

Private Rental Affordability Bulletin Melbourne (March Quarter 2012)



Key findings

This issue of the TUV Private Rental Affordability Bulletin demonstrates that affordability for low income households remains at critically low levels across the Melbourne metropolitan area. Figures from the latest State Government Rental Report add detail to this picture showing that while vacancy rates have been improving and rents have stabilised over the past few quarters, the proportion of rental lettings affordable to low income households continues to fall.ⁱ

TUV's analysis below shows that all households relying on Centrelink income support are faced with severely unaffordable rents across a wide spread of Melbourne's suburbs. While renting in Balwyn and St Kilda East has long been unaffordable for these household types, figures for formerly affordable suburbs such as Sunshine, Dandenong and Frankston show that median rents are also well over the affordability threshold for households dependent on income support.

Low income households locked out of renting at the median level are forced to make trade-offs which have serious implications for their health and wellbeing. TUV caseworkers talk daily to low income renters who have adopted a variety of strategies to try to survive in an unaffordable private rental market. These include; aged pensioners paying 60 to 70 percent of their income in rent, students living in sub-standard and over-priced rooming houses, single parents living in squalid conditions in order to put a roof over their heads and renters relocating to metropolitan fringe suburbs where rents are more affordable but employment prospects are reduced and other costs such as transport are likely to increase.

The extent of the affordability crisis in the private rental market is underscored by figures for a four person family living on the minimum wage. The tables below show that median rents for a 3 bedroom house are over the 30% of income affordability threshold for this household type in all suburbs surveyed.

Methodology

Affordable housing can be measured in several ways. The TUV Rental Affordability Bulletin draws on two 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.ⁱⁱ
- **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.ⁱⁱⁱ The AHPL refers to a poverty line with housing costs removed. The figures below show how far above or below the poverty line a household is after paying rent at the median level in dollar terms.

'Min Wage' refers to minimum wages workers and 'AWE' refers to Average Weekly Earnings. Examples of the former include child care, retail and hospitality workers, while the latter includes workers such as nurses, teachers and administrative workers.

The TUV Private Rental Affordability Bulletin draws data provided by the Office of Housing and a range of income data sources.^{iv}

Analysis

Balwyn

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$63.00	22.9%	\$275.00	105.3%	(\$227.58)
Single - Newstart	1 BR Flat	\$79.00	28.7%	\$275.00	90.7%	(\$199.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	43.9%	\$180.00	63.6%	(\$124.38)
Single - Aged Pension	1 BR Flat	\$130.00	47.3%	\$275.00	63.3%	(\$68.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	43.3%	\$360.00	68.6%	(\$180.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	44.3%	\$490.00	67.8%	(\$362.42)
Couple (2 children) - AWE	3 BR House	\$451.00	92.0%	\$490.00	32.6%	\$329.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	54.9%	\$490.00	54.6%	(\$275.89)

Broadmeadows

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$63.00	27.4%	\$230.00	88.1%	(\$196.53)
Single - Newstart	1 BR Flat	\$79.00	34.3%	\$230.00	75.9%	(\$154.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	56.4%	\$140.00	49.4%	(\$84.38)
Single - Aged Pension	1 BR Flat	\$130.00	56.5%	\$230.00	53.0%	(\$23.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	55.7%	\$280.00	53.3%	(\$100.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	70.0%	\$310.00	42.9%	(\$182.42)
Couple (2 children) - AWE	3 BR House	\$451.00	145.5%	\$310.00	20.6%	\$509.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	86.8%	\$310.00	34.5%	(\$95.89)

Brunswick

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$63.00	22.5%	\$280.00	107.3%	(\$227.58)
Single - Newstart	1 BR Flat	\$79.00	28.2%	\$280.00	92.4%	(\$204.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	42.0%	\$188.00	66.4%	(\$132.38)
Single - Aged Pension	1 BR Flat	\$130.00	46.4%	\$280.00	64.5%	(\$73.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	41.6%	\$375.00	71.4%	(\$195.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	40.9%	\$530.00	73.4%	(\$402.42)
Couple (2 children) - AWE	3 BR House	\$451.00	85.1%	\$530.00	35.2%	\$289.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	50.8%	\$530.00	59.0%	(\$315.89)

Dandenong

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$63.00	28.6%	\$220.00	84.3%	(\$186.53)
Single - Newstart	1 BR Flat	\$79.00	35.9%	\$220.00	72.6%	(\$144.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	58.5%	\$135.00	47.7%	(\$79.38)
Single - Aged Pension	1 BR Flat	\$130.00	59.1%	\$220.00	50.7%	(\$13.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	57.8%	\$270.00	51.4%	(\$90.86)

Couple (2 children) – Newstart	3 BR House	\$217.00	65.8%	\$330.00	45.7%	(\$202.42)
Couple (2 children) – AWE	3 BR House	\$451.00	136.7%	\$330.00	21.9%	\$489.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.7%	(\$115.89)

Frankston

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$63.00	35.0%	\$180.00	69.0%	(\$146.53)
Single - Newstart	1 BR Flat	\$79.00	43.9%	\$180.00	59.4%	(\$104.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	60.8%	\$130.00	45.9%	(\$74.38)
Single - Aged Pension	1 BR Flat	\$130.00	72.2%	\$180.00	41.5%	\$26.52
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	60.0%	\$260.00	49.5%	(\$80.86)
Couple (2 children) – Newstart	3 BR House	\$217.00	71.1%	\$305.00	42.2%	(\$177.42)
Couple (2 children) - AWE	3 BR House	\$451.00	147.9%	\$305.00	20.3%	\$514.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	88.2%	\$305.00	34.0%	(\$90.89)

Preston

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$63.00	25.2%	\$250.00	95.8%	(\$216.53)
Single - Newstart	1 BR Flat	\$79.00	31.6%	\$250.00	82.5%	(\$174.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	45.1%	\$175.00	61.8%	(\$119.38)
Single - Aged Pension	1 BR Flat	\$130.00	52.0%	\$250.00	57.6%	(\$43.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	44.6%	\$350.00	66.7%	(\$170.86)
Couple (2 children) – Newstart	3 BR House	\$217.00	54.3%	\$400.00	55.4%	(\$272.42)
Couple (2 children) - AWE	3 BR House	\$451.00	112.8%	\$400.00	26.6%	\$419.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	67.3%	\$400.00	44.5%	(\$185.89)

Ringwood

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$63.00	24.2%	\$260.00	99.6%	(\$226.53)
Single - Newstart	1 BR Flat	\$79.00	30.4%	\$260.00	85.8%	(\$184.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	52.7%	\$150.00	53.0%	(\$94.38)
Single - Aged Pension	1 BR Flat	\$130.00	50.0%	\$260.00	59.9%	(\$53.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	52.0%	\$300.00	57.2%	(\$120.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	59.8%	\$363.00	50.2%	(\$235.42)
Couple (2 children) - AWE	3 BR House	\$451.00	124.2%	\$363.00	24.1%	\$456.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	74.1%	\$363.00	40.4%	(\$148.89)

St Kilda East

Household Type	Property Type	Affordable Rent		Median Rent		Difference from
		Rent (30%TI ¹)	% of MR	Rent	% of Income	

				AHPL		
Single – Austudy	1 BR Flat	\$63.00	21.0%	\$300.00	114.9%	(\$227.58)
Single - Newstart	1 BR Flat	\$79.00	26.3%	\$300.00	99.0%	(\$224.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	41.6%	\$190.00	67.1%	(\$134.38)
Single - Aged Pension	1 BR Flat	\$130.00	43.3%	\$300.00	69.1%	(\$93.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	41.1%	\$380.00	72.4%	(\$200.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	32.4%	\$670.00	92.7%	(\$542.42)
Couple (2 children) - AWE	3 BR House	\$451.00	67.3%	\$670.00	44.6%	\$149.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	40.1%	\$670.00	74.6%	(\$455.89)

Sunshine

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$63.00	31.5%	\$200.00	76.6%	(\$166.53)
Single - Newstart	1 BR Flat	\$79.00	39.5%	\$200.00	66.0%	(\$124.48)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	65.8%	\$120.00	42.4%	(\$64.38)
Single - Aged Pension	1 BR Flat	\$130.00	65.0%	\$200.00	46.1%	\$6.52
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	65.0%	\$240.00	45.7%	(\$60.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	72.3%	\$300.00	41.5%	(\$172.42)
Couple (2 children) - AWE	3 BR House	\$451.00	150.3%	\$300.00	20.0%	\$519.66
Couple (2 children) - Min Wage	3 BR House	\$269.00	89.7%	\$300.00	33.4%	(\$85.89)

Household Type	Income Components	Maximum Total Weekly Income*
Single - Austudy	Austudy CRA	\$261.05
Single (>21 yrs) - Newstart	Newstart CRA	\$303.10
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$283.20
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$434.10
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$524.93
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$722.52
Couple (2 children) - AWE	Average Weekly Income Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$1,503.56
Couple (2 children) - Min Wage	Weekly Minimum Wage Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2)	\$898.01

	Family Tax Benefit B (Children 5-15) CRA	
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ⁱ Department of Human Services, Rental Report, March quarter 2012

ⁱⁱ 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.

ⁱⁱⁱ 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.

^{iv} Rent data is based on data collected by the Office of Housing available at www.housing.vic.gov.au. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.