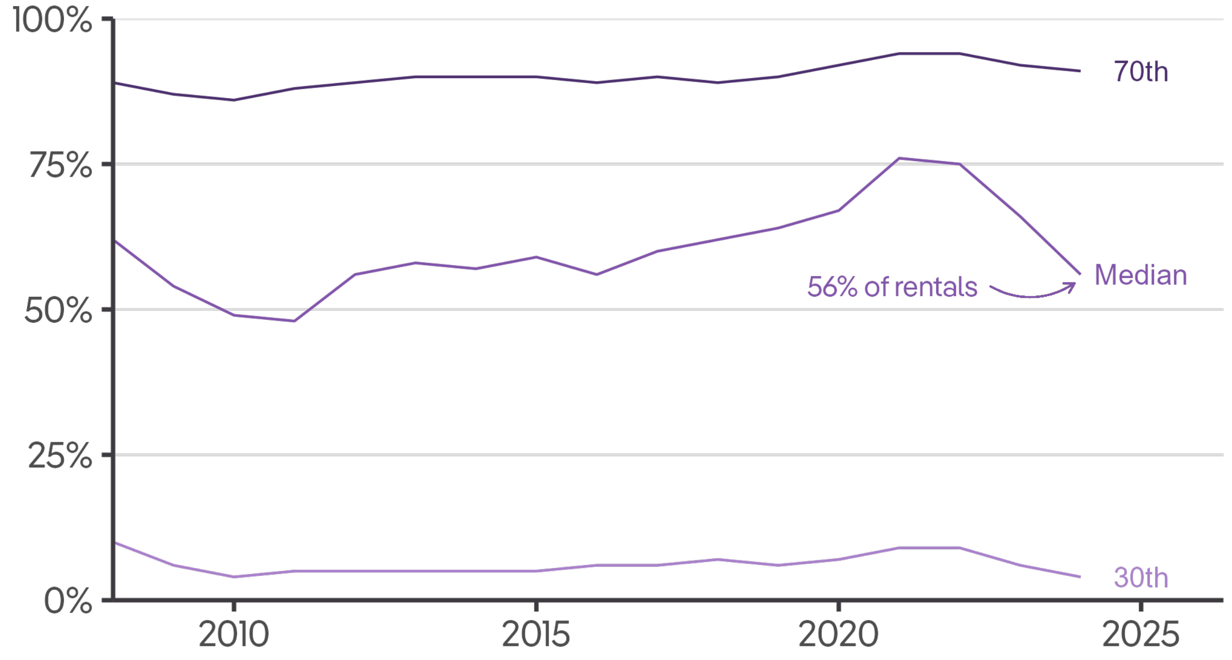
Victoria



Sources: PropTrack, ABS

Victoria affordability over time

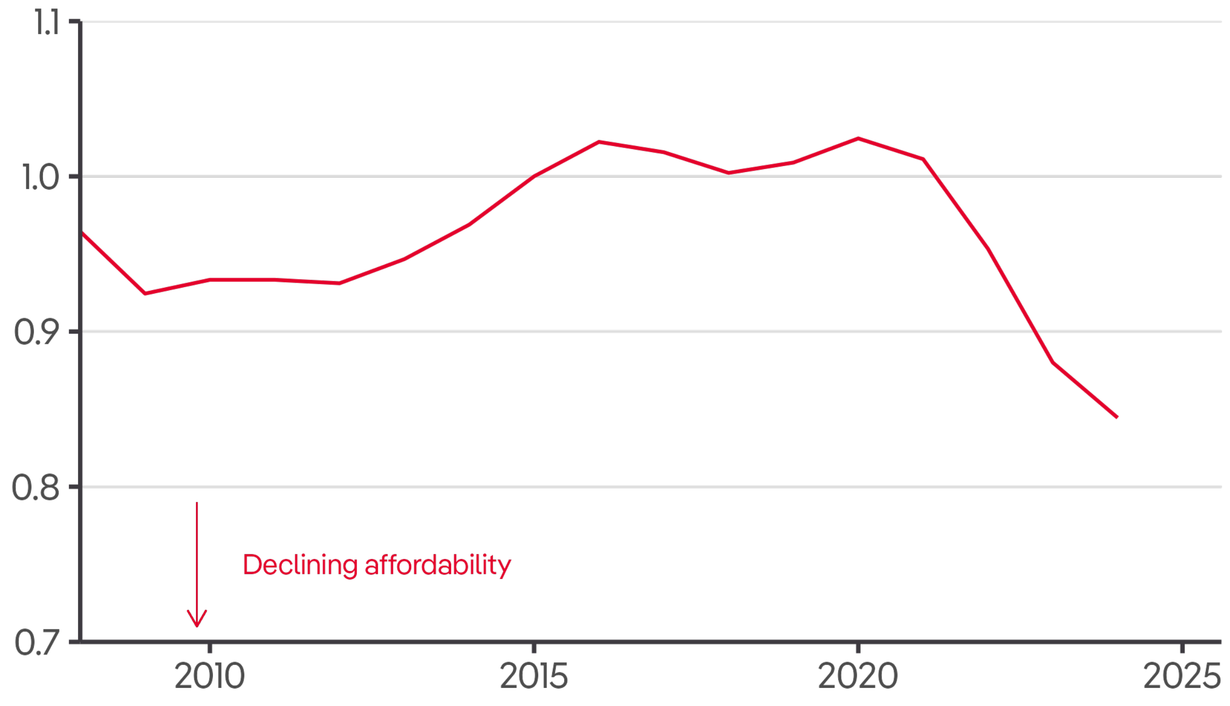
Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

PropTrack Rental Affordability Index

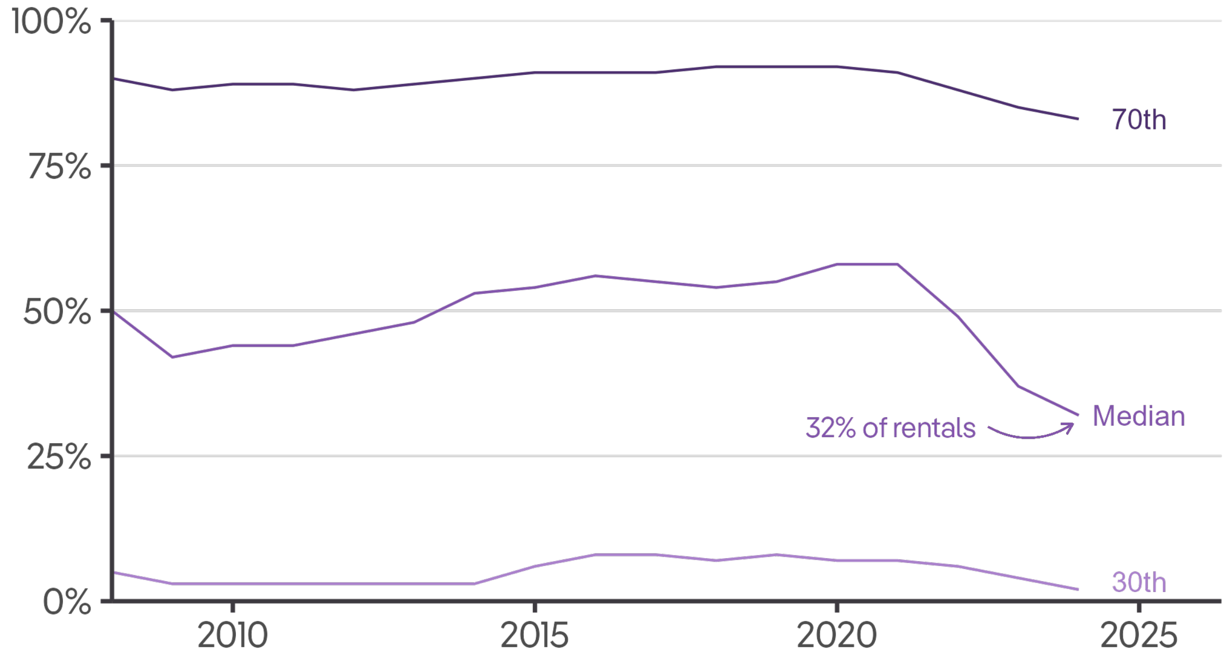
Queensland



Sources: PropTrack, ABS

Queensland affordability over time

Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

Rental affordability has become even more challenging in Queensland

Rental affordability across Queensland has become much tougher since 2021 and is sitting at its lowest level on record, significantly worse than conditions in the early 2010s.

Put another way, households across the income distribution can afford the smallest share of rentals in at least 17 years, when records begin.

This sharp deterioration in rental affordability follows a period of reasonably favourable affordability over the six years from 2014-15 to 2020-21. Over that period, median advertised rents increased at a rate of 2.1% per year – marginally slower than growth in typical household incomes.

But since December 2020, median advertised rents in both Brisbane and regional Queensland have surged 45%, far outstripping growth in incomes. Even over the past year – when rents grew at their slowest pace since 2020 – rents still increased 9.1% in Brisbane and 11.5% in other parts of Queensland.

That has pushed affordability to its lowest level on record. A household in Queensland earning median household income of $107,000 per year could afford to rent just 32% of properties advertised across Queensland.

South Australian rental affordability has deteriorated to its lowest level on record

Rental affordability in South Australia is currently at its lowest level in at least 17 years. However, South Australia remains the third most affordable state to rent in, after Victoria and Western Australia.

Current rents in Adelaide, at $540 per week, are lower than any capital city except Hobart.

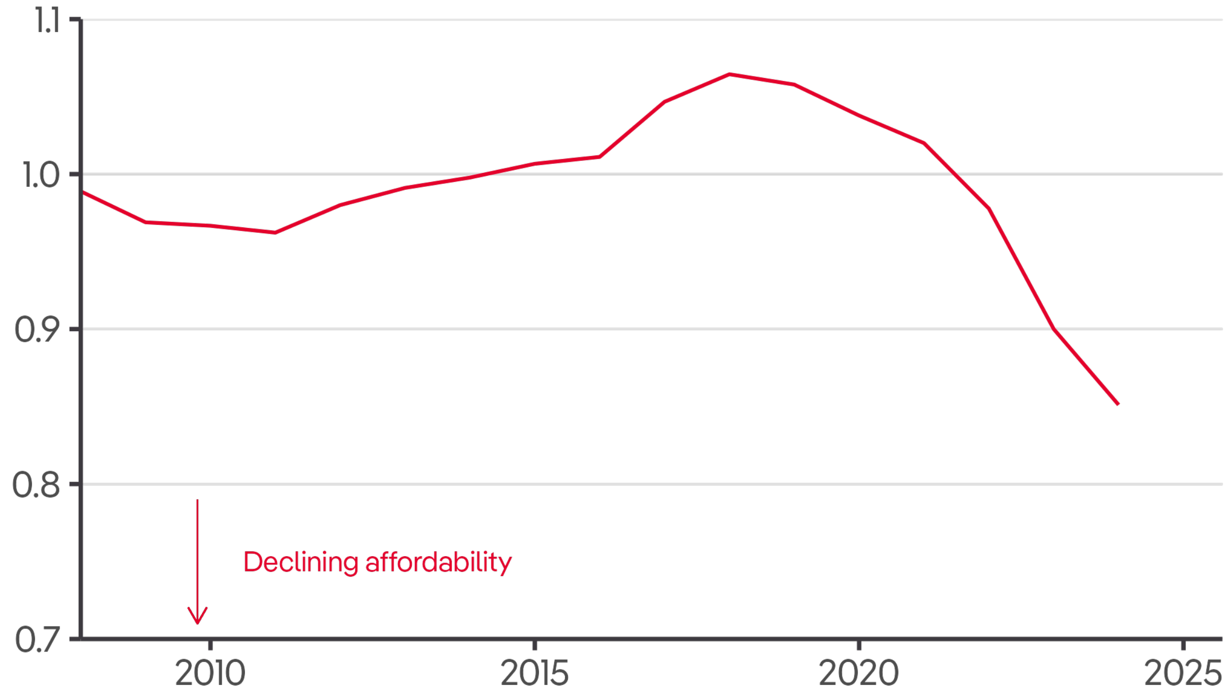
However, rental affordability in South Australia has deteriorated rapidly since the pandemic. Advertised rents increased 12.5% in Adelaide and 5.7% in regional South Australia over the year to December 2023. Across South Australia, advertised rents are now up 49% since the onset of the pandemic in March 2020.

Prior to the pandemic, South Australia enjoyed a period of more favourable rental affordability. From 2014-15 to 2020-21, households could afford to rent properties roughly in proportion to their incomes.

Currently, a household with median income can afford to rent just over a quarter of all rentals advertised over the past year.

PropTrack Rental Affordability Index

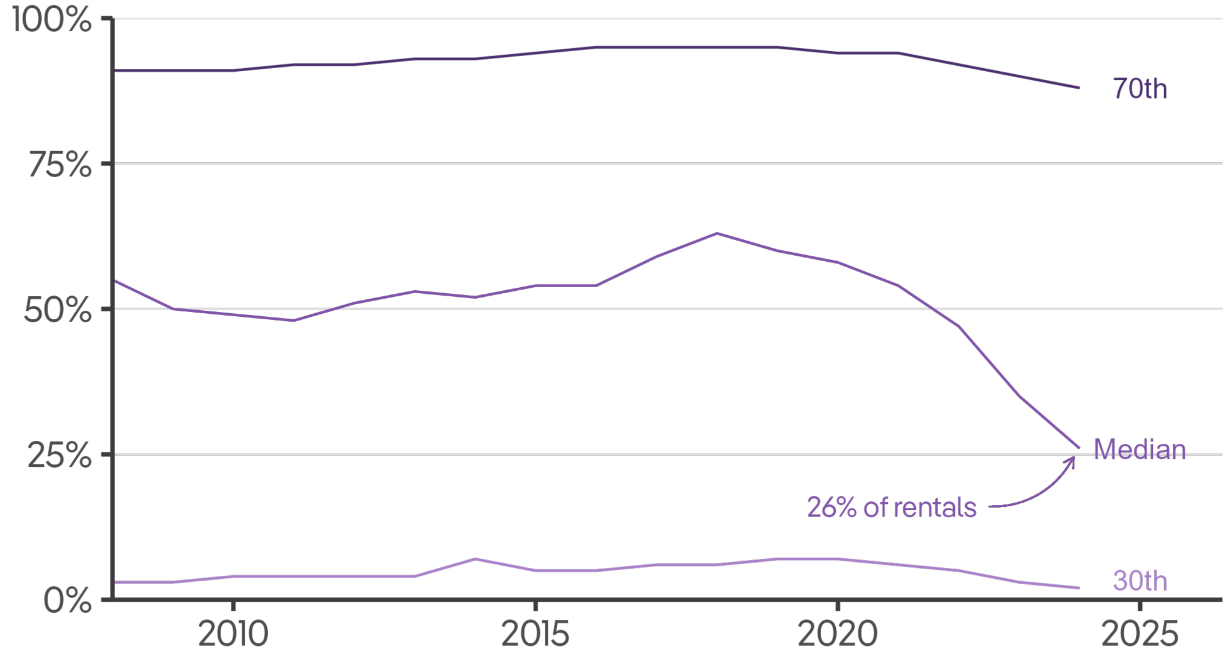
South Australia



Sources: PropTrack, ABS

South Australia affordability over time

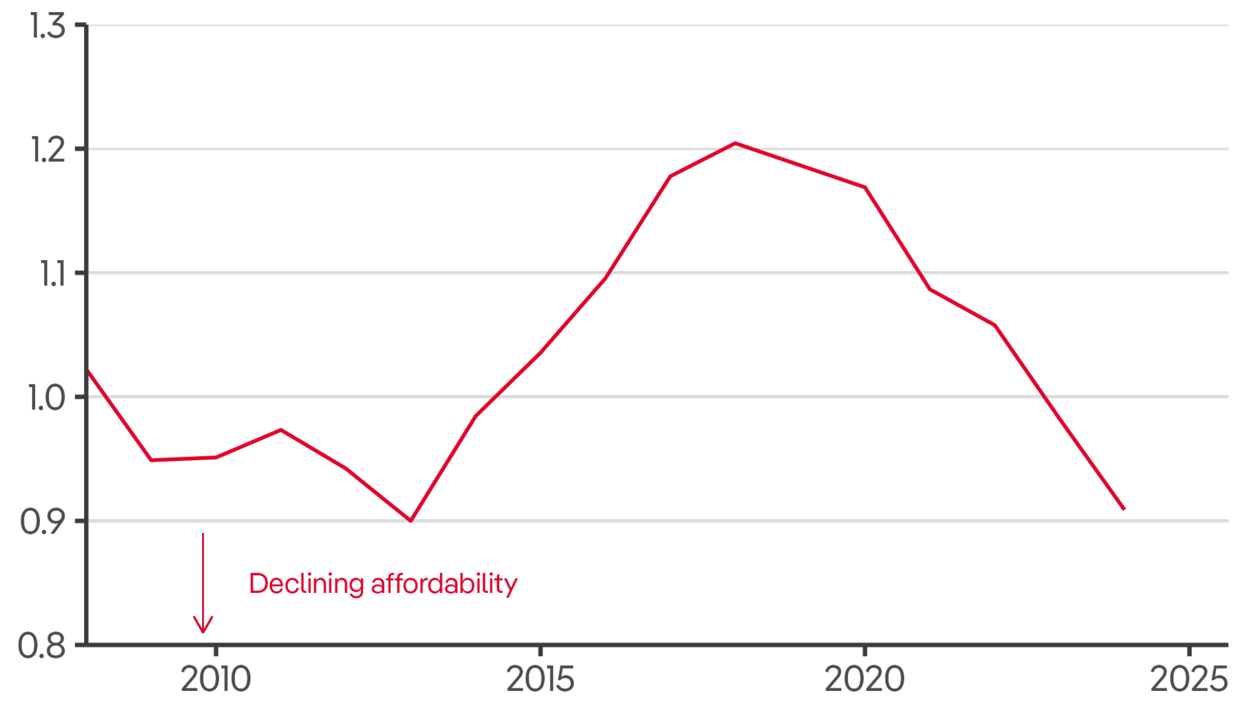
Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

PropTrack Rental Affordability Index

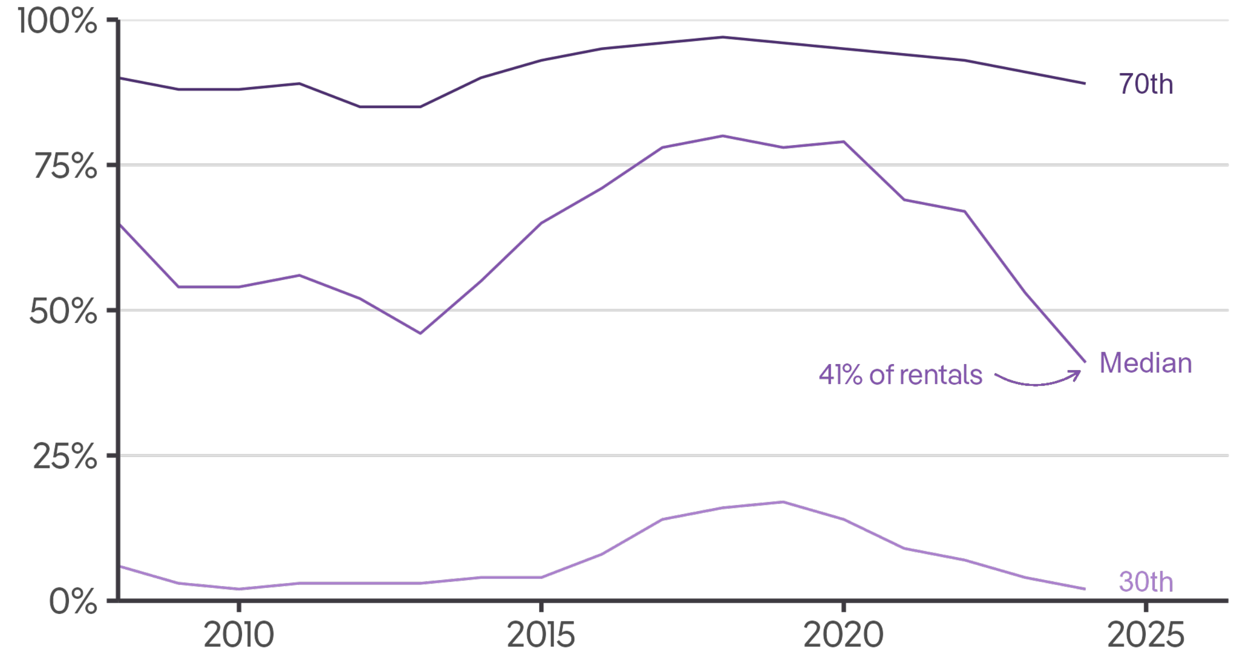
Western Australia



Sources: PropTrack, ABS

Western Australia affordability over time

Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

Affordability has declined sharply in Western Australia, but remains a little better than in 2012-13

Compared with the rest of the country, Western Australia remains relatively affordable for renters, behind only Victoria. But rental affordability has deteriorated rapidly since the pandemic, as has been the case across the country.

Western Australia's strong mining-driven economic boom in the late 2000s and early 2010s saw it become the second-least affordable state for renters by 2012-13. In the years that followed, affordability for renters improved substantially: rents declined from 2014-15 to 2016-17 and were then stable for a further two years. That decline, plus Western Australia's relatively high incomes, meant it became Australia's most affordable state to rent in from 2015-16 through to 2019-20. It recorded the most favourable affordability on record in 2017-18.

Since then, rents have surged in Western Australia, growing at double-digit rates every year since the pandemic began. That growth means that median advertised rents in Western Australia were a staggering 67% higher in December 2023 than they were in March 2020.

That rapid growth in rents has made affordability far more challenging. Though, unlike most other states, it is not the worst affordability in Western Australia's history: 2012-13, following the peak of the mining investment boom, remains Western Australia's worst-ever period for renters.

Rental affordability in Tasmania is extremely challenging, but has improved compared to a year ago

Unlike all other states, rental affordability in Tasmania improved very slightly in 2023-24. Median advertised rents in Hobart have fallen compared to a year ago, and rents in regional Tasmania have been flat. Cheaper rents, and growing incomes, have helped to improve affordability a little.

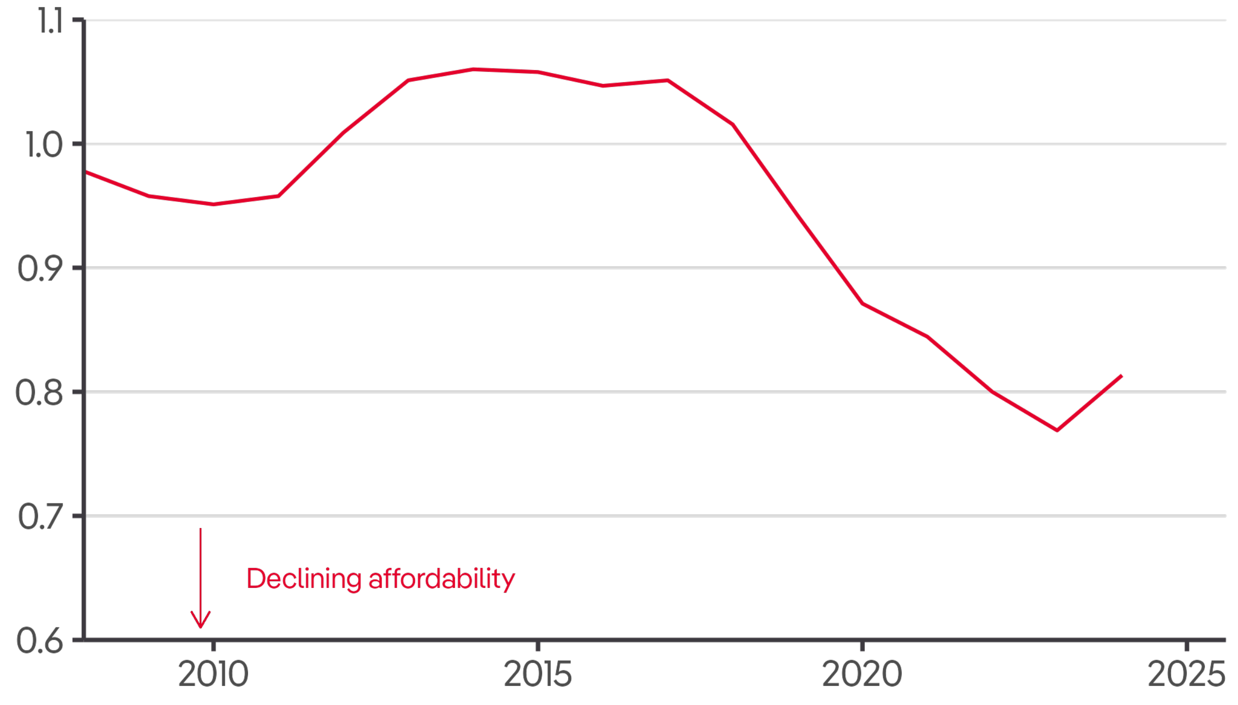
Nonetheless, affordability remains extremely challenging. Tasmania is the second-least-affordable state for renters, only just behind New South Wales.

Surging rents in Tasmania throughout the pandemic, and in the three years prior, meant Tasmania was the least affordable state for renters from 2019-20 to 2022-23 – the only time any state has been less affordable than New South Wales. That is a substantial change from the early 2010s, when Tasmania was among the most affordable states for renters.

Reflecting the dire state of rental affordability in Tasmania, a household earning median income for Tasmania – equivalent to approximately $79,000 per year – could afford to rent just 20% of advertised rentals, which is the lowest share of any state.

PropTrack Rental Affordability Index

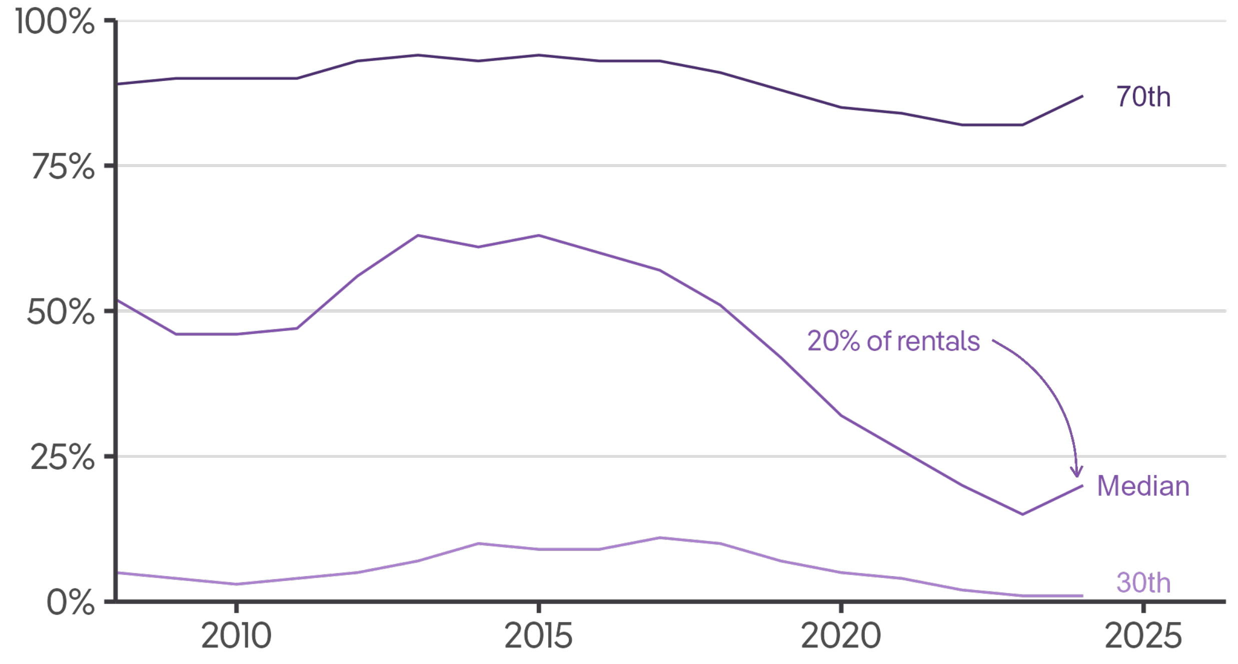
Tasmania



Sources: PropTrack, ABS

Tasmania affordability over time

Affordable share of rentals, by household income



Sources: PropTrack, ABS
Note: Spending 25% of gross household income on rent

Methodology

PropTrack Rental Affordability Index

The PropTrack Rental Affordability Index summarises the share of advertised rental properties that households across the income distribution could afford to rent. It represents a measure of affordability for a household *looking* for a rental, not affordability for existing renters.

- **Share of rentals that are affordable**: the share of advertised rentals, listed on realestate.com.au, across each financial year that fall below the price at which the household would be spending 25% of their gross income on rents. For financial year 2023-24, we use all listed rentals over the first half (i.e. 1 July 2023 to 31 December 2023).

- **Household income**: gross household income at the top of each income decile, published by the Australian Bureau of Statistics (ABS) in its *Household Income and Wealth, Australia* release, collected as part of the *Survey of Income and Housing*. Incomes are linearly interpolated between survey years and extrapolated using changes in gross household income from the annual ABS Australian National Accounts and the ABS Wage Price Index.

To calculate the PropTrack Rental Affordability index, we take the share of listed rentals in each financial year that are affordable for each household income decile. The shares at each decile are then aggregated into the summary index measure for each financial year using the formula: $index = 1 - \frac{\sum(X_i - Y_i)}{\sum X_i}$ where X_i is the income decile (e.g. 10) and Y_i is the share of home sales that are affordable for that income decile.

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