

Parliament of Victoria

Housing in Victoria: a quick guide

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Research Note

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Summary

Housing security and affordability are currently the focus of considerable discussion in Australia. Rising interest rates are placing many mortgage-holders under pressure, while tenants are feeling the impact of a rental ‘crisis’ playing out. Social housing is under scrutiny and homelessness is on the rise.

At the federal level, the proposed Housing Australia Future Fund forms a significant part of the policy discussion while, at the state level, the Victorian Government is seeking to address the current settings with the release of its Housing Statement. Victorian parliamentary inquiries have also focused on the housing market, with a recent inquiry into stamp duty and another focusing on rental and housing affordability.

What does housing currently look like in the state? How many people live in Victoria, where do they live, what kind of housing do they live in and how affordable is it?

Population and housing

The ways Australians and Victorians occupy and pay for housing have gradually changed over time. Between 2016 and 2022, the population of Australia increased by 4.44 per cent, while Victoria’s population grew by 3.47 per cent. In 2022, Victoria was home to 25.8 per cent of the national population.

The distribution of that population growth within Victoria varied considerably. ABS Census data indicate that the Northern and Western Metropolitan regions experienced the most significant population increase, while the established suburban areas of Melbourne—including Southern Metropolitan and North-Eastern Metropolitan—had the lowest levels of growth.

Variation in the population’s age distribution is also seen across the state, with some areas showing a greater presence of younger families, younger adults and people aged 60 and above.

Changing housing composition

Total dwellings in Victoria expanded from just under 2 million to 2.4 million over the ten-year period from 2011 to 2021. ABS Census data indicate that, though overall counts of dwellings rose, there was a decline in public housing and in housing available through private landlords. The proportion of homes reported as owned outright fell from 35.9 to 33.6 per cent, and those with mortgages rose slightly from 37.46 to 37.49 per cent over the ten-year period. The most significant increase occurred among private renters, with the proportion of ‘private landlord’ tenure increasing from 23.43 to 26.22 per cent of households.

Considerable variation exists across electoral districts, in overall increases and changes to tenure patterns. The districts where the number of dwellings increased by above 50 per cent between 2011 and 2021 were mainly in the peripheral urban areas of Melbourne and Geelong. Whereas the distribution of households by tenure across the three categories of renters, mortgage-holders and outright owners is close to the state average in many districts, there are much larger proportions of mortgage-holders in the peripheral urban areas of Melbourne and Geelong. Those districts closer to the city centre (and to some degree in the western districts) have more significant proportions of renters.

Within the Greater Melbourne area, the percentage of renters has grown from 27.2 per cent in 2011, to 30.2 per cent in 2021. Over the last five years, median rents throughout Victoria have increased by at least 10 per cent, with increases roughly proportional to their distance from Melbourne. The median rent increases have been the highest in rural areas, with the Hume region recording 43 per cent growth between the 2018 and 2023 June quarters.

Just as the proportion of renters in Greater Melbourne has increased, ABS Census figures show the proportion of home owners has declined—from 69.5 per cent in 2011 to 66.8 per cent in 2021. Home ownership in Greater Melbourne has decreased while median dwelling prices for both houses and attached dwellings have grown.

In the five years to the 2023 March quarter, the median house price in Greater Melbourne has risen from \$731,000 to \$810,500, or by 10.9 per cent. Median prices for attached dwellings in Greater Melbourne have risen much less, from \$565,000 to \$577,000, or by 2 per cent. Comparatively, in regional Victoria, there was a noticeable increase in median prices over the five years. Prices for attached dwellings rose from a median of \$295,000 in March 2018 to \$415,000 in March 2023, growth of 40.7 per cent. Prices for houses within regional Victoria rose even further, from \$355,000 in March 2018 to \$556,000 in March 2023, representing growth of 56.6 per cent.

Housing affordability

Though measuring housing affordability is not straightforward, a number of metrics can be used to paint a picture of the market situation for renters and mortgage-holders. This includes the rate of change in prices, and price-to-income ratios, among other measures.

The 2023 June quarter data show that the median weekly rent for new lettings in Victoria is currently \$480, which is 14.1 per cent higher than the same time the year prior. The change is more pronounced in metropolitan Melbourne, where the median rent has increased 15.7 per cent since last year, to \$500 per week. This is the highest annual increase recorded since the year 2000. In regional Victoria, the median weekly rent is currently \$420, a 5.4 per cent increase on the previous year.

Between 2017 and 2022, an individual needed over 30 per cent of their estimated average weekly earnings to afford the median weekly rent in metropolitan Melbourne. While it was comparatively more affordable to rent in regional Victoria across the same timeframe, the percentage of a person's earnings required to cover the median weekly rent rose sharply between 2020 and 2022, from around 25 per cent to over 30 per cent.

Rents paid by new tenants across Australia increased by 14 per cent over the year to February 2023, 9 percentage points higher than the increase in the monthly CPI indicator rent index.

Short-stay accommodation may also be impacting rental affordability.

Those seeking to enter the property market have found that the house price-to-income ratio has been increasing over time. In 2022, the median house price in Greater Melbourne was over 12.6 times the estimated average annual salary. Ten years earlier, it was 9.5 times. Comparatively, in the rest of Victoria, the median house price was over eight times the estimated average annual salary in 2022, whereas in 2012, it was around 5.5 times.

The age at which people are entering the housing market across the country has also been increasing over time. In 2000, the average age of a person buying their first home was 24.5 years old. By 2022, the average age of first home buyers had risen to 34.5 years old. ABS data indicate there was a steady increase in the age of the 'reference person' of recent home buyers in Australia between 1995–96 and 2019–20. The proportion of recent home buyers aged 15–24 years old declined from 9.6 to 5.3 per cent, while the proportion aged 25–34 years old declined from 61.4 to 56.1 per cent.

Data to March 2023 indicate that it currently takes a household approximately 9.8 years to save a 20 per cent deposit for a dwelling in Australia—10.5 years for a house and 8.2 years for a unit.

Housing 'stress'

As housing has become less affordable over time, this trend has pushed a growing number of people into housing 'stress', which occurs when an excessive amount of household income is needed to cover housing costs. A regular measure of housing stress is when more than 30 per cent of household income is spent on housing costs, though a narrower definition known as the '30/40 affordability rule'—which looks at when households in the lowest 40 per cent of the income distribution are paying more than 30 per cent of their income on housing costs—is a common method that recognises that reduced housing affordability may affect lower income earners more acutely.

Mortgage stress is higher in the peripheral urban areas closer to Melbourne (although not Geelong), where there were recent increases in numbers of people and households, especially with the pattern of age distribution suggestive of the presence of younger families and adults in the age ranges between 20 and 40 years.

The largest concentration of households experiencing rental stress is in the District of Melbourne, although there are considerable concentrations through suburbs in the north, south and west. There are also concentrations in Morwell, Wendouree and, to a lesser degree, a range of other seats across the state. A survey at a more granular level would provide a clearer picture of mortgage and rental stress across Victoria.

Additionally, low rental vacancy rates—sitting at 2.1 per cent and 2.3 per cent for metropolitan Melbourne and regional Victoria, respectively—highlight additional challenges for those seeking rental properties. While there was considerable change to vacancy rates during the peak COVID-19 years of 2020–2021—in that rental vacancy increased in metropolitan Melbourne and decreased in regional Victoria—vacancy rates have returned to near where they were six years ago.

People on Centrelink incomes also have a limited number of affordable rentals available to them. Only 1.4 per cent of one-bedroom rentals in Victoria are considered affordable to single people on Centrelink incomes. The outlook is better in regional Victoria (9.5 per cent), though worse in metropolitan Melbourne, where only 1 per cent of one-bedroom rentals are considered affordable. Comparatively, for a couple on income support with two children seeking a three-bedroom property, affordable rentals make up 13.5 per cent of those offered in the state, with less affordability seen in metropolitan Melbourne (8.1 per cent) than in regional Victoria (29.3 per cent).

Introduction

Housing security and affordability are the focus of considerable discussion in Australia. Indeed, how and where we live play significant roles not only in the economy, but also in our health and wellbeing.¹

Federally, the proposed \$10 billion Housing Australia Future Fund has provoked debate and elicited strong views from across the political landscape.² At the same time, the rise in interest rates has placed many people with mortgages under pressure across the country, and the impact of the rental ‘crisis’ on tenants frequently features in the national discourse.³

The supply and availability of social housing—which encompasses public and community housing, and includes short and long-term rental housing owned and run by the government or not-for-profit agencies for people on low incomes needing housing support—is a topic of regular debate.⁴

Demand for homelessness services is also on the rise.⁵

The Victorian Government has released its Housing Statement, with initiatives proposed over the next decade to improve housing supply and affordability.⁶ While the government initially flagged potential freezes on rental prices—or rental ‘caps’—which it has since concluded it won’t be pursuing, it intends to introduce a levy on short-stay accommodation.⁷

The Victorian Opposition has also released a scorecard for more affordable housing in Victoria and the Greens are continuing a push for renters’ interests.⁸

At the Parliament of Victoria, the Legislative Council’s Legal and Social Issues Committee is undertaking an inquiry into the rental and housing affordability crisis in the state, while its Economy and Infrastructure Committee has recently reported on land transfer duty fees (commonly known as ‘stamp duty’).⁹

¹ R. Fox & R. Finlay (2012) *Dwelling prices and household income*, Reserve Bank of Australia Bulletin, December quarter, Sydney, RBA, p. 13.

² See, for example: P. Coorey (2023) ‘Labor, Greens to meet over housing impasse’, *Australian Financial Review*, 1 August; J. Butler (2023) ‘Greens decry property tax breaks costing 78 times what Labor proposes to spend on social housing’, *The Guardian*, 3 August; P. Mares (2023) ‘Two cheers for the HAFF’, *Inside Story*, 13 September.

³ See: J. Quail & C. Gould (2023) ‘Fears for 150,000 Aussies set for mortgage pain in transition from cheap fixed rate loans’, *News.com.au*, 1 August; A. Yu (2023) ‘Melbourne renters struggle to secure a suitable place to live as a rental market crisis continues’, *ABC News*, 12 March.

⁴ Homes Victoria (2023) ‘Social housing’, Homes Victoria website. See also: A. Smethurst (2023) ‘Public housing wait times top 20 months for Victoria’s most vulnerable’, *The Age*, 25 June; D. Miles (2023) ‘Solar panels on established public housing could save eager tenants like Dianne more than \$500 a year’, *ABC News*, 2 August.

⁵ C. Kelly & J. Butler (2023) ‘More than 1,600 Australians pushed into homelessness each month as housing crisis deepens, report finds’, *The Guardian*, 4 August.

⁶ Victorian Government (2023) *Victoria’s Housing Statement: The decade ahead | 2024–2034*, Melbourne, Victorian Government.

⁷ P. Hannam & A. Ore (2023) ‘Is Victoria planning to impose rent freezes and will that solve the housing crisis?’, *The Guardian*, 26 July; R. Baxendale (2023) ‘Experts warn Daniel Andrews of unintended rent freeze consequences’, *The Australian*, 25 July; J. Gordon & B. Carmody (2023) ‘The answer is more housing: Victorian rental caps off the table’, *The Age*, 18 August; K. Rooney, B. Carmody & R. Eddie (2023) ‘Statewide Airbnb levy set to increase cost of short-stays’, *The Age*, 15 September. Victorian Government (2023) *Victoria’s Housing Statement*, op. cit., pp. 20, 26.

⁸ J. Wilson, Shadow Minister for Home Ownership and Housing Affordability (2023) *Six-point scorecard for more affordable housing in Victoria*, media release, 8 September. Victorian Greens (2023) *Pressure works on Victorian Government but tumbleweeds for renters: Greens*, media release, 19 September.

⁹ See: Parliament of Victoria (2023) ‘Inquiry into the rental and housing affordability crisis in Victoria’, Parliament of Victoria website; Parliament of Victoria (2023) ‘Seeking solutions on rental and housing affordability’, Parliament of Victoria website, 9 June; Parliament of Victoria (2023) ‘Inquiry into land transfer duty fees’, Parliament of Victoria website; Parliament of Victoria (2023) ‘Committee canvasses options for stamp duty reform’, Parliament of Victoria website, 8 May.

So, what is the current housing situation in our state? How many people live here? Where do they live? What kind of housing do they inhabit? How affordable is that housing? And how has this changed over time?

Drawing upon data from the 2011, 2016 and 2021 Censuses, as well as a range of other resources, this quick guide seeks to answer these questions by providing an overview of the current housing settings in Victoria—to contextualise the current debate and to help inform meaningful discussion.

Section one looks at the national and Victorian population distribution, where people live in the state and how age groups are concentrated. Section two looks at changes to tenure type over time, including rates of home ownership and renting. The paper concludes by considering how affordable housing is in Victoria and explores how many homes are experiencing housing ‘stress’.

Please note that this paper should not be considered a complete guide to the topic.

1 | Population and housing

The ways Australians and Victorians occupy and pay for housing have gradually changed over time according to demographics, lifestyle preferences, economic conditions and development trends. Most recently, although the COVID-19 pandemic altered the national population distribution and growth rates, high net immigration inflows have resumed following the lifting of travel restrictions.

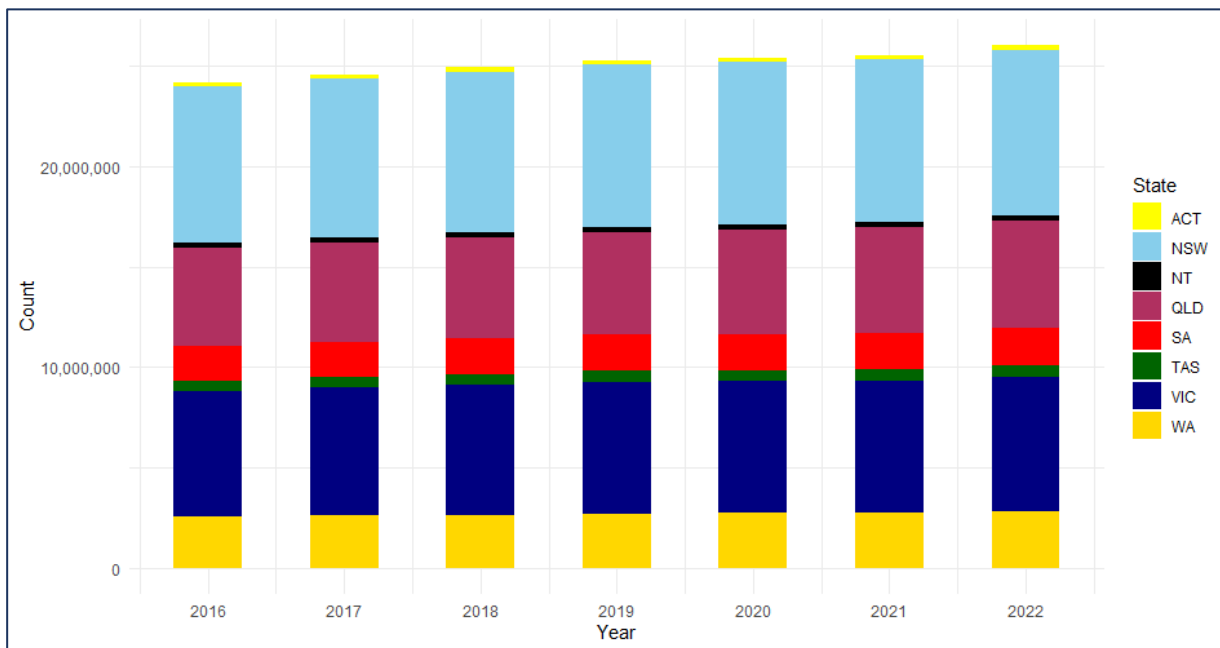
This section presents a baseline analysis of Australia’s population trends that underpin housing demand, based on the 2021 Census and other Australian Bureau of Statistics (ABS) sources.¹⁰

a) How many people live in Victoria?

The primary trend in population change is an overall increase. As Figure 1 demonstrates, the population of Australia grew by 1,107,173 people between 2016 and 2022, a 4.44 per cent increase.

Victoria’s population expanded from 6,476,695 people to 6,704,281 people (after falling slightly from 6,590,050 people to 6,566,560 people between 2019 and 2021), an increase of 3.47 per cent.

Figure 1: Population change by state, 2016–2022¹¹



[Click to view.](#)

However, the most notable recent change was the 1.9 per cent increase between 2021 and 2022, corresponding with the end of COVID-19-linked travel restrictions. While Victoria’s share of Australia’s population fell from 26 to 25.7 per cent in 2021, it increased again to 25.8 per cent by 2022.

¹⁰ See: Australian Bureau of Statistics (ABS) (2023) *National, state and territory population*, Canberra, ABS, December 2022 quarter; B. Reid (2022) *Visualising the population impacts of COVID-19 in Victoria*, Melbourne, Parliamentary Library of Victoria; ABS (2021) *Census TableBuilder*, Canberra, ABS.

¹¹ ABS (2023) *National, state and territory population*, op. cit.

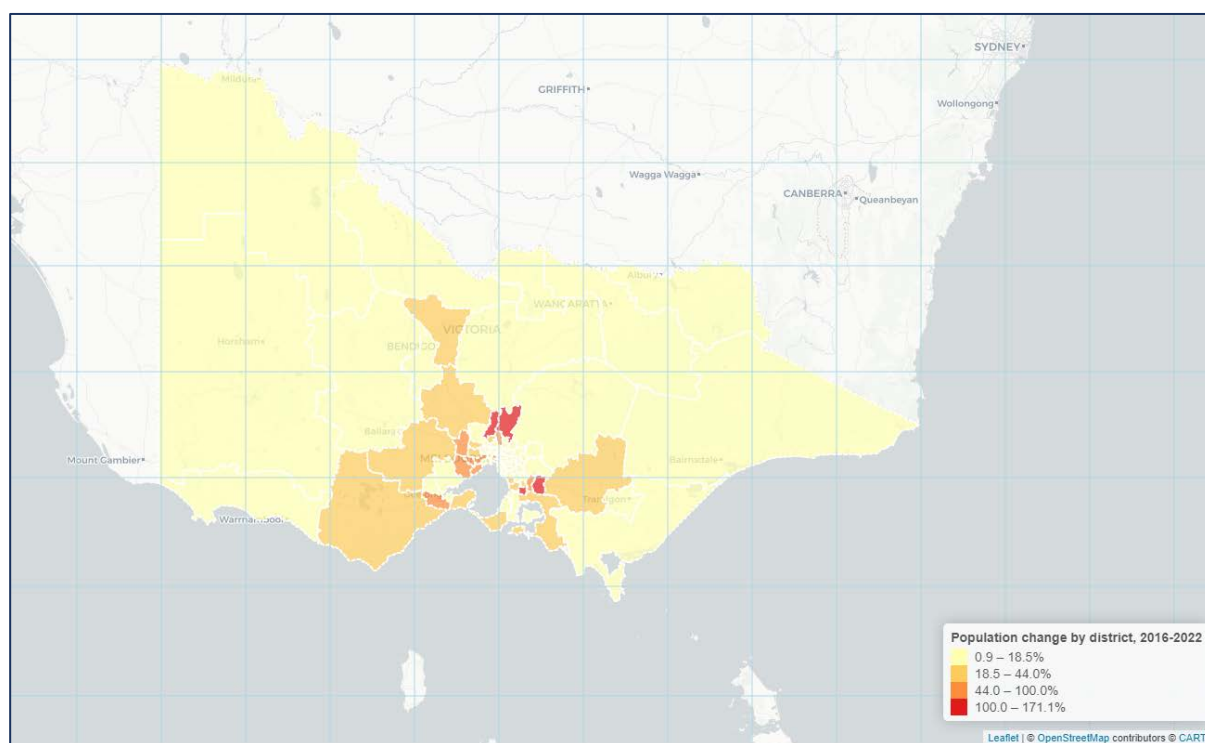
b) Where do people live in Victoria?

The distribution of population growth within the state has varied considerably. A mixed picture is presented when comparing estimates derived from the 2011 and 2016 Censuses with the 2021 Census population counts for Victorian Legislative Council regions and Legislative Assembly districts (based on 2021 boundaries).

On the one hand, the Northern and Western Metropolitan regions experienced the most significant population increase (over 30 per cent). The Western Victoria, Eastern Victoria and Northern Victoria (along with South-Eastern Metropolitan) regions experienced growth of between 20 and 24 per cent. The established suburban areas of Melbourne—Southern Metropolitan (12.75 per cent) and North-Eastern Metropolitan (9.56 per cent)—had the lowest levels of growth.

On the other hand, more extensive changes become evident when examined at the district level (Map 1).

Map 1: Population change by Legislative Assembly district, 2016–2022¹²



Click to view.

A range of districts experienced population growth of above 50 per cent (Berwick, Cranbourne, Kalkallo, Laverton, Melbourne, Melton, Pakenham, Point Cook, South Barwon, Tarneit, Thomastown, Werribee and Yan Yean). These districts are primarily located in peripheral urban areas of Melbourne and Geelong. However, Melbourne District is an exception. It encompasses the state capital’s central business district. The distribution of districts with growth below 50 per cent is broadly similar across regions.

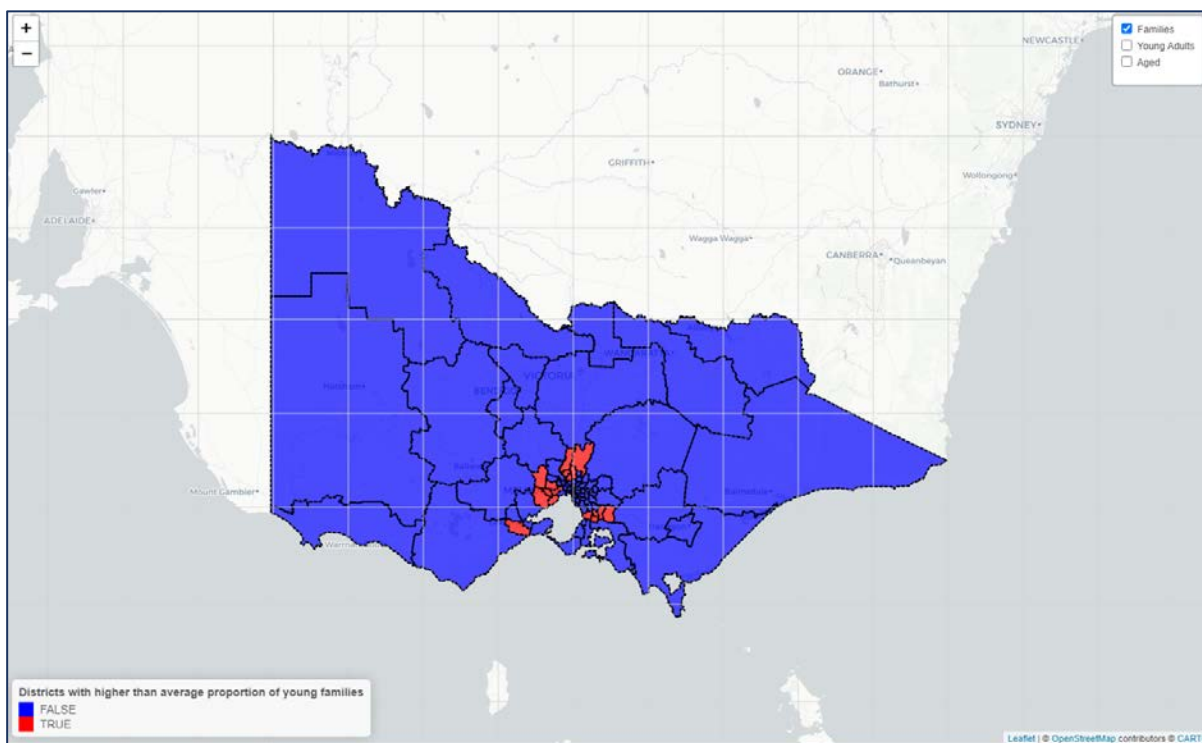
¹² See: ABS (2023) *National, state and territory population*, op. cit.; ABS (2021) *Census TableBuilder*, op. cit.

Age distribution

Considerable variation in the population’s age distribution now exists between districts. Map 2 presents a count of people in each Victorian district according to three different categories:

1. **Younger families:** One group of districts—again mainly in the outer suburbs of Melbourne—exhibit more significant concentrations of people in the 30–39 years and 0–10 years age brackets. These are areas that suggest a proportionately greater presence of younger families. These overlap considerably with ‘stressed’ mortgage-holder areas (Map 5).
2. **Younger adults:** There is also a group of districts with growth in the 20–29 years and 30–39 years age brackets. These areas have larger numbers of younger adults, mainly in the inner north and south of Melbourne. This group overlaps strongly with areas of rental ‘stress’ (Map 6).
3. **Aged 60 and above:** Many regional districts exhibit an increase in the aged 60 and above categories. Unlike the younger adults, the trend suggests an older overall age profile in these seats.

Map 2: Age category by district, 2021¹³



[Click to view.](#)

Overall, considerable population growth has occurred since 2016, although disproportionately located in the outer-urban areas of the state and central Melbourne. These areas also feature more households where there is evidence of younger families. More younger people and renters inhabit the more central suburbs of Melbourne and some areas in the city’s west.

¹³ ABS (2021) *Census TableBuilder*, op. cit.

2 | Changing housing composition

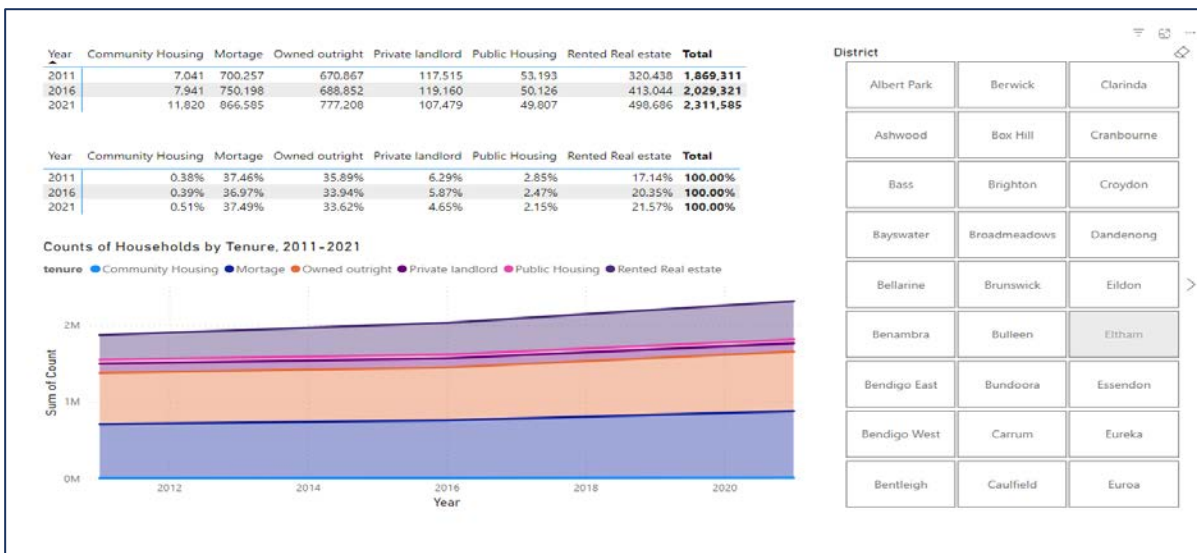
These population trends have implications for both the location and the composition of housing in the categories ‘Owned outright’, ‘Mortgage’, ‘Community housing’, ‘Private landlord’ (i.e. rented) and ‘Rented real estate’. These differences flow through to issues of affordability and ‘housing stress’.

a) What kinds of housing do people occupy in Victoria?

There are three main trends seen in the supply of housing stock and tenure since 2011.

First, as Figure 2 suggests, the overall number of dwellings grew considerably, as with the population. ABS Census data indicate that total dwellings expanded from just under 2 million to 2.4 million over the ten-year period from 2011 to 2021.

Figure 2: Counts of housing in Victoria by tenure type, 2011–2021¹⁴



Click to view.

Second, the overall counts of dwellings rose, although there was a decline in public housing and those available through private landlords. The proportion of houses reported as owned outright fell from 35.9 to 33.6 per cent, and those with mortgages rose slightly from 37.46 to 37.49 per cent.

The biggest fall was with people residing in public housing, although community housing—housing managed by not-for-profit organisations—expanded. The most significant increase occurred amongst private renters (the sum of households rented from private landlords and those rented from real estate agents), with the proportion of ‘Private landlord’ tenure increasing from 23.43 to 26.22 per cent of households.

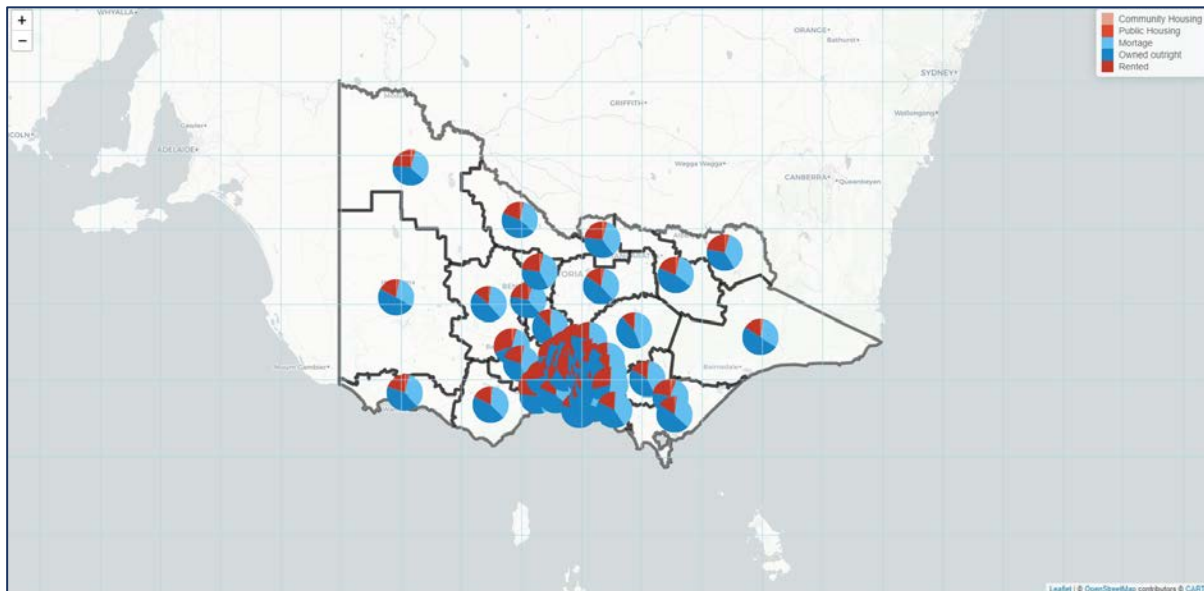
Third, like the patterns of population growth and distribution, there was considerable variation in overall increases and changes to tenure patterns across electoral districts. The districts where the number of dwellings increased by above 50 per cent between 2011 and 2021 were again mainly in the peripheral urban areas of Melbourne (Berwick, Cranbourne, Kalkallo, Laverton, Melbourne, Melton, Pakenham, Thomastown and Yan Yean) and Geelong

¹⁴ ABS (2021) *Census TableBuilder*, op. cit.

(Point Cook, South Barwon). As with population change, Melbourne District is the main exception to the trend, with its increase of about 69 per cent in an inner-urban area.

Considerable differences exist around the changes in and incidence of tenure types across the various districts. Map 3 details the breakdown of tenure according to Legislative Assembly districts.

Map 3: Home tenure by district, 2021¹⁵



Click to view.

Whereas the distribution of households by tenure across the three categories of renters, mortgage-holders and outright owners is close to the state average in many districts, two patterns stand out. The first is the existence of much larger proportions of mortgage-holders (again) in the peripheral urban areas of Melbourne and Geelong. The other is that districts closer to the city centre (and to some degree in the western districts) have more significant proportions of renters.

The concentrations of mortgage-holders and renters (along with more significant numbers of younger adults or families with children below ten years of age) mean these areas overlap with areas in which higher levels of mortgage and rent 'stress' are also evident in the 2021 Census (see section 3).

b) Renting in Victoria

Within the Greater Melbourne area, the percentage of renters has grown from 27.2 per cent in 2011 to 30.2 per cent in 2021, according to figures collected from ABS censuses.¹⁶ These figures are likely to be affected by the trend of Victorians moving out of the city (or the country) during COVID-19 lockdowns and returning once restrictions ended.¹⁷

Within the last five years, median rents throughout Victoria have increased by at least 10 per cent, with increases roughly proportional to their distance from Melbourne. The median rent increases have been the highest in rural areas, with the Hume region recording 43 per cent growth between the 2018 and 2023 June quarters, according to data from the Department of

¹⁵ ABS (2021) *Census TableBuilder*, op. cit.

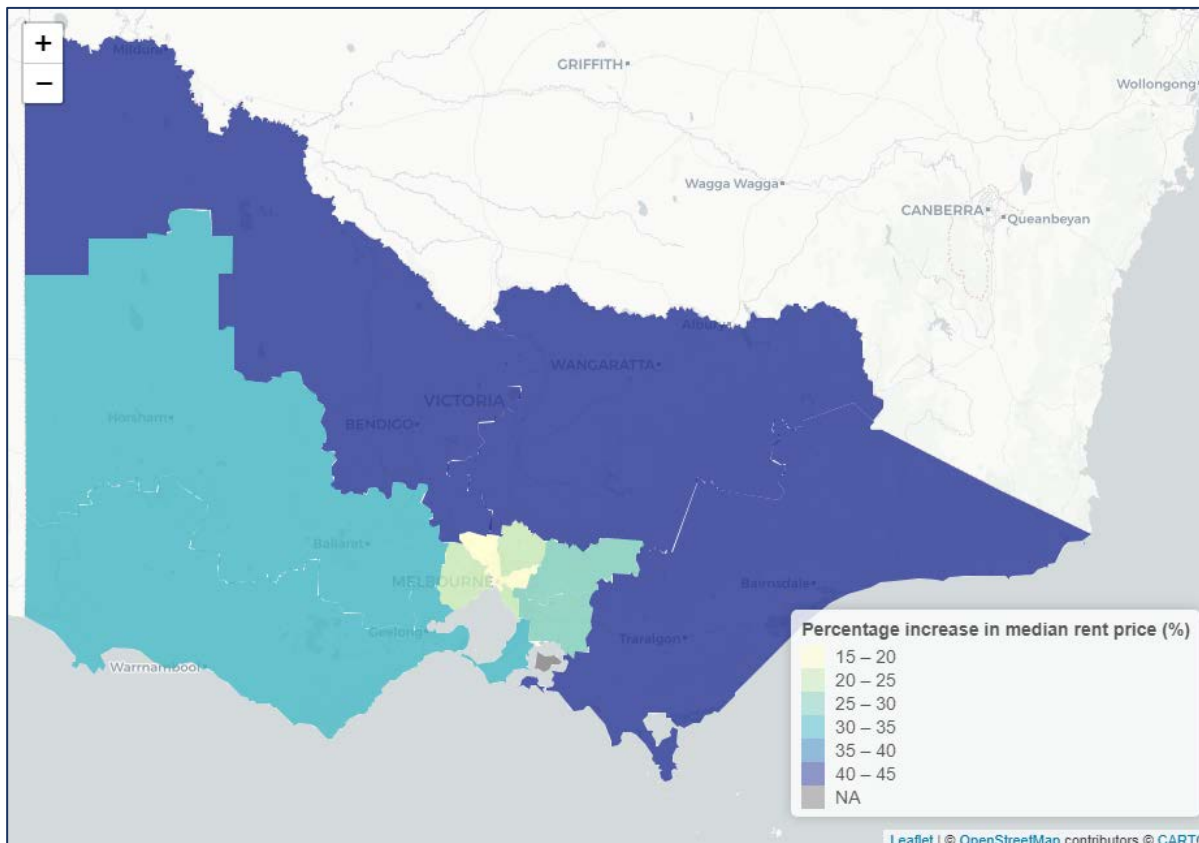
¹⁶ ABS (2011) *2011 Greater Melbourne, Census All persons QuickStats*, Canberra, ABS; ABS (2021) *2021 Greater Melbourne, Census All persons QuickStats*, Canberra, ABS.

¹⁷ Australian Bureau of Statistics (2022) *COVID-19 and the 2021 Census*, Canberra, ABS.

Families, Fairness and Housing (DFFH). In real figures, this was a growth in median rents from \$290 to \$415 a week.¹⁸ Suburbs within inner Melbourne, however, experienced a less significant increase in median rent prices, ranging from 17 to 28 per cent—or from \$86 to \$105 a week—over the same time.¹⁹

Map 4 highlights the growth in median rents throughout Victoria over the last five years.

Map 4: Regional changes in median rent price, June 2018–June 2023²⁰



[Click to view.](#)

c) Owning in Victoria

Just as the proportion of renters in Greater Melbourne has increased, ABS Census figures show the proportion of home owners has declined—from 69.5 per cent in 2011 to 66.8 per cent in 2021.²¹

Home ownership in Greater Melbourne has decreased while median dwelling prices for both houses and attached dwellings (such as units, apartments, townhouses or any other dwelling which shares a structural component with another building) have grown. In the five years to the 2023 March quarter, the ABS ‘Total Value of Dwellings’ dataset shows the median house price in Greater Melbourne has risen from \$731,000 to \$810,500, or by 10.9 per cent.²²

¹⁸ Department of Families, Fairness and Housing (DFFH) (2023) *Rental report – June quarter 2023*, dataset, Melbourne, DFFH; DFFH (2018) *Rental report – June quarter 2018*, dataset, Melbourne, DFFH.

¹⁹ *ibid.*

²⁰ DFFH (2018) *op. cit.*; DFFH (2023) *Rental report – June quarter 2023*, *op. cit.*

²¹ ABS (2011) *2011 Greater Melbourne, Census All persons QuickStats*, *op. cit.* and (2021) *2021 Greater Melbourne, Census All persons QuickStats*, *op. cit.*

²² ABS (2023) *Total Value of Dwellings*, cat. no. 6432.0, Canberra, ABS.

Median prices for attached dwellings in Greater Melbourne have risen much less, from \$565,000 to \$577,000 in the five years to the 2023 March quarter. This is an increase of 2 per cent. Median prices rose to highs of \$655,000 in the 2021 December quarter but have since declined.²³

Comparatively, over the same time period, house prices rose by 26.2 per cent in Sydney (from \$955,000 to \$1,205,000) and by 42.6 per cent in Brisbane (from \$526,000 to \$750,000). For attached dwellings, there were increases of 1.1 per cent in Sydney but 24.7 per cent in Brisbane.²⁴

Table 1 shows changes in median house and attached dwelling prices in Australian capital cities at the 2018 and 2023 March quarters.

Table 1: Median price by dwelling type for Australian capital cities, March quarter, 2018 and 2023²⁵

Dwelling type	Capital city	March 2018 median price	March 2023 median price	Change in price (%)
House	Melbourne	\$731,000	\$810,500	10.9
	Sydney	\$955,000	\$1,205,000	26.2
	Brisbane	\$526,000	\$750,000	42.6
	Adelaide	\$465,000	\$680,000	46.2
	Perth	\$510,000	\$575,000	12.7
	Hobart	\$449,000	\$685,000	52.6
	Darwin	\$500,000	\$575,000	15
	Canberra	\$698,500	\$975,000	39.6
Attached dwelling	Melbourne	\$565,000	\$577,000	2.1
	Sydney	\$742,000	\$750,000	1.1
	Brisbane	\$385,000	\$480,000	24.7
	Adelaide	\$370,000	\$481,000	30
	Perth	\$400,000	\$400,000	0
	Hobart	\$338,500	\$560,000	65.4
	Darwin	\$328,000	\$373,500	13.9
	Canberra	\$436,000	\$610,000	39.9

Comparatively, in regional Victoria, there was a noticeable increase in median prices over five years. Prices for attached dwellings rose from a median of \$295,000 in March 2018 to \$415,000 in March 2023, growth of 40.7 per cent. Prices for houses within regional Victoria rose even further, from \$355,000 in March 2018 to \$556,000 in March 2023, representing growth of 56.6 per cent.²⁶

Charts 1 and 2 illustrate the rise in dwelling prices throughout Victoria over the past 20 years.

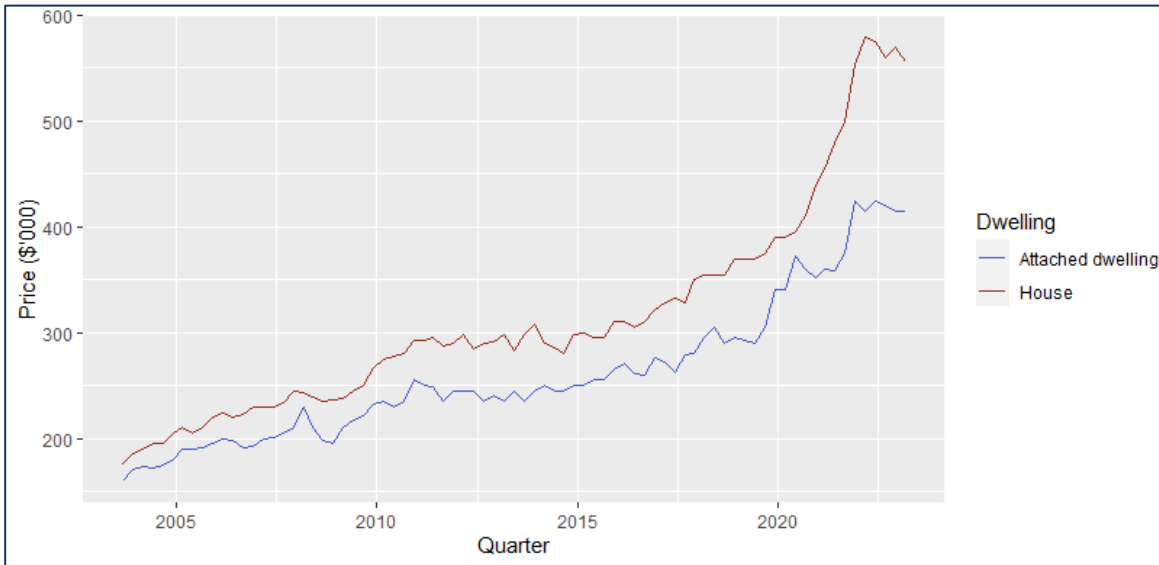
²³ *ibid.*

²⁴ *ibid.*

²⁵ *ibid.*

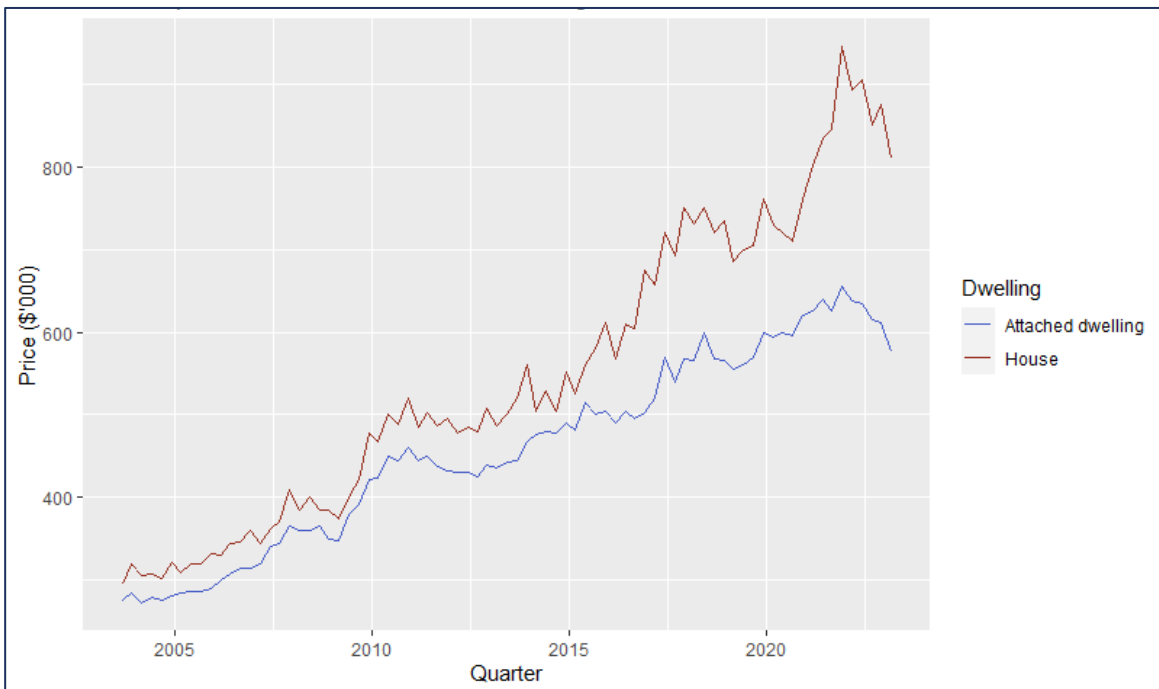
²⁶ *ibid.*

Chart 1: Median price of regional Victorian dwellings, 2003–2023²⁷



[Click to view.](#)

Chart 2: Median price of Greater Melbourne dwellings, 2003–2023²⁸



[Click to view.](#)

²⁷ *ibid.*

²⁸ *ibid.*

3 | How affordable is housing in Victoria?

Many people in the state are under increased housing pressure, whether through elevated interest rates or due to the current rental environment. Now with a clearer understanding of the number of people who live in Victoria, where they're living across the state and the kinds of housing they're living in, this section explores the affordability of that housing.

Measuring housing affordability

According to the Australian Housing and Urban Research Institute (AHURI), the term 'housing affordability' is a general term 'used in reference to the whole housing system, expressing the relationship between housing costs (prices, mortgage payments or rents) and household incomes'.²⁹

Note that this term should not be confused with 'affordable housing', which AHURI explains is housing that is 'targeted at very low- to moderate-income households and is priced to be affordable to them', whether it be rent or home ownership, offered at below the market value.³⁰

The Australian Institute of Health and Welfare (AIHW) highlights that measuring housing affordability is not straightforward. This is because there are a number of factors that influence housing affordability for an individual or household, including financial situation, demand in the housing market and what tenure type a person or household is seeking.³¹

The AIHW explains that the simplest measure of housing affordability compares housing costs to housing income.³² ANZ and CoreLogic assert that multiple metrics should be used to assess the state of housing affordability, given that people have different relationships to housing—some people are renting or seeking to rent, some are saving for a deposit, some are seeking a mortgage and others are paying one down.³³

a) Renting and affordability

Median weekly rents for new rentals in metropolitan Melbourne and regional Victoria have been increasing over time—sometimes substantially. The latest available data from DFFH, for the June quarter 2023, indicate that the median weekly rent in Victoria is currently \$480, which is 14.1 per cent higher than the same time the year prior.³⁴

The change is more pronounced in metropolitan Melbourne, where the median rent has increased 15.7 per cent since last year, to \$500 per week. This is the highest annual increase recorded since the Rental Report series began in the year 2000.³⁵

In regional Victoria, the median weekly rent is \$420, a 5.4 per cent increase on the previous year. Though this rate of increase was below that seen in the 12 months to June 2022 (8.9 per cent), it was higher than the average annual increase over the past ten years (4.3 per cent).³⁶

Rental affordability can also be assessed by determining what amount of a person's income is needed to service the rent on a new lease. Using the estimated average weekly personal income, Chart 3 shows the percentage of earnings needed to cover the median weekly rent on new rental lettings in metropolitan Melbourne and regional Victoria, between 2017 and

²⁹ Australian Housing and Urban Research Institute (AHURI) (2021) 'Glossary: Housing affordability', AHURI website.

³⁰ AHURI (2021) 'Glossary: Affordable housing', AHURI website.

³¹ Australian Institute of Health and Welfare (AIHW) (2023) 'Housing affordability', AIHW website.

³² *ibid.*

³³ ANZ & CoreLogic (2022) *Housing Affordability Report*, Docklands, ANZ.

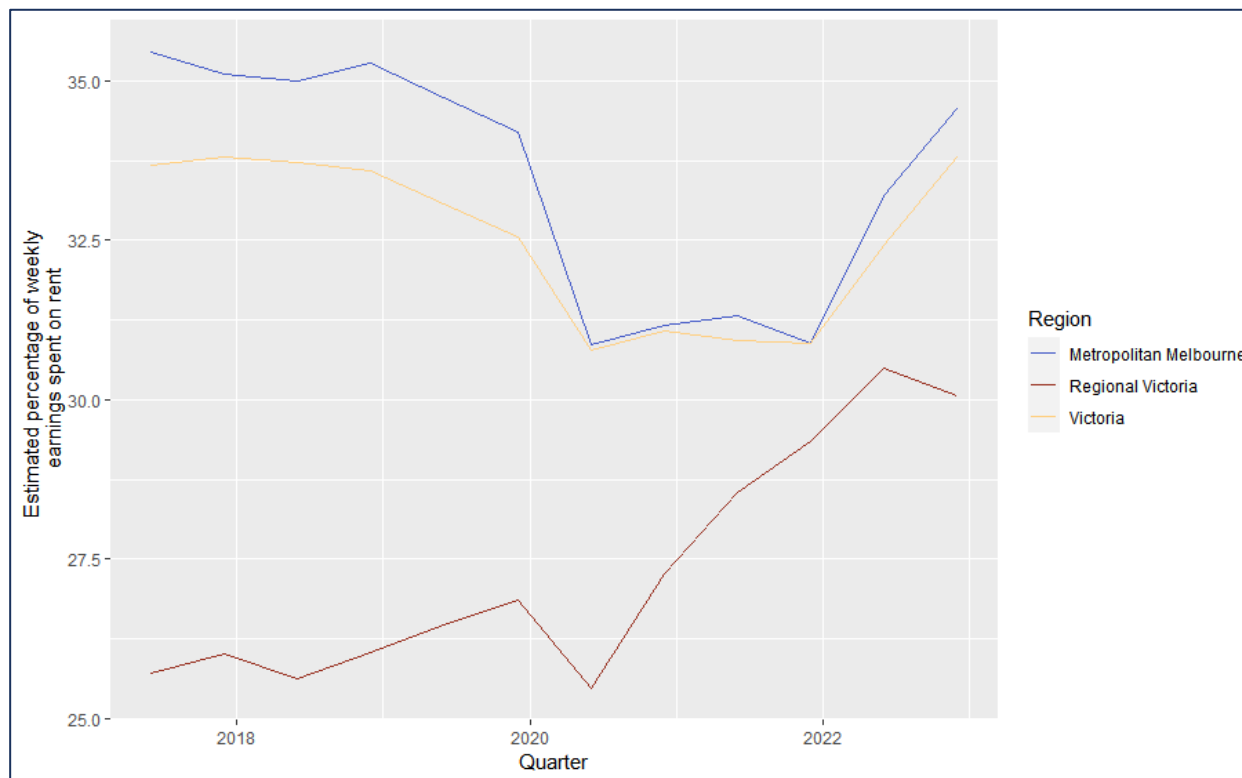
³⁴ DFFH (2023) 'Rental report: Rental Report statistics – June quarter 2023', DFFH website.

³⁵ *ibid.*

³⁶ *ibid.*

2022. The average personal income has been obtained from the average weekly earnings provided by the ABS.

Chart 3: Estimated percentage of weekly earnings spent on median rent in Victoria, 2017–2022³⁷



[Click to view.](#)

As Chart 3 demonstrates, an individual needed over 30 per cent of their estimated average weekly earnings to afford the median weekly rent in metropolitan Melbourne during this period. While the median weekly rent was initially comparatively more affordable in regional Victoria across the same timeframe, the percentage of a person’s earnings required to cover the median weekly rent rose sharply between 2020 and 2022, from around 25 per cent to over 30 per cent.

A note on new tenancies

The ABS has used consumer price index (CPI) and similar datasets to focus on the different types of rental properties across Australia, most notably those with commencing tenancies.

Data that relies on averages may not fully capture differences between existing and new tenancies—where rent increases are more common. The latter may be only 2–3 per cent of total tenancies and have marginal impacts on average measures. The ABS notes that ‘rents paid by new tenants increased by 14 per cent over the year to February 2023, which is 9 percentage points higher than the increase in the monthly CPI indicator rent index (which measures all rents, not just those paid by new tenants)’.³⁸

New tenancies are increasingly more expensive than the average rental prices may suggest. State-level and smaller-scale estimates of these trends are not yet available.

³⁷Median weekly rent data derived from June and December quarters, in DFFH (2023) ‘Past Rental Reports’, DFFH website; ABS (2023) *Average Weekly Earnings, Australia, November 2022*, Canberra, ABS.

³⁸ ABS (2023) *New insights into the rental market*, cat. no. 6432.0, Canberra, ABS.

The impact of short-stay accommodation

The vast amount of short-stay accommodation properties listed on platforms like Airbnb have called into question whether these short-term rentals are contributing to the lack of long-term rental availability.³⁹ The Victorian Government's Housing Statement claims there are 36,000 short stay accommodation places listed in Victoria.⁴⁰ According to Inside Airbnb, which scrapes listings from the Airbnb website, there were 16,198 standalone properties listed in Melbourne, 4,583 in Mornington Peninsula and 6,373 in the website's 'Barwon South West' region (which includes Geelong and the entire south-west coast) at various dates in June 2023.⁴¹ There were also 5,974 (Melbourne), 121 (Mornington Peninsula) and 658 (Barwon South West) rooms within a property listed.⁴²

A number of local governments have responded to the rise in short-stay accommodation by introducing new regulations. In August 2023, the City of Melbourne approved new, in-principle regulations, including an annual registration fee and caps on how many days the property can be rented out each year.⁴³ In other states, many municipal councils—such as City of Busselton, City of Brisbane, Shire of Broome and Shire of Noosa—have introduced additional charges and regulations in an attempt to incentivise short-stay accommodation hosts to make their properties available to the long-term rental market.⁴⁴

The Victorian Government has flagged a levy on short-stay accommodation of 7.5 per cent, with Homes Victoria to receive the revenue raised. Short-stay accommodation charges in place through local councils will be removed.⁴⁵

b) Home ownership and affordability

Owning your own home has become less affordable over time. One assessment of affordability in the home ownership space is the price-to-income ratio; that is, the ratio of median property value to annual income, tracked over time. This ratio is sometimes referred to as the 'median multiple'.

Using the estimated average annual personal income (just above \$69,000 in mid-November 2022), Chart 4 shows the change in the median multiple over the last ten years, for houses and attached dwellings in Greater Melbourne and regional Victoria. The average personal income has been estimated by multiplying the average weekly earnings provided by the ABS by 52.⁴⁶

³⁹ N. Sas (2022) 'The influence of Airbnb on Australia's rental crisis, as experts call for focus on 'real issues' at play', *ABC News*, 29 December; G. Katanasho (2023) 'The whole building was evicted: The impact of short-term lets on Australia's rental crisis', *SBS News*, 4 April; T. Alizadeh, R. Farid & S. Sakar (2018) 'Towards Understanding the Socio-Economic Patterns of Sharing Economy in Australia: An Investigation of Airbnb Listings in Sydney and Melbourne Metropolitan Regions', *Urban Policy and Research*, 36(4), pp. 445–463.

⁴⁰ Victorian Government (2023) *Victoria's Housing Statement*, op. cit., p. 20.

⁴¹ Inside Airbnb (2023) 'Summary information and metrics for listings in Melbourne' [dataset], Inside Airbnb website, accessed 4 September 2023; Inside Airbnb (2023) 'Summary information and metrics for listings in Mornington Peninsula' [dataset], Inside Airbnb website, accessed 4 September 2023; Inside Airbnb (2023) 'Summary information and metrics for listings in Barwon South West' [dataset], Inside Airbnb website, accessed 4 September 2023.

⁴² *ibid.*

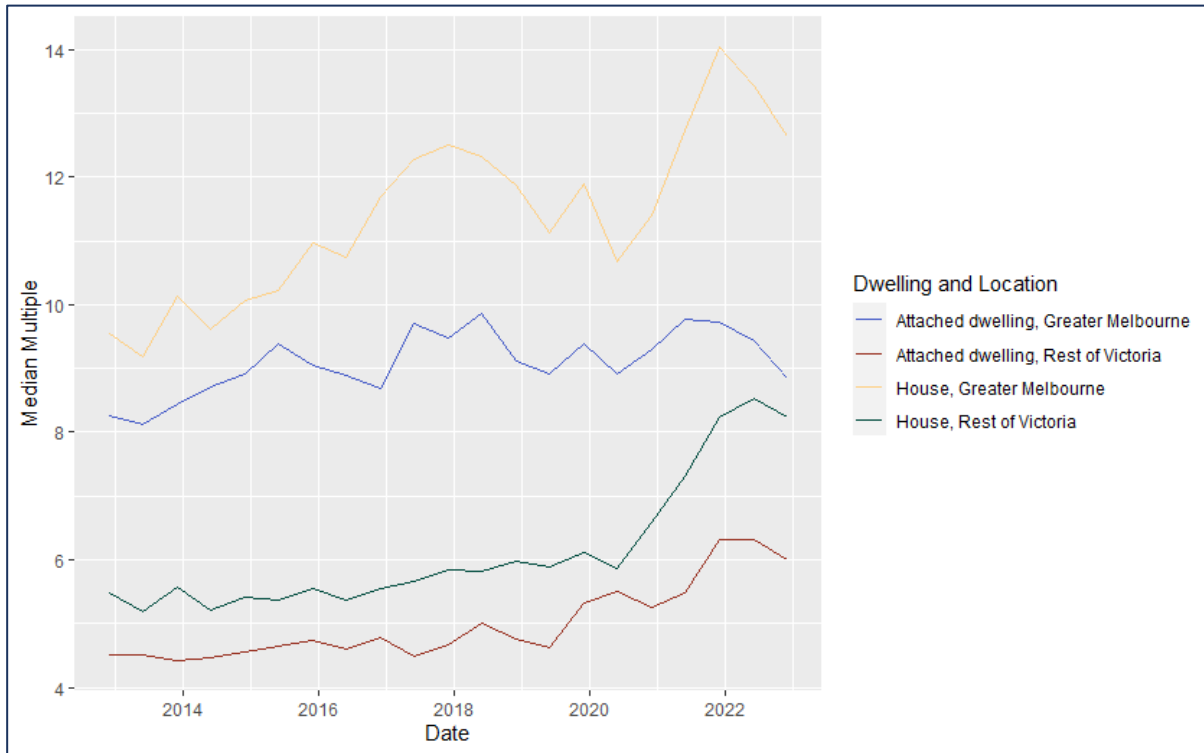
⁴³ A. Ore (2023) 'Melbourne city moves towards limiting short-stay rentals such as Airbnb', *The Guardian*, 30 August.

⁴⁴ A. Nally (2022) 'How Australia is dealing with Airbnb, Stayz in a housing crisis', *ABC News*, 24 June.

⁴⁵ Victorian Government (2023) *Victoria's Housing Statement*, op. cit., p. 20.

⁴⁶ ABS (2023) *Average Weekly Earnings*, op. cit.

Chart 4: Median multiple for dwellings in Victoria, 2012–2022⁴⁷



[Click to view.](#)

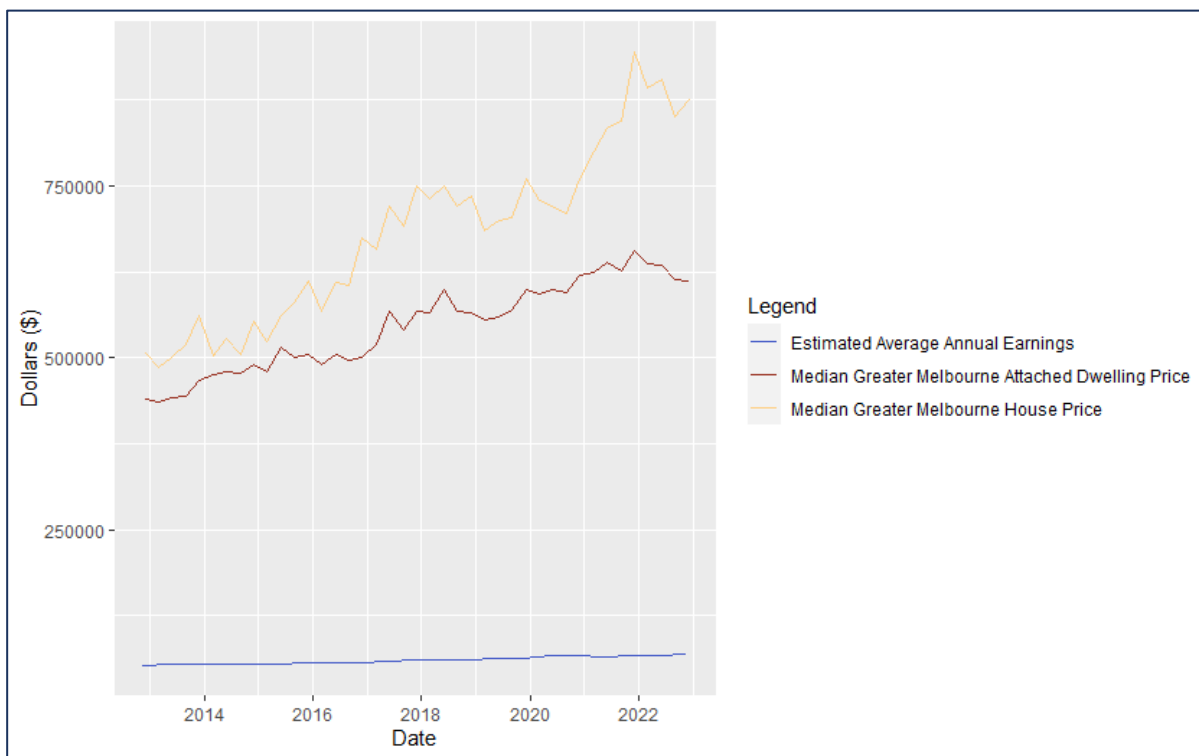
The data indicate that, in 2022, the median house price in Greater Melbourne was over 12.6 times the estimated average annual salary. Ten years earlier, that house was equivalent to around 9.5 times the estimated average annual salary. In the rest of Victoria in 2022, the median house price was over eight times the estimated average annual salary. Comparatively, in 2012, the median house price was around 5.5 times the estimated average annual salary.

Attached dwellings in 2022 were selling for over 8.8 times the estimated average annual salary in Greater Melbourne, and in the rest of Victoria they were costing around six times the estimated average annual salary. Comparatively, in 2012, the cost was 8.2 times (Greater Melbourne) and around 4.5 times (rest of Victoria) the estimated average annual salary.

Looking more closely at Greater Melbourne, Chart 5 depicts the median price for dwellings (houses and attached dwellings) over the last ten years, against the estimated average annual earnings for the same period. As the chart demonstrates, low wage growth coupled with soaring dwelling prices has meant that the gap between median dwelling prices and estimated average annual income has increased significantly.

⁴⁷ABS (2023) *Average Weekly Earnings*, op. cit.; ABS (2023) *Total Value of Dwellings*, op. cit.

Chart 5: Median price of Greater Melbourne dwellings, 2012–2022⁴⁸



[Click to view.](#)

Saving for a home loan deposit

Another way to assess housing affordability is to examine how long it takes first home buyers to save a deposit.

In May 2023, ANZ and CoreLogic released a *Housing Affordability Report*, reflecting on the COVID-19 pandemic’s impacts on the rental market in Australia. Using a method which assumes that a household can save 15 per cent of its gross annual income to put towards a deposit, the report measures how many years it would take to save a 20 per cent deposit.

The data to March 2023 indicate that it currently takes, on average, 9.8 years to save a deposit for a dwelling in Australia—10.5 years for a house and 8.2 years for a unit.⁴⁹

The National Housing Finance and Investment Corporation (NHFIC) reports that affordability for first home buyers in Australia deteriorated across many areas between the 2016 and 2021 Censuses. During 2022 and 2023, the NHFIC also highlights that the potential for first home buyers across all income levels to service a mortgage ‘has eroded following multiple rate rises in quick succession’.⁵⁰

Those on lower income levels may feel the impact more acutely—while first home buyers sitting at the 40th income percentile could afford to service a mortgage for around 25 per cent of properties in Australia in 2021, that figure has reduced to around just 10 per cent of properties in 2022.⁵¹

⁴⁸ ABS (2023) *Total Value of Dwellings*, op. cit.

⁴⁹ ANZ & CoreLogic (2023) *Housing Affordability Report: Reflections on the pandemic and the rental market*, Docklands, ANZ, p. 20.

⁵⁰ National Housing Finance and Investment Corporation (2023) *State of the Nation’s Housing 2022–23*, Sydney, NHFIC, p. 76.

⁵¹ *ibid.*, pp. 76, 86.

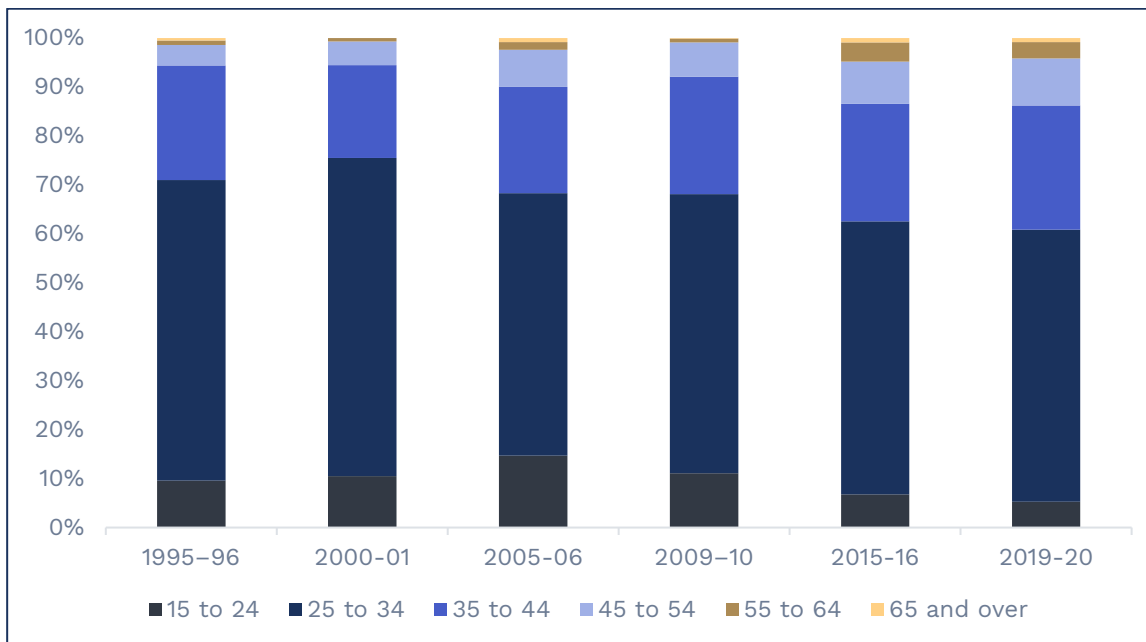
Age of first home buyers

The age at which people are entering the housing market has also been increasing over time. Research undertaken by Digital Finance Analytics and cited in a recent article indicates that, in 2000, the average age of a person buying their first home was 24.5 years old. By 2022, the average age of first home buyers had risen to 34.5 years old. Further, while loans were once undertaken over 20-year terms, 30-year terms are now more common.⁵²

The ABS’s periodic *Housing Occupancy and Costs* sample survey gives further indication of these trends.⁵³ Figure 3 suggests there was a steady increase in the age of the ‘reference person’ of recent home buyers in Australia between 1995–96 and 2019–20 (the last time a survey was conducted). The survey suggests the proportion of recent home buyers aged 15–24 years old declined from 9.6 to 5.3 per cent, while the proportion aged 25–34 years old declined from 61.4 to 56.1 per cent.

The proportion belonging to older age brackets rose from 29 to 39.5 per cent across the same period.

Figure 3: Percentage of recent home buyers by age, 1995–96 to 2019–20⁵⁴



A recent inquiry undertaken by AHURI has highlighted that, for many young households, the ability to save for a home has been underscored by work that is insecure, inadequate and that occurs within the context of rising house prices and cost of living.⁵⁵ While many young adults are having to delay entering the property market, many others will never get there—AHURI’s analysis showed that around one-quarter of the gap in home-ownership rates for the 30–34 age bracket is still present at the 50–54 age bracket.⁵⁶

The inquiry indicated that receiving assistance from parents, whether direct or in-kind, facilitates a more rapid transition into home ownership for young people.⁵⁷

⁵² Cited in T. Brooker. (2022) ‘Median age of Australia’s first homebuyers shows how radically housing has changed’, *News.com.au*, 18 July.

⁵³ ABS (2023) *Housing occupancy and costs*, cat. no. 6432.0, Canberra, ABS.

⁵⁴ *ibid.*

⁵⁵ AHURI (2023) *Financing first home ownership: opportunities and challenges*, Executive Summary, Final Report no. 408, Melbourne, AHURI, p. 3.

⁵⁶ *ibid.*

⁵⁷ *ibid.*

Further, a 2023 study by academics at Curtin University has shown that the housing wealth gap between younger and older Australians is widening.⁵⁸ The study, which estimated the gap in home equity of Australians in their 50s and 30s, showed that in 1997–98, the older cohort had 2.6 times as much mean housing equity as the younger cohort. By 2017–18, the older group had 3.3 times as much mean housing equity.⁵⁹

The increasing gap is more pronounced between those whom the authors describe as the ‘income-poor young’ and the ‘income-rich old’; inequality also exists across other divides including gender, location and income.⁶⁰

Measuring housing affordability stress

As housing has become less affordable over time, this trend has pushed a growing number of people into ‘housing stress’, defined by AHURI as occurring if ‘an unreasonable proportion of household income is required to pay housing costs’.⁶¹

There are several ways to measure housing stress. The ABS broadly defines housing stress based on whether rent or mortgage payments consume more than 30 per cent of a household’s income. Other entities—such as AHURI—use a narrower definition, known as the ‘30/40’ affordability rule. According to this rule, housing stress occurs ‘when households in the lowest 40 per cent of the income distribution pay more than 30 per cent of income on housing costs, adjusted for household size’.⁶² AHURI states that this is the most common method in Australia.⁶³

Though the 30/40 rule is a ‘rule of thumb’, it can only be a rough indicator, as it does not necessarily encompass many complicated factors or (subjective) perceptions of stress. However, some approximations based on this approach are possible using the ABS equivalised total household income (HIED) measure. The ABS explains that this measure is ‘household income adjusted by the application of an equivalence scale to facilitate comparison of income levels between households of differing size and composition’.⁶⁴

a) Housing affordability stress across Victoria

Around 38 per cent of Victorian households in the 2021 Census were earning less than \$800 a week (according to the HIED measure). Using the \$800 figure as a reference point, it’s possible to estimate how many households were experiencing housing stress at the time of the Census.

Map 5 depicts the percentage of Victorian households experiencing housing stress by district, at the 2021 Census.

⁵⁸ R. Ong Viforj & C. Phelps (2023) ‘The housing wealth gap between older and younger Australians has widened alarmingly in the past 30 years. Here’s why’, *The Conversation*, 12 January.

⁵⁹ *ibid.*

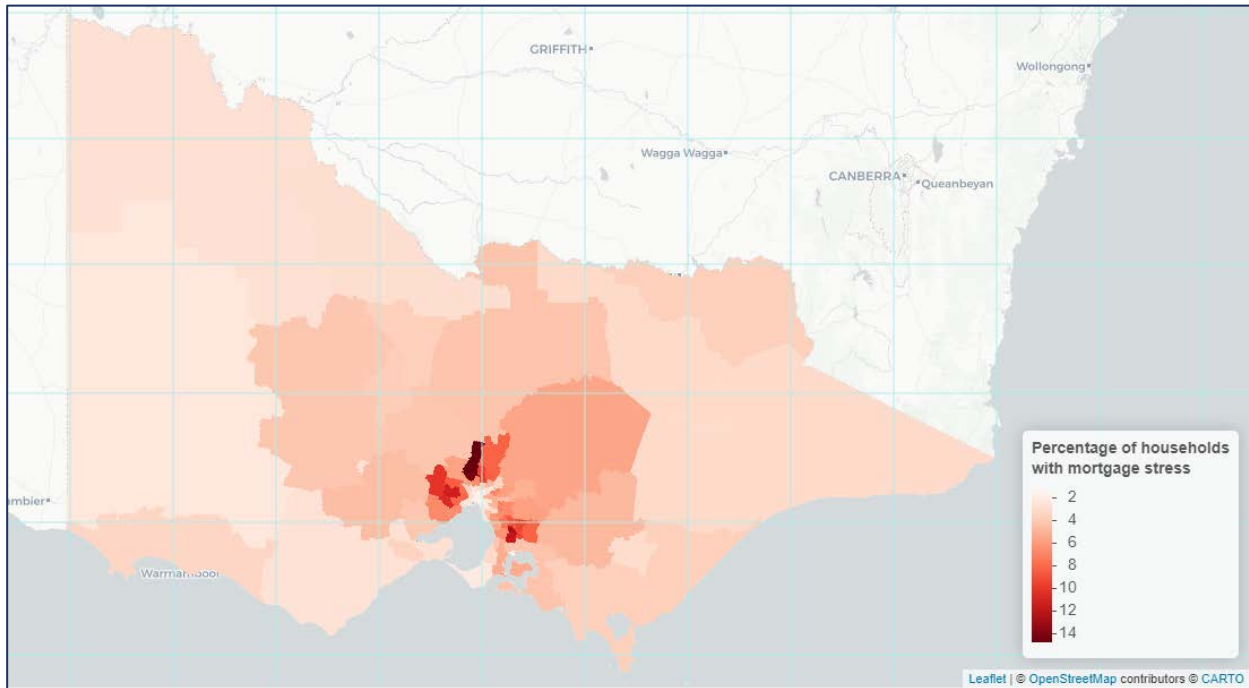
⁶⁰ *ibid.*

⁶¹ AHURI (2021) ‘Glossary: Housing affordability stress’, AHURI website.

⁶² *ibid.*

⁶³ *ibid.*

⁶⁴ ABS (2021) ‘Equivalised total household income (weekly) (HIED)’, ABS website, “Equivalised total household income is household income adjusted by the application of an equivalence scale to facilitate comparison of income levels between households of differing size and composition.”

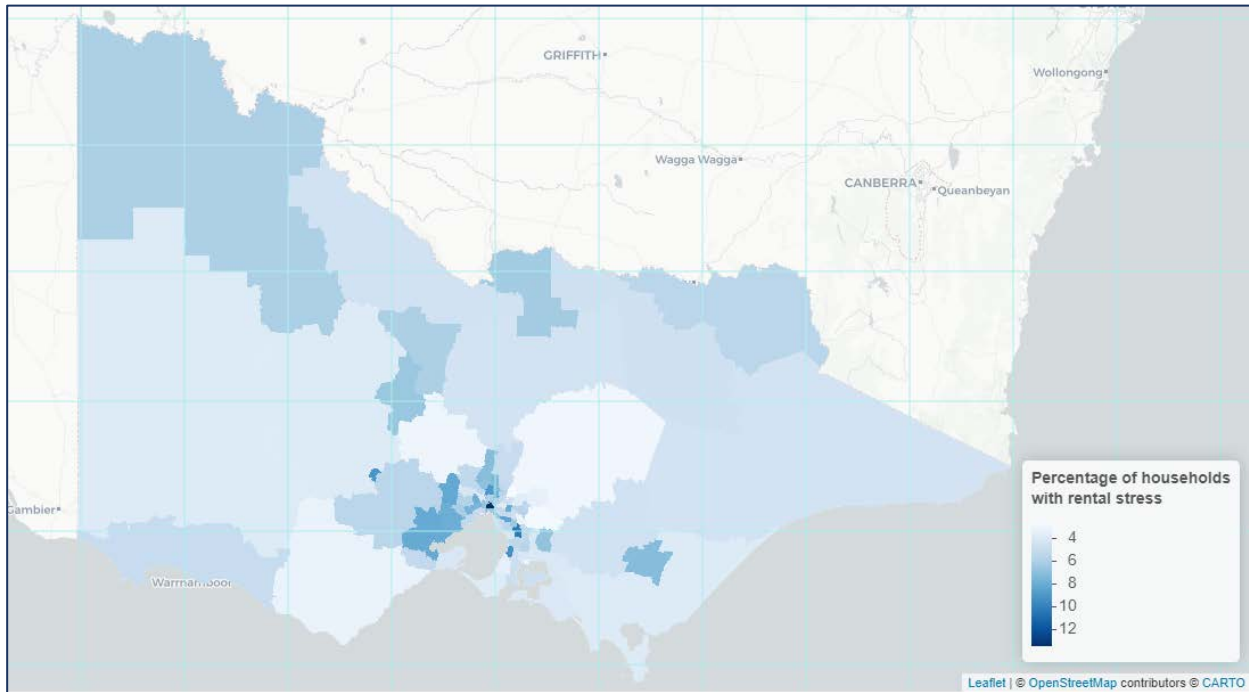
Map 5: Percentage of households experiencing mortgage stress by district, 2021 Census⁶⁵

Click to view.

As seen in Map 5, the suggested incidences of housing stress follow similar patterns to the population growth trends and overall household distribution seen in sections 1 and 2. On the one hand, mortgage stress is higher in the peripheral urban areas closer to Melbourne (although not Geelong), where there were recent increases in numbers of people and households, especially with the pattern of age distribution suggestive of the presence of younger families and adults in the age ranges between 20 and 40 years (Map 5, [Table 2](#) [click to access]). A survey at a more granular level may yield different results, however.

On the other hand, Map 6 and [Table 3](#) [click to access] present the primary trends for renter stress. The spatial distribution is very different. The largest concentration of stressed households is in Melbourne District, although there are considerable concentrations through suburbs in the north, south and west. There are also concentrations in Morwell, Wendouree and, to a lesser degree, a range of other seats across the state. As with the case of mortgage stress, a more granular analysis would provide more precise indications of the location and intensity of these trends.

⁶⁵ ABS (2021) *Census TableBuilder*, op. cit.

Map 6: Percentage of households experiencing rental stress by district, 2021 Census⁶⁶

Click to view.

The ‘baseline’ trends in housing based on the 2021 Census both follow and diverge slightly from the population and housing growth trends. The areas of higher population growth around outer Melbourne exhibit the highest levels of mortgage stress. Rental stress follows a more dispersed pattern, and the overall proportion of private renters has also increased.

b) People on Centrelink incomes

In the DFFH quarterly rental reports, data are available on the percentage of affordable rentals for people on Centrelink incomes. These data provide insight into rental affordability and rental stress.

The latest rental report for the June 2023 quarter indicates that only 1.4 per cent of one-bedroom rentals in Victoria are considered affordable to single people on Centrelink allowances. While the outlook is better in regional Victoria (9.5 per cent) for people in this cohort, only 1 per cent of rentals in metropolitan Melbourne are affordable for this group.⁶⁷

Comparatively, for a couple on income support with two children seeking a three-bedroom property, affordable rentals make up 13.5 per cent of those offered in the state, with less affordability seen in metropolitan Melbourne (8.1 per cent) than in regional Victoria (29.3 per cent).⁶⁸

c) Rental vacancy rates

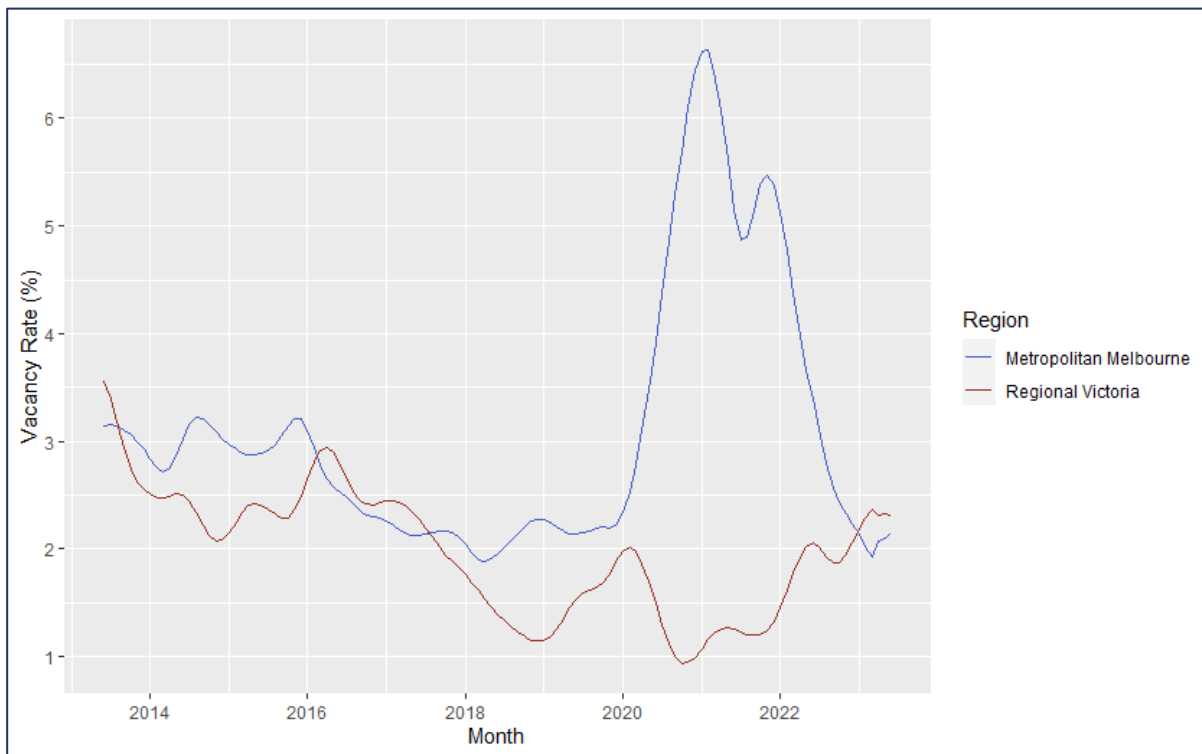
Rental vacancy rates provide another indication of stress in the housing market. According to DFFH, the latest data to June 2023 indicate that the current rental vacancy rate for metropolitan Melbourne is 2.1 per cent, and 2.3 per cent for regional Victoria.

The rental vacancy rate over the last ten years is shown in Chart 6.

⁶⁶ ABS (2021) *Census TableBuilder*, op. cit.

⁶⁷ DFFH (2023) *Rental report – June quarter 2023*, op. cit.

⁶⁸ *ibid.*

Chart 6: Rental vacancy rates in Victoria, 2013–2023⁶⁹

Click to view.

As Chart 6 demonstrates, across the peak COVID-19 pandemic years the rental vacancy rate spiked in metropolitan Melbourne and dipped in regional Victoria. Indeed, the ABS reports that the population of Melbourne declined by 60,500 people during 2020-21, while regional Victoria increased by 15,700 people.⁷⁰

One potential explanation for the change seen in metropolitan Melbourne is the departure of overseas migrants during that time. ANZ and CoreLogic report that most overseas migrants to Australia are initially renters, and that in 2021 net overseas migration was negative.⁷¹ Further, they explain that migration flows impact rental demand across regions differently, and in recent years the highest levels of net overseas migration into Australia have typically been into parts of Melbourne.⁷²

Data also show that net population outflows from Victoria more generally became positive in 2020 and 2021.⁷³

Conversely, in regional Victoria, the reduced rental vacancy rate across the peak COVID-19 years could possibly be explained by people leaving the metropolitan area to take advantage of more space, and less strict COVID-19 restrictions, in the regions.⁷⁴

By June 2023, rental vacancy rates in Victoria had returned to where they had been six years earlier.

⁶⁹ DFFH (2023) op. cit.

⁷⁰ ABS (2022) *More growth in the regions during the pandemic*, media release, 29 March.

⁷¹ ANZ & CoreLogic (2023) op. cit., p. 13.

⁷² *ibid.*

⁷³ Reid (2022) op. cit., p. 7.

⁷⁴ See: ABS (2023) *New insights into the rental market*, op. cit.; S. Deery & O. Jenkins (2021) 'Covid lockdown-weary Melburnians fleeing to country Victoria', *Herald Sun*, 20 June; R. Eddie & B. Preiss (2022) 'Melbourne's population plummets as overseas students and city dwellers depart', *The Age*, 29 March.

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