

# Private Rental Affordability Bulletin Melbourne (December Quarter 2010)



## Background

### State of the rental market

The TUV Melbourne Rental Affordability Bulletin shows that average rental properties are no longer affordable for those households on low incomes. The Bulletin reveals:

- The average rental property is unaffordable to low income households, particularly for single job seekers and single pensioners. The average rental property often consumes considerably 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.

The tables below show how nine suburban rental markets are performing for low income households. For each suburb the tables show dollar figures for an affordable rent and the actual quarterly median rent for suitable properties for a range of household types. The last two columns show the percentage of income consumed by the median rent and measures the household's remaining income against the After Housing Poverty Line.

## Methodology

### Affordability

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

- **30% of Total Income (30%TI):** 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.<sup>i</sup>
- **After Housing Poverty Line (AHPL):** Poverty lines are income levels derived for various household types against which poverty can be measured. Simply, if a household's income is less than the poverty line applicable to it, then that household is considered to be in poverty.<sup>ii</sup> The AHPL refers to a poverty line with housing costs removed.

The TUV supports a practical approach to the issue of affordability, believing that it is best demonstrated by households having sufficient income left over after paying their direct housing costs (i.e. their rent) for the other necessities of life.

## Analysis

### Balwyn

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	1 BR Flat	\$58.00	25.1%	\$231.00	<b>93.9%</b>	(\$191.96)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$76.00	46.1%	\$165.00	<b>60.4%</b>	(\$98.81)
Single - Aged Pension	1 BR Flat	\$124.00	53.7%	\$231.00	<b>55.6%</b>	(\$22.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	45.2%	\$330.00	<b>65.4%</b>	(\$140.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	42.3%	\$480.00	<b>71.0%</b>	(\$345.28)
Couple (2 children) – AWE	3 BR House	\$388.00	80.8%	\$480.00	<b>37.1%</b>	\$189.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	56.0%	\$480.00	<b>53.5%</b>	(\$204.35)

## Broadmeadows

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	1 BR Flat	\$58.00	27.0%	\$215.00	<b>87.4%</b>	(\$175.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	52.4%	\$145.00	<b>53.1%</b>	(\$78.81)
Single - Aged Pension	1 BR Flat	\$124.00	57.7%	\$215.00	<b>51.7%</b>	(\$6.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	51.6%	\$289.00	<b>57.3%</b>	(\$99.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	61.0%	\$333.00	<b>49.3%</b>	(\$198.28)
Couple (2 children) - AWE	3 BR House	\$388.00	116.5%	\$333.00	25.8%	\$336.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	80.8%	\$333.00	<b>37.1%</b>	(\$57.35)

## Brunswick

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	1 BR Flat	\$58.00	21.1%	\$275.00	<b>&gt;100%</b>	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	43.4%	\$175.00	<b>64.0%</b>	(\$108.81)
Single - Aged Pension	1 BR Flat	\$124.00	45.1%	\$275.00	<b>66.2%</b>	(\$66.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	42.6%	\$350.00	<b>69.4%</b>	(\$160.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	38.4%	\$528.00	<b>78.1%</b>	(\$393.28)
Couple (2 children) - AWE	3 BR House	\$388.00	73.5%	\$528.00	<b>40.9%</b>	\$141.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	50.9%	\$528.00	<b>58.8%</b>	(\$252.35)

## Dandenong

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	1 BR Flat	\$58.00	29.0%	\$200.00	<b>81.3%</b>	(\$160.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	60.8%	\$125.00	<b>45.7%</b>	(\$58.81)
Single - Aged Pension	1 BR Flat	\$124.00	62.0%	\$200.00	<b>48.1%</b>	\$8.59
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	59.6%	\$250.00	<b>49.6%</b>	(\$60.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	75.2%	\$270.00	<b>39.9%</b>	(\$135.28)
Couple (2 children) - AWE	3 BR House	\$388.00	143.7%	\$270.00	20.9%	\$399.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	99.6%	\$270.00	<b>30.1%</b>	\$5.65

## Frankston

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	1 BR Flat	\$58.00	29.0%	\$200.00	<b>81.3%</b>	(\$160.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	60.8%	\$125.00	<b>45.7%</b>	(\$58.81)
Single - Aged Pension	1 BR Flat	\$124.00	62.0%	\$200.00	<b>48.1%</b>	\$8.59
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	59.6%	\$250.00	<b>49.6%</b>	(\$60.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	65.5%	\$310.00	<b>45.9%</b>	(\$175.28)
Couple (2 children) - AWE	3 BR House	\$388.00	125.2%	\$310.00	24.0%	\$359.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	86.8%	\$310.00	<b>34.5%</b>	(\$34.35)

## Preston

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single – Austudy	1 BR Flat	\$58.00	22.7%	\$255.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	46.1%	\$165.00	60.4%	(\$98.81)
Single - Aged Pension	1 BR Flat	\$124.00	48.6%	\$255.00	61.3%	(\$46.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	45.2%	\$330.00	65.4%	(\$140.36)
Couple (2 children) – Newstart	3 BR House	\$203.00	51.7%	\$393.00	58.1%	(\$258.28)
Couple (2 children) - AWE	3 BR House	\$388.00	98.7%	\$393.00	30.4%	\$276.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	68.4%	\$393.00	43.8%	(\$117.35)

## Ringwood

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	1 BR Flat	\$58.00	29.0%	\$200.00	81.3%	(\$160.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	51.7%	\$147.00	53.8%	(\$80.81)
Single - Aged Pension	1 BR Flat	\$124.00	62.0%	\$200.00	48.1%	\$8.59
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	50.9%	\$293.00	58.1%	(\$103.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	56.4%	\$360.00	53.3%	(\$225.28)
Couple (2 children) - AWE	3 BR House	\$388.00	107.8%	\$360.00	27.9%	\$309.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	74.7%	\$360.00	40.1%	(\$84.35)

## St Kilda East

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single – Austudy	1 BR Flat	\$58.00	20.7%	\$280.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	41.1%	\$185.00	67.7%	(\$118.81)
Single - Aged Pension	1 BR Flat	\$124.00	44.3%	\$280.00	67.4%	(\$71.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	40.3%	\$370.00	73.4%	(\$180.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	37.2%	\$545.00	80.6%	(\$410.28)
Couple (2 children) - AWE	3 BR House	\$388.00	71.2%	\$545.00	42.2%	\$124.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	49.4%	\$545.00	60.7%	(\$269.35)

## Sunshine

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single – Austudy	1 BR Flat	\$58.00	30.1%	\$193.00	78.4%	(\$153.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	63.3%	\$120.00	43.9%	(\$53.81)
Single - Aged Pension	1 BR Flat	\$124.00	64.2%	\$193.00	46.4%	\$15.59
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	62.1%	\$240.00	47.6%	(\$50.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	68.8%	\$295.00	43.6%	(\$160.28)
Couple (2 children) - AWE	3 BR House	\$388.00	131.5%	\$295.00	22.8%	\$374.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	91.2%	\$295.00	32.9%	(\$19.35)

## Notes

<sup>i</sup> 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.

<sup>ii</sup> 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.