

Private Rental Affordability Bulletin Melbourne (June Quarter 2012)



Key Findings

Rental pricing data for the June quarter indicates that, despite stability in prices over the quarter, rents across the metropolitan area remain unaffordable.

Renting remains critically unaffordable for lower income households, particularly those receiving Centrelink support.

Students and jobseekers are particularly affected, with rent accounting for upwards of two thirds of weekly income across the suburbs surveyed. This includes outer-suburban areas such as Dandenong and Ringwood, where transport costs are typically higher than inner-city areas. Rental prices in the inner-city suburbs of Brunswick and St Kilda East remain at critically high levels for low-income earners.

A couple on Newstart renting a one bedroom flat in Brunswick would be paying almost 80 per cent of their income in rent.

Similarly, a single person on Newstart in Dandenong would be paying 80 per cent of their income for a one bedroom apartment, leaving little income for non-housing expenses.

A single parent in St Kilda renting a two bedroom unit would be spending 70 per cent of their income on housing costs.

Such households are likely to have greater non-housing expenses than single person or couple households.

An aged pensioner in Dandenong in a one bedroom unit would be paying nearly 50 per cent of their income in rent.

Those on low incomes are considered to be in "housing stress" if they spend 30 per cent or more of their income on housing costs.

TUV is regularly contacted by tenants who are struggling to pay their rent.

Throughout November and December 2012, TUV assisted some 73 clients who were in rental arrears, many of whom are facing imminent eviction. The majority of these clients were from households in metropolitan Melbourne.

The vacancy rate in Melbourne fell from 2.2 per cent over the quarter to March to 2.0 per cent over this quarter.

A vacancy rate of 3 per cent is said to reflect a 'balanced market', whereby tenants have access to a reasonable number of properties. Anything below 3 per cent favours landlords, which may result in rent bidding and lower-income tenants being priced out of the market.

With Christmas just around the corner, low-income households are likely to be under increased financial pressure. The extra burden of Christmas impacts upon income ordinarily dedicated to housing and other essential goods and services and means that tenants face the risk of rental arrears.

Christmas costs are not the only cause for financial pressure among Melbourne rental households.

The Victorian *Essential Services Commission* has released a performance report on electricity markets for 2011-2012, which indicates that rather than providing assistance to customers experiencing financial hardship, suppliers are increasingly disconnecting services for non-payment.ⁱ

The levels of service disconnection over 2011-2012 (approximately 1 per cent of residential electricity customers and 1.1 per cent of residential gas customers) are high in terms of historical and interstate rates. Despite these increases in rates of disconnection, the number of customers on financial hardship programs has remained stable, and in some instances decreased.

A second Report by the Essential Services Commission, which focused on pricing, has found that costs of energy from different suppliers vary significantly.ⁱⁱ Customers must ‘shop around’ for the best deal, which may have conditions including a fixed term and/or early exit fees. Such contracts are unlikely to suit renters, who may not wish to agree to a contract that is longer than the length of their lease. Thus, renters may not be able to receive the same electricity discounts and contracts available to home owners.

It is clear that the ongoing high cost of rent, combined with the rising utility costs, will compound the financial pressures on Victorian renters this Christmas.

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.ⁱⁱⁱ
- **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.^{iv} 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 on data provided by the Office of Housing and a range of income data sources.^v

Analysis

Balwyn		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$62.00	21.8%	\$285.00	109.0%	(\$229.44)
Single - Newstart	1 BR Flat	\$79.00	27.7%	\$285.00	93.5%	(\$209.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	43.9%	\$180.00	63.2%	(\$124.53)
Single - Aged Pension	1 BR Flat	\$131.00	46.0%	\$285.00	65.1%	(\$76.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	43.6%	\$360.00	68.1%	(\$179.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	44.0%	\$480.00	68.4%	(\$377.95)
Couple (2 children) – AWE	3 BR House	\$441.00	91.9%	\$480.00	32.7%	\$300.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	56.0%	\$480.00	53.5%	(\$271.55)

Broadmeadows		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$62.00	31.0%	\$200.00	76.5%	(\$167.99)
Single - Newstart	1 BR Flat	\$79.00	39.5%	\$200.00	65.6%	(\$124.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	54.5%	\$145.00	50.9%	(\$89.53)
Single - Aged Pension	1 BR Flat	\$131.00	65.5%	\$200.00	45.7%	\$8.41
Single Parent (1 child) – Parenting	2 BR Flat	\$157.00	54.1%	\$290.00	54.8%	(\$109.67)
Couple (2 children) – Newstart	3 BR House	\$211.00	65.9%	\$320.00	45.6%	(\$217.95)
Couple (2 children) - AWE	3 BR House	\$441.00	137.8%	\$320.00	21.8%	\$460.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	84.1%	\$320.00	35.6%	(\$111.55)

Brunswick		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$62.00	23.0%	\$270.00	103.3%	(\$229.44)
Single - Newstart	1 BR Flat	\$79.00	29.3%	\$270.00	88.5%	(\$194.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	45.1%	\$175.00	61.4%	(\$119.53)
Single - Aged Pension	1 BR Flat	\$131.00	48.5%	\$270.00	61.7%	(\$61.59)
Single Parent (1 child) – Parenting	2 BR Flat	\$157.00	44.9%	\$350.00	66.2%	(\$169.67)
Couple (2 children) – Newstart	3 BR House	\$211.00	38.4%	\$550.00	78.4%	(\$447.95)
Couple (2 children) – AWE	3 BR House	\$441.00	80.2%	\$550.00	37.4%	\$230.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	48.9%	\$550.00	61.3%	(\$341.55)

Dandenong		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$62.00	29.5%	\$210.00	80.3%	(\$177.99)
Single - Newstart	1 BR Flat	\$79.00	37.6%	\$210.00	68.9%	(\$134.49)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$79.00	62.7%	\$126.00	44.2%	(\$70.53)
Single - Aged Pension	1 BR Flat	\$131.00	62.4%	\$210.00	48.0%	(\$1.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	62.3%	\$252.00	47.6%	(\$71.67)
Couple (2 children) – Newstart	3 BR House	\$211.00	64.9%	\$325.00	46.3%	(\$222.95)
Couple (2 children) – AWE	3 BR House	\$441.00	135.7%	\$325.00	22.1%	\$455.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	82.8%	\$325.00	36.2%	(\$116.55)

Frankston		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$62.00	32.6%	\$190.00	72.7%	(\$157.99)
Single - Newstart	1 BR Flat	\$79.00	41.6%	\$190.00	62.3%	(\$114.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	59.8%	\$132.00	46.3%	(\$76.53)
Single - Aged Pension	1 BR Flat	\$131.00	68.9%	\$190.00	43.4%	\$18.41
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	59.7%	\$263.00	49.7%	(\$82.67)
Couple (2 children) – Newstart	3 BR House	\$211.00	65.9%	\$320.00	45.6%	(\$217.95)
Couple (2 children) - AWE	3 BR House	\$441.00	137.8%	\$320.00	21.8%	\$460.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	84.1%	\$320.00	35.6%	(\$111.55)

Preston		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$62.00	30.5%	\$203.00	77.6%	(\$170.99)
Single - Newstart	1 BR Flat	\$79.00	38.9%	\$203.00	66.6%	(\$127.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	46.5%	\$170.00	59.7%	(\$114.53)
Single - Aged Pension	1 BR Flat	\$131.00	64.5%	\$203.00	46.4%	\$5.41
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	46.2%	\$340.00	64.3%	(\$159.67)
Couple (2 children) – Newstart	3 BR House	\$211.00	54.4%	\$388.00	55.3%	(\$285.95)
Couple (2 children) - AWE	3 BR House	\$441.00	113.7%	\$388.00	26.4%	\$392.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	69.3%	\$388.00	43.2%	(\$179.55)

Ringwood

Affordable Rent

Median Rent

Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$62.00	27.0%	\$230.00	88.0%	(\$197.99)
Single - Newstart	1 BR Flat	\$79.00	34.3%	\$230.00	75.4%	(\$154.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	52.7%	\$150.00	52.6%	(\$94.53)
Single - Aged Pension	1 BR Flat	\$131.00	57.0%	\$230.00	52.5%	(\$21.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	52.3%	\$300.00	56.7%	(\$119.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	58.1%	\$363.00	51.7%	(\$260.95)
Couple (2 children) - AWE	3 BR House	\$441.00	121.5%	\$363.00	24.7%	\$417.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	74.1%	\$363.00	40.4%	(\$154.55)

St Kilda East		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30 of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$62.00	22.1%	\$280.00	107.1%	(\$229.44)
Single - Newstart	1 BR Flat	\$79.00	28.2%	\$280.00	91.8%	(\$204.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	41.6%	\$190.00	66.7%	(\$134.53)
Single - Aged Pension	1 BR Flat	\$131.00	46.8%	\$280.00	63.9%	(\$71.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	41.3%	\$380.00	71.8%	(\$199.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	30.4%	\$695.00	99.0%	(\$592.95)
Couple (2 children) - AWE	3 BR House	\$441.00	63.5%	\$695.00	47.3%	\$85.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	38.7%	\$695.00	77.4%	(\$486.55)

Sunshine		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$62.00	31.0%	\$200.00	76.5%	(\$167.99)
Single - Newstart	1 BR Flat	\$79.00	39.5%	\$200.00	65.6%	(\$124.49)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	63.2%	\$125.00	43.9%	(\$69.53)
Single - Aged Pension	1 BR Flat	\$131.00	65.5%	\$200.00	45.7%	\$8.41
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	62.8%	\$250.00	47.3%	(\$69.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	70.8%	\$298.00	42.5%	(\$195.95)
Couple (2 children) - AWE	3 BR House	\$441.00	148.0%	\$298.00	20.3%	\$482.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	90.3%	\$298.00	33.2%	(\$89.55)

Notes

- i Essential Services Commission 2012, *Energy retailers comparative performance report—customer service 2011-12*, December
- ii Essential Services Commission 2012, *Energy retailers comparative performance report—pricing 2011-12*, September
- 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 Rent data is based on quarterly rental bond payments obtained from the Office of Housing. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.

Household Type	Income Components	Maximum Total Weekly Income*
Single - Austudy	Austudy CRA	\$261.45
Single (>21 yrs) - Newstart	Newstart CRA	\$304.95
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$284.92
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$437.85
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$528.95
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$701.84
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	\$1,469.52
Couple (2 children) - Min Wage	Weekly Minimum Wage Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$897.93

* Total weekly income for households in the tables above is less than the maximum where households are not eligible for maximum CRA payments.