



Australian Rental Cost Trends

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Abstract

This paper considers rent cost trends in Australia over the last 40 years by comparing the growth in rents and incomes for Australian households. The paper combines income and housing survey results from the Australian Bureau of Statistics (ABS) with modelled estimates for the years beyond 2020 using microsimulation methods. While it is true that in the last 3 years rents have grown a little more strongly than incomes over the medium and longer term rent costs have largely kept pace with incomes. The paper compares and contrasts the frequently used advertised rents with actual rents from the ABS Consumer Price Index Series finding that advertised rents generally increase more sharply than CPI rents but at least for now and the very near term it would appear that the large step up in growth in advertised rents is not fully filtering through to all rents. The paper also estimates financial stress estimates using the HILDA survey and finds that renters experienced higher rates of stress 20 years ago relative to today, however there has been some small Increase in the latest wave in 2023. Housing stress is estimated to be a more substantial Issue in the outer suburbs of capital cities and regional areas of Australia than inner city areas.

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1. Introduction

Australia is said to be in a <u>rental crisis</u> but how well does this claim stack up compared to the best available data? Much of the data used in media stories relates to what are called 'advertised' rents or 'rental bonds' data or are more anecdotal. Official statistics (such as those produced by the Australian Bureau of Statistics) tell a less exciting story about rents.

Advertised rents don't represent the full story for renters across Australia as they are only a small, and more importantly, unrepresentative sample of the rental market – typically covering a small period of time such as a month or a quarter and relate only to properties advertised online. The advertised price is also not necessarily the final rent paid, rather it is the rent that the investor hopes to receive for the property.

The vast majority of rental properties are currently tenanted and remain on pre-existing rental agreements and are not included in 'advertised' rental data. There is arguably better data in 'bonds' data which relates to agreed rental prices contained in new rental agreements lodged with rental bond state authorities but again, the data usually only relates to a small flow of new agreements rather than the whole stock of rentals.

The confusion is one of *stocks* and *flows*. Economists often make this distinction using a bath tub analogy. A small *flow* of hot water (new rent data) makes little difference to a much colder and larger *stock* of water in the bath (all rents in the market).

This research paper focuses on broad trends in rental costs, renter incomes and renter financial stress in considering the general trend in rental costs for Australian renters.

2. Rent and Income Data for Australia

The most comprehensive database on rents paid in Australia is housed at the Australian Bureau of Statistics (ABS). As a component of their Consumer Price Index (CPI) series the ABS measures price change for renters. The CPI contains around <u>600,000</u> rental properties or nearly one in three rental properties and is updated on a monthly basis and should be a good representation of the total rental stock in Australia. The ABS data is published only for capital cities in the ABS' Consumer Price Index so not all the 600,000 sample is used in the published CPI publication. The ABS sample includes both private and public rentals and nets out Commonwealth Rent Assistance.

Advertised or bonds based data may be a good indicator of the future direction of the *growth* of ABS CPI rents but they are not representative of the total rental market price *level* or *growth*. The latest median *asking rent* for Sydney in March 2025 (averaging houses and units) is around \$750 per week. The all rents median for Sydney based on ABS <u>Census</u> and <u>CPI</u> data for March 2025 is around \$580pw. The advertised rent value is 29.3 per cent higher than the all rentals value estimate. The all rental value includes the roughly 10 per cent of rental properties belonging to the public and social housing stock in Australia.

The ABS CPI rent data also includes an element of quality adjustment. Over time the rental stock is usually expected to slowly improve. It's certainly the case that dwelling sizes (across all tenures) in Australia have increased substantially. A report based on ABS building approvals data suggests that since 1985 new detached home approval average area size increased from around 160 square meters to around 236 square meters (<u>ComSec 2020</u>). Other factors that could be considered quality change could be the quality of appliances within the dwelling, number of bedrooms, land area, type of dwelling (unit or house), building construction materials and location. Not all of these elements have necessarily led to quality *improvements* through time.

Figure 1 shows that advertised rent (Corelogic Rent Index) growth is typically higher than that estimated by the ABS CPI rent series. That difference has been particularly pronounced in recent years since COVID started in 2020.



Figure 1 ABS Rent CPI vs Corelogic Advertised Rents (Annual Growth %)

Source: ABS CPI, Corelogic

Figure 2 shows the cumulative growth difference between the ABS CPI rent growth series and the CoreLogic advertised rent series.





The Corelogic estimate over the past 20 years has grown much more substantially than that of the CPI series, by around 45 per cent. However, the Corelogic figure is much more closely aligned to that of the ABS Census in terms of growth. The Corelogic estimate is substantially higher than that of the ABS Census median series. Figure 3 shows the ratio of the Corelogic median rent series compared to the ABS Census median rent¹.

Source: ABS CPI, Corelogic

¹ Quarterly values for the ABS Census have been Interpolated based on actual median census figures for 2001, 2006, 2011, 2016 and 2021. Value beyond 2021 are based on ABS CPI rent movements.





Source: ABS Census 2001-2021, ABS CPI, Corelogic

The Corelogic series is typically around 25 per cent higher than the Australia-wide Census estimate of median rents. Until recently (2022) the difference was quite minor at around 15 per cent but the large increase in advertised rents is yet to fully translate to 'all' rents as estimated by the hybrid Census and ABS CPI estimate used in Figure 3.

The Corelogic median based on advertised rents is generally considered a useful leading indicator for all rents as estimated here by the ABS CPI rent series. Figure 4 shows the correlation between annual growth rates for the two series. The largest correlation is at -3 indicating that the strongest correlation between the Corelogic series and the ABS all rents series is a lag of 3 quarters. This means that from a simple correlation sense the Corelogic series leads the ABS series by about 3 quarters (9 months). Beyond 3 quarters that correlation diminishes.





Figure 4 indicates that the Corelogic series is a strong leading indicator of future movements in the ABS CPI rent series. Given that both series' growth rates are declining (18 months for Corelogic and 12 months for ABS CPI rents) it would be expected that the ABS all rents CPI would continue to decline at least over the shorter term. A simple Vector Autogression (VAR) model using both the Corelogic and ABS CPI series to forecast the ABS CPI series suggests that over the next 12 months the current growth rate of 5.5 per cent would decline to around 3 per cent (annual growth) by the March quarter in 2026².

Source: ABS CPI, Corelogic, ANU Calculations

² A caveat around such VAR models Is that such models can be simplistic and in this case rely only on the joint relationship between two variables. Many other factors explain rents such as population growth, dwelling supply and household Income growth. The ABS rent CPI has also been Impacted in recent years by an Increase in rent assistance which such a simple model will not fully account for. The main point here is to demonstrate with both Corelogic and ABS rent growth rates declining and the given the established relationship between the two series the most likely outcome is that the ABS all rent series growth rate will continue to decline in the short term.

3. Rental Affordability

Rental Affordability in Australia is a topic of great debate in Australia. However, there is surprisingly little detailed data available using official statistics to see what is actually going on in Australian households. We know that the ABS CPI data suggests some recent increase in rent inflation as an average across the capital cities. That does not tell us all that much about the distribution of impacts across different household types. For example, we don't know much about how rent increases compare to income growth and we certainly don't know how rent increases compare for specific household types by income level or family type compared to changes in income.

The ABS Survey of Income and Housing has the most reliable and representative data in Australia on housing costs and income. Unfortunately, the latest survey is the 2019-20 (ABS will release updated survey results later in 2025 for the 2023-24 financial year).

Using the ANU <u>PolicyMod</u> model we combine previous surveys back to 1984 and update the latest survey data (2019-20) with a range of other ABS data sets such as rents data from the CPI, income distribution data, employment and unemployment changes, and other more recent ABS-based socioeconomic data (Phillips 2024). Using the microsimulation capability of PolicyMod, we also model the impact of policy changes such as personal income tax changes and welfare policy changes including rent assistance increases.

Figure 5 shows that rent costs as a share of income have increased over time with substantial increases in the late 1980s and early 1990s. That share has been relatively stable over the past 30 years apart from some growth between around 2007 and 2013. That share has declined fairly substantially since 2013, only modestly increasing in 2023 and 2024 where rents increased more sharply than income for renters.





Source: ABS Survey of Income and Housing, ANU PolicyMod

Figure 5 presents a dramatically different picture of rental affordability to that described by the advertised rent statistics which are commonly used in the media. The main difference is that the rent increases as measured for *all* households (at least for capital cities) by the ABS have not increased at nearly the rate of the advertised rents and incomes have also increased relatively strongly for renters assisted by tax cuts in 2024 and modest welfare payment increases in both nominal and real terms including a roughly 25 per cent real increase in rent assistance. It has also been the case that the labour market has been quite strong with unemployment around 4 per cent and very strong employment growth this decade.

Figure 6 considers rental costs as a share of income by income quintile. The general trend is not substantially different to that for all renters in Figure 5. The main differences are that over the longer term the bottom income quintile (Quintile 1) rental costs as a share of income has increased in the years beyond 1993 while that has not been the case for higher income households where rental costs have not altered as a share of income over the longer haul. While renter costs have increased as a share of income for the lowest income households a

perhaps surprising result that even for low income renters it is still the case that rents as a share of income are lower today than their peak levels in the year 2017³.





Source: ABS Survey of Income and Housing, ANU PolicyMod

Rent to income ratios are a useful metric when considering housing affordability but such measures don't necessarily correlate with financial stress measures for renters. Financial stress in Figure 7 relates to the share of renters who report at least 3 or more forms of financial stress. Financial stress is a broader concept of 'stress' than the rent cost to income ratio. For example, financial stress could be impacted by recent increases in prices in any expenditure area, not just rents.

Financial stress has been measured in each wave of HILDA since 2001 (up to 2023). Financial stress Is a more direct way of measuring financial disadvantage by asking persons about their financial stress points. The HILDA survey asks respondents (aged 15 years or older) if they experienced a range of financial stresses. The specific question asked is "Since January

³ A caveat here is that rent increases in the PolicyMod model for years since the latest ABS survey (2019-20) are based on capital city based rent CPI growth rates. There Is no guarantee that these average results are representative of growth rates by income quintile. However, we do know that rent assistance <u>rent levels</u> for the nearly 1.3 million CRA recipient income units (mostly for lower Income families) have grown at similar rates to those estimated in the ABS CPI publication (DSS 2025).

[relevant year] did any of the following happen to you <u>because of a shortage of money</u>?" with the following list provided:

- Could not pay electricity, gas or telephone bills on time
- Could not pay the mortgage or rent on time
- Pawned or sold something
- Went without meals
- Was unable to heat home
- Asked for financial help from friends or family
- Asked for help from welfare / community organisations.

In addition, HILDA survey includes the question "Suppose you had only week to raise \$4,000 for an emergency. Which of the following best describes how hard it would be for you get that money?" with response options: I could easily raise the money; I could raise the money, but it would involve some sacrifices (e.g., reduced spending, selling a possession); I would have to do something drastic to raise the money (e.g., selling an important possession); or I don't think I could raise the money.⁴

These measures more directly relate to the financial living standards of households and overcome many of the issues found with simple monetary poverty measures. These measures are not without their own Issues. Financial stress can be the outcome of poor financial management or literacy rather than the outcome of a lack of money. For example, it may be that older persons have less financial stress than younger people as a result of more experience managing money. As is often the case with statistical analysis it is advisable to consider a range of statistics rather focusing on one statistic alone.

Figure 7 shows that renter financial stress dropped dramatically between 2001 and 2006. During this period there was substantial real income gains for Australian households. Real income growth was more subdued in the years following 2006 and financial stress rates for renters remain reasonably stable. There has been an uptick in 2023 that may relate to rental cost increases or perhaps more broadly the general increases in prices in 2023. The HILDA 2023 wave relates to financial stress in the first half of the year so will pick up some, but not all of the recent peak in inflation rates in Australia. On the income or benefit side it does not pick up the increases in some welfare payments, such as rent assistance, JobSeeker or Parenting Payment and also does not include tax cuts in 2024 or various State and Federal energy and transport subsidies.

⁴

In waves 9-19 this question was whether the respondent could raise \$3,000 for an emergency. From wave 20 the question was whether the respondent could raise \$4,000 for an emergency.



Figure 7 Renter Financial Stress, 3+ forms of stress, HILDA

4. Regional Rental Affordability

Survey data from official data sources is not available allowing relative affordability of regions in Australia. The ABS Census (2021) comes quite close but is approaching four years old and predates the substantial changes in the rental market in the years since the Census. An alternative approach is to combine the income and housing detail of the ABS Survey of Income and Housing, the regional data detail of the ABS Census (2021) and a microsimulation model that updates populations, tax and welfare policy, incomes and housing costs using the latest available macroeconomic statistics. Such an approach is called regional microsimulation model.

Rent stress here is simply defined as the share of renter households paying more than 30 per cent of disposable income on housing costs. To be in renter stress a household also needs to be in the bottom 40 per cent of the income (equivalised disposable) distribution⁵.

⁵ Equivalised income is disposable income divided by the OECD based equivalence scale which attempts to convert a household Income to a single adult Income equivalent.

Table 1 shows the estimated rates of housing (renter) stress for regions in Australia (SA3). The table provides the 20 SA3 regions in Australia with the highest rates of rental stress. Table 2 shows the 20 regions with the lowest rate of rental stress. The highest rates of rental stress are found in the western suburbs of Sydney with Merryland-Guildford (SA3) having nearly one in two renter households being a low income household paying more than 30 per cent of income on housing costs. Sydney regions are greatly over-represented with 9 out of 20 of the least affordable regions. Melbourne does relatively better with only one region in the least affordable list. There are also 6 regions out of 20 in regional areas. In particular, these regions tend to be relatively remote regions such as East Arnhem, Broken Hill and Far West, and West Coast of Tasmania.

ABS SA3 Region	Capital City/Region	Rent Stress
Merrylands - Guildford	Greater Sydney	49.3%
Fairfield	Greater Sydney	47.2%
Yorke Peninsula	Rest of SA	43.4%
Canterbury	Greater Sydney	43.0%
Bankstown	Greater Sydney	42.6%
Tullamarine - Broadmeadows	Greater Melbourne	42.3%
East Arnhem	Rest of NT	42.1%
Caboolture Hinterland	Greater Brisbane	41.1%
Bringelly - Green Valley	Greater Sydney	40.9%
Mount Druitt	Greater Sydney	40.8%
Liverpool	Greater Sydney	40.5%
Campbelltown (NSW)	Greater Sydney	39.9%
Broken Hill and Far West	Rest of NSW	39.5%
Auburn	Greater Sydney	39.4%
Mandurah	Greater Perth	39.3%
Serpentine - Jarrahdale	Greater Perth	39.1%
Fleurieu - Kangaroo Island	Rest of SA	38.7%
Great Lakes	Rest of NSW	38.7%
Bribie - Beachmere	Greater Brisbane	38.6%
West Coast	Rest of Tasmania	38.6%

Table 1 Top 20 Regions (out of 328 estimated SA3 regions), December 202

Source: ANU PolicyMod

Table 2 presents the 20 least rent stressed regions. 3 of the top 4 regions include mining regions of Western Australia. The Australian Capital Territory's South Canberra has the lowest rate of rent stress in the capitals and ranks 4 in Table 2. Outside of a few mining centers in WA the most affordable regions are dominated by inner-city regions of capital cities. The ACT is over-represented with 4 SA3s in the top 20 most affordable regions list. These regions are 'affordable' in the sense that renters in these regions tend to have relatively higher incomes than less affordable regions. However, these regions don't tend to have rent levels that will be affordable to low income households.

ABS SA3 Region	Capital City/Region	Rent Stress
Rest of WA	East Pilbara	12.0%
Rest of WA	West Pilbara	13.3%
Australian Capital Territory	South Canberra	16.3%
Rest of WA	Wheat Belt - South	16.7%
Greater Melbourne	Stonnington - West North Sydney -	17.8%
Greater Sydney	Mosman	18.1%
Greater Darwin	Darwin City	18.3%
Australian Capital Territory	North Canberra	18.4%
Greater Melbourne	Port Phillip	18.6%
Australian Capital Territory	Molonglo	18.7%
Greater Brisbane	Brisbane Inner - East Eastern Suburbs -	19.0%
Greater Sydney	North	19.0%
Rest of NSW	Lower Murray	19.1%
Greater Sydney	Manly	19.4%
Australian Capital Territory	Woden Valley	19.4%
Greater Brisbane	Brisbane Inner - North Chatswood - Lane	19.6%
Greater Sydney	Cove	19.7%
Greater Melbourne	Manningham - East	20.2%
Greater Brisbane	Brisbane Inner - West Kenmore - Brookfield	20.3%
Greater Brisbane	- Moggill	20.3%

Table 2 Bottom 20 Regions (out of 328 estimated SA3 regions), December 2024

Source: ANU PolicyMod

Figure 8 shows that rent stress rates vary dramatically across Australian regions. There are high rates in coastal regions on the east coast, particularly from the South East Queensland down to the bottom of Australia. A point worth reflecting on from Figure 8 is that many regional areas of Australia have relatively high rates of rental stress, which likely stems from relatively low incomes rather than high rents.

Figure 8 SA3 Rental Stress Rates for Australia



Source: ANU PolicyMod

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Figure 9 shows a strong regional dimension to rental stress in Sydney with many South-West Sydney SA3s estimated to have very high rates of rental stress. Inner city and centrally located SA3s in the north and south of Sydney tend to have relatively low rates of stress usually with less than 1 in 4 renter households in rental stress. However, the outer western suburbs can be as high as 1 in 3 or nearly 1 in 2 renter households in rental stress.





Source: ANU PolicyMod

Figure 10 shows that strong regional dimension of rental stress in Melbourne with many outer suburban SA3s estimated to have very high rates of rental stress. Inner city and centrally located SA3s in Melbourne tend to have relatively low rates of stress usually with less than 1 in 4 renter households in rental stress. However, the outer suburbs can be as high as 40 per cent of households in rental stress.





Source: ANU PolicyMod

Figure 11 shows that strong regional dimension of rental stress in Brisbane with several outer northern and southern suburban SA3s estimated to have very high rates of rental stress. Inner city and centrally located SA3s in Brisbane tend to have relatively low rates of stress usually with less than 1 in 4 renter households in rental stress. However, the outer suburbs can be as high as 40 per cent of households in rental stress.





Source: ANU PolicyMod

5. Conclusion

This research focused on the rental market in Australia to better understand rental affordability in Australia. The main findings are as follows:

- 1) Rents in Australia have increased sharply over the past 3 years but the strongest increases were for advertised rents and those increases have only partially flowed to the entire rental market.
- 2) Advertised rents historically are considerably higher (currently 35 per cent) than rents actually paid across the entire rental market.
- 3) The growth rates of advertised rents and all rents (ABS CPI) are both now trending down indicating that rent growth for all renters has likely peaked and, at least for the short term, is most likely to continue heading down.
- 4) Overall rental affordability has deteriorated moderately across the whole rental market in 2023 and 2024, however, over this decade rental affordability has not changed significantly in spite of strong rental growth. Affordability has been assisted by strong income growth driven by a strong labour market and tax and welfare policies assisting many renter households.
- 5) Financial stress rates for renter households are moderately up in the latest data for 2023 but there is little evidence that stress is substantially different to any other time over the past 15 years. Financial stress rates are lower today than in the early 2000s.
- 6) The regions with the highest rates of estimated rental stress tend to be a mix of outer suburbs, coastal regions and remote areas with high indigenous populations. Higher income inner city regions have the lowest rates of rental stress in Australia.

The policy implications from these findings suggest that the overall state of the rental market in Australia is not too dissimilar to other points in time over this century. This does not mean that there are not problems with the rental market or that policy has no role to play to improve rental market affordability. Recent strong peaks in advertised rents are a serious issue for new renters and those moving between rental properties. Many low income families, single parents, working age welfare recipients and many outer suburban and regional and remote families continue to face substantial financial pressures. Over 20 per cent of renter households (650,000 households) report significant financial stress and a similar number of low income households spend more than 30 per cent of their disposable income on rents. Such a number of households remains a significant issue for these households and deserves the continued attention of policy makers in Australia.

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