

Private Rental Affordability Bulletin Melbourne (June Quarter 2010)



State of the rental market

The TUV Private Rental Affordability Bulletin for the June 2010 Quarter finds properties let out at the median rent are not affordable for low income households. The Bulletin also finds:

- The average rental property is unaffordable to low income households, particularly for single job seekers and single pensioners. The average rental property often consumes much more than 30 percent of household income – with many households paying more than double the accepted indicator of rental stress.
- Low income households face the choice of either paying unaffordable rents or forgoing basic necessities. Many are forced to rent substandard or insecure forms of rental property such as rooming or boarding houses.
- Growth in Average Weekly Earnings and relatively stable rents in Melbourne has resulted in very slightly improved affordability for better off working families. While these households had \$19 additional income left over after rent in the June Quarter, this would be consumed by general cost of living increases.

The analysis below provides an analysis of how the Melbourne rental market performs for low income households and changes between the March and June quarter of 2010. The analysis provides the dollar figure rent level for several household types and shows how much money the household has left after paying the rent on the average rental property.

Affordable rent data is also provided for nine key suburban rental markets including Balwyn, Broadmeadows, Brunswick, Dandenong, Frankston, Ringwood, Preston, St Kilda East and Ringwood.

The private rental market and low income households

The private rental market is often viewed as a transitional tenure. It is seen as a way stop on the road between the parental home and home purchase. However, nearly a quarter of Australian households rent their home. Only a very small minority make a deliberate choice to do so as home ownership is an economically and socially preferable option. Renting in the private market is a matter of necessity for those unable to purchase a home and not eligible for a home in Australia's highly targeted and constrained public housing system.

Assistance to low income households

The major form of housing assistance provided by the Commonwealth Government is Commonwealth Rent Assistance (CRA). CRA is an income supplement with the objective of making a contribution to improved affordability rather than providing full affordability as in the direct provision of housing. The Government currently spends more than \$2.5 billion annually on rent assistance. Recent research by the AHURI RMIT Research Centre commissioned by the TUV indicates CRA payments have lagged behind rent increases in all capital cities and now cover a smaller proportion of rent than in 1995.ⁱ More than thirty percent of CRA recipients remain in housing stress.ⁱⁱ This means many recipients continue to face serious financial hardship as a direct result of the prohibitive cost of private market rents.

Methodology

Affordable housing can be measured in several ways. The TUV Private Rental Affordability Bulletin draws on two well recognised standards:

- **30% of Total Income:** For low income households (defined as being in the lowest 40% of income distribution), spending 30% or more of household income on rent is considered an indicator of housing stress.ⁱⁱⁱ
- **After Housing Poverty Line:** Poverty lines are income levels derived for various household types against which poverty can be measured. If a household's income is less than the poverty line applicable to it, then that household is considered to be in poverty.^{iv} The AHPL refers to a poverty line with housing costs removed. The figures below show the money a household has left after paying rent at the median level, with figures in red representing a negative outcome.

This is a practical approach to the issue of affordability, demonstrating how much money households have left over after paying their direct housing costs (i.e. their rent) for the other necessities of life.

The TUV Private Rental Affordability Bulletin draws on median rent data provided by the Office of Housing.^v

Analysis: Metropolitan Melbourne

Melbourne – June 2010

Household Type	Property Type	Affordable Rent		Median Rent		Diff from Poverty Line
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	
Single – Austudy	1 BR Flat	\$58.00	20.6%	\$281.00	>100%	(\$194.26)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$75.00	44.1%	\$170.00	63.2%	(\$95.06)
Single - Aged Pension	1 BR Flat	\$121.00	43.1%	\$281.00	69.0%	(\$68.01)
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	43.5%	\$340.00	68.3%	(\$137.18)
Couple (2 children) - Newstart	3 BR House	\$201.00	60.9%	\$330.00	49.3%	(\$169.09)
Couple (2 children) - AWE	3 BR House	\$379.00	114.8%	\$330.00	26.1%	\$349.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.8%	(\$16.86)

Melbourne’s rental market has stabilised somewhat, but still provides poor prospects for singles in particular. A particularly alarming finding is that the entire incomes of a single job seeker in Melbourne will be consumed by rent even if they share a two bedroom flat. An affordable rent on this income, \$75 a week, equates to less than half of the median market rent. This extremely poor outcome for single job seekers has driven the boom in substandard rooming houses as unscrupulous landlords take advantage of this vulnerable segment of the market. While couples with two children on average incomes were able to achieve affordability at the median rent, those on minimum wages face the prospect of nearly forty percent of their income being consumed by rent alone.

Melbourne – March 2010

Household Type	Property Type	Affordable Rent		Median Rent		Diff from Poverty Line
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	
Single – Austudy	1 BR Flat	\$59.00	21.1%	\$280.00	>100%	(\$194.26)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$74.00	43.5%	\$170.00	64.1%	(\$99.00)
Single - Aged Pension	1 BR Flat	\$105.00	37.5%	\$280.00	77.0%	(\$110.46)
Single Parent (1 child) - Parenting	2 BR Flat	\$142.00	41.8%	\$340.00	70.7%	(\$154.22)
Couple (2 children) - Newstart	3 BR House	\$197.00	59.7%	\$330.00	50.2%	(\$180.12)
Couple (2 children) - AWE	3 BR House	\$373.00	113.0%	\$330.00	26.5%	\$330.87
Couple (2 children) - Min Wage	3 BR House	\$259.00	78.5%	\$330.00	38.2%	(\$49.37)

Analysis: Key Suburban Markets June Quarter

Balwyn

Household Type	Property Type	Affordable Rent		Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$59.00	24.0%	\$242.00	98.7%	(\$191.06)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$75.00	42.9%	\$175.00	65.0%	(\$100.06)
Single - Aged Pension	1 BR Flat	\$121.00	50.0%	\$242.00	59.4%	(\$29.01)
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	42.3%	\$350.00	70.3%	(\$147.18)
Couple (2 children) - Newstart	3 BR House	\$201.00	42.1%	\$478.00	71.5%	(\$317.09)
Couple (2 children) – AWE	3 BR House	\$379.00	79.3%	\$478.00	37.8%	\$201.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	56.3%	\$478.00	53.3%	(\$164.86)

Broadmeadows

Household Type	Property Type	Affordable Rent		Median Rent		Diff from
		Rent	% of	Rent	% of	

		(30%TI ¹)	MR		Income	AHPL
Single - Austudy	1 BR Flat	\$58.00	23.2%	\$250.00	102.0%	(\$194.26)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	51.7%	\$145.00	53.9%	(\$70.06)
Single - Aged Pension	1 BR Flat	\$121.00	48.4%	\$250.00	61.4%	(\$37.01)
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	51.2%	\$289.00	58.0%	(\$86.18)
Couple (2 children) – Newstart	3 BR House	\$201.00	64.8%	\$310.00	46.4%	(\$149.09)
Couple (2 children) - AWE	3 BR House	\$379.00	122.3%	\$310.00	24.5%	\$369.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	86.8%	\$310.00	34.6%	\$3.14

Brunswick

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single - Austudy	1 BR Flat	\$58.00	23.2%	\$250.00	102.0%	(\$194.26)	
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	42.9%	\$175.00	65.0%	(\$100.06)	
Single - Aged Pension	1 BR Flat	\$121.00	48.4%	\$250.00	61.4%	(\$37.01)	
Single Parent (1 child) - Parenting	2 BR Flat	\$142.00	43.0%	\$330.00	68.6%	(\$144.22)	
Couple (2 children) – Newstart	3 BR House	\$201.00	40.6%	\$495.00	74.0%	(\$334.09)	
Couple (2 children) - AWE	3 BR House	\$379.00	76.6%	\$495.00	39.2%	\$184.95	
Couple (2 children) - Min Wage	3 BR House	\$269.00	54.3%	\$495.00	55.2%	(\$181.86)	

Dandenong

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	1 BR Flat	\$58.00	29.0%	\$200.00	81.6%	(\$149.06)	
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$75.00	60.0%	\$125.00	46.4%	(\$50.06)	
Single - Aged Pension	1 BR Flat	\$121.00	60.5%	\$200.00	49.1%	\$12.99	
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	59.2%	\$250.00	50.2%	(\$47.18)	
Couple (2 children) - Newstart	3 BR House	\$201.00	63.2%	\$318.00	47.6%	(\$157.09)	
Couple (2 children) – AWE	3 BR House	\$379.00	119.2%	\$318.00	25.2%	\$361.95	
Couple (2 children) - Min Wage	3 BR House	\$269.00	84.6%	\$318.00	35.5%	(\$4.86)	

Frankston

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	1 BR Flat	\$58.00	34.1%	\$170.00	69.3%	(\$119.06)	
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	62.5%	\$120.00	44.6%	(\$45.06)	
Single - Aged Pension	1 BR Flat	\$121.00	71.2%	\$170.00	41.7%	\$42.99	
Single Parent (1 child) – Parenting	2 BR Flat	\$148.00	61.7%	\$240.00	48.2%	(\$37.18)	
Couple (2 children) – Newstart	3 BR House	\$201.00	67.0%	\$300.00	44.9%	(\$139.09)	
Couple (2 children) – AWE	3 BR House	\$379.00	126.3%	\$300.00	23.7%	\$379.95	
Couple (2 children) - Min Wage	3 BR House	\$269.00	89.7%	\$300.00	33.4%	\$13.14	

Preston

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	1 BR Flat	\$58.00	28.3%	\$205.00	83.6%	(\$154.06)	
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	45.5%	\$165.00	61.3%	(\$90.06)	
Single - Aged Pension	1 BR Flat	\$121.00	59.0%	\$205.00	50.3%	\$7.99	

Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	44.8%	\$330.00	66.3%	(\$127.18)
Couple (2 children) - Newstart	3 BR House	\$201.00	52.9%	\$380.00	56.8%	(\$219.09)
Couple (2 children) - AWE	3 BR House	\$379.00	99.7%	\$380.00	30.1%	\$299.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	70.8%	\$380.00	42.4%	(\$66.86)

Ringwood

Household Type	Property Type	Affordable Rent		Rent	Median Rent % of Income	Diff from AHPL
		Rent (30%TI ¹)	% of MR			
Single – Austudy	1 BR Flat	\$58.00	29.0%	\$200.00	81.6%	(\$149.86)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	53.6%	\$140.00	52.0%	(\$65.06)
Single - Aged Pension	1 BR Flat	\$121.00	60.5%	\$200.00	49.1%	\$12.99
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	52.9%	\$280.00	56.2%	(\$77.18)
Couple (2 children) - Newstart	3 BR House	\$201.00	58.3%	\$345.00	51.6%	(\$184.09)
Couple (2 children) - AWE	3 BR House	\$379.00	109.9%	\$345.00	27.3%	\$334.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	78.0%	\$345.00	38.5%	(\$31.86)

St Kilda East

Household Type	Property Type	Affordable Rent		Rent	Median Rent % of Income	Diff from AHPL
		Rent (30%TI ¹)	% of MR			
Single – Austudy	1 BR Flat	\$58.00	21.1%	\$275.00	112.2%	(\$194.26)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	42.9%	\$175.00	65.0%	(\$100.06)
Single - Aged Pension	1 BR Flat	\$121.00	44.0%	\$275.00	67.5%	(\$62.01)
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	42.3%	\$350.00	70.3%	(\$147.18)
Couple (2 children) - Newstart	3 BR House	\$201.00	35.1%	\$573.00	85.7%	(\$412.09)
Couple (2 children) – AWE	3 BR House	\$379.00	66.1%	\$573.00	45.3%	\$106.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	46.9%	\$573.00	63.9%	(\$259.86)

Sunshine

Household Type	Property Type	Affordable Rent		Rent	Median Rent % of Income	Diff from AHPL
		Rent (30%TI ¹)	% of MR			
Single – Austudy	1 BR Flat	\$58.00	30.5%	\$190.00	77.5%	(\$139.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	68.2%	\$110.00	40.9%	(\$35.06)
Single - Aged Pension	1 BR Flat	\$121.00	63.7%	\$190.00	46.7%	\$22.99
Single Parent (1 child) - Parenting	2 BR Flat	\$148.00	67.3%	\$220.00	44.2%	(\$17.18)
Couple (2 children) - Newstart	3 BR House	\$201.00	69.6%	\$289.00	43.2%	(\$128.09)
Couple (2 children) – AWE	3 BR House	\$379.00	131.1%	\$289.00	22.9%	\$390.95
Couple (2 children) - Min Wage	3 BR House	\$269.00	93.1%	\$289.00	32.2%	\$24.14

Notes

ⁱ AHURI RMIT Research Centre 2010 Falling Behind: The growing gap between rent and rent assistance 1995-2009.

ⁱⁱ Australian Institute of Health and Wellbeing, Australia's Welfare 2009.

ⁱⁱⁱ A 'housing first' measure of affordability originally derived from commercial lending terms. The assumption is that housing costs have first priority out of the household income.

^{iv} The Henderson Commission of Inquiry into Poverty (1975) established the poverty line, based on a benchmark income of \$62.70 for a family of two adults and two dependent children in the September quarter of 1973. This amount was the disposable income required to support the basic needs of a family of this size. Poverty lines for other household types are derived from this benchmark figures using equivalence scales. Since then, the Melbourne Institute of Applied Economic and Social Research has updated the HPL using an index of per capita household disposable income, calculated using estimates provided by the Australian Bureau of Statistics (ABS). Thus, because the index is based on estimates, the poverty lines themselves are estimates. Also, updating poverty lines according to changes in household disposable income means that the poverty lines are relative levels of poverty - as real incomes rise, so will poverty lines. The value of the poverty lines will therefore be generally stable relative to general standards of living.

^v Office of Housing Rental Report June Quarter 2010..