

Private Rental Affordability Bulletin Capital Cities (March Quarter 2011)



State of the rental market

The TUV National Rental Affordability Bulletin has found 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 – the accepted indicator of rental stress – with many households paying nearly double.
- 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 provide an analysis of rental markets in Adelaide, Brisbane, Canberra, Darwin, Hobart, Melbourne, Perth and Sydney. For each city 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

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

- **30% of Total Income:** For low income households (defined as being in the lowest 40 percent of income distribution), spending 30 percent or more of household income on rent is considered an indicator of housing stress.ⁱ
- **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.ⁱⁱ 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 National Private Rental Affordability Bulletin draws on a range of sources for median rent levels and national income data.ⁱⁱⁱ

Analysis

Adelaide

Household Type	Property Type	Affordable Rent		Median Rent		
		(30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	24.1%	\$249.00	98.8%	(\$204.48)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	55.3%	\$137.50	50.3%	(\$72.18)
Single - Aged Pension	1 BR Flat	\$124.00	49.8%	\$249.00	59.9%	(\$40.78)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	54.2%	\$275.00	54.5%	(\$85.92)
Couple (2 children) - Newstart	3 BR House	\$203.00	63.4%	\$320.00	47.3%	(\$186.24)
Couple (2 children) - AWE	3 BR House	\$388.00	121.3%	\$320.00	24.8%	\$348.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	84.1%	\$320.00	35.6%	(\$45.46)

There was an increase in median rents in Adelaide for all property types over the last quarter and vacancy rates remain tight. While Adelaide appears to be a more affordable option for low income tenants than most other capital cities, low income tenants are still experiencing significant housing stress. A single parent with one child renting a two bedroom flat at the median rent is paying more than half their Centrelink income on rent. A couple with two children living on the minimum wage is paying more than 30 percent of their income in rent for an average three bedroom house.

Brisbane

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	21.4%	\$280.00	>100%	(\$207.43)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	40.5%	\$187.50	68.6%	(\$122.18)
Single - Aged Pension	1 BR Flat	\$124.00	44.3%	\$280.00	67.4%	(\$71.78)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	39.7%	\$375.00	74.4%	(\$185.92)
Couple (2 children) - Newstart	3 BR House	\$203.00	52.1%	\$390.00	57.7%	(\$256.24)
Couple (2 children) - AWE	3 BR House	\$388.00	99.5%	\$390.00	30.2%	\$278.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	69.0%	\$390.00	43.4%	(\$115.46)

Brisbane rents have risen over the quarter for all household types. The overall picture shows all households types experiencing some degree of housing stress renting at the median rent. Families with average weekly earnings renting a 3 bedroom house are on the threshold of affordability with the median rent consuming 30 percent of their weekly income. Other household types are experiencing significant housing stress. Singles on Centrelink benefits would need to pay two-thirds of their income in rent for a suitably sized property. A couple with two children living on the minimum wage would still be well over the 30 percent affordability threshold paying for an average three bedroom dwelling.

Canberra

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	2 BR Flat	\$60.00	16.7%	\$360.00	>100%	(\$207.43)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	42.2%	\$180.00	65.9%	(\$114.18)
Single - Aged Pension	2 BR Flat	\$124.00	34.4%	\$360.00	86.6%	(\$151.78)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	41.4%	\$360.00	71.4%	(\$170.92)
Couple (2 children) - Newstart	3 BR House	\$203.00	49.5%	\$410.00	60.7%	(\$276.24)
Couple (2 children) - AWE	3 BR House	\$388.00	94.6%	\$410.00	31.7%	\$258.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	65.6%	\$410.00	45.7%	(\$135.46)

Canberra remains one of the least affordable cities for low income households renting. All households types listed above would be paying more than the 30 percent affordability threshold for an average suitably sized property. There was no reliable data available for median rents for one bedroom flats in Canberra due to the small number of such properties available. The table above has substituted the median rent for a two bedroom flat. That a tenant might opt to take a lease for a property that is larger than they need and more expensive than they can afford is a well documented consequence of the shortage of rental accommodation in many cities. In Canberra even a couple on average weekly earnings are pushed into housing stress to pay for a three bedroom property at the median rent.

Darwin

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	20.3%	\$296.00	>100%	(\$207.06)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	37.5%	\$202.50	74.1%	(\$137.18)
Single - Aged Pension	1 BR Flat	\$124.00	41.9%	\$296.00	71.2%	(\$87.78)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	42.6%	\$526.00	70.5%	(\$298.98)

Couple (2 children) – Newstart	3 BR House	\$203.00	38.6%	\$526.00	77.8%	(\$392.24)
Couple (2 children) - AWE	3 BR House	\$388.00	73.8%	\$526.00	40.7%	\$142.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	51.1%	\$526.00	58.6%	(\$251.46)

Darwin remains among the least affordable cities for low income renters with all household types in significant housing stress at median rent levels. While couples with two children on average weekly earnings are at or close to affordable rent levels in other capital cities, the median rent for a 3 bedroom house in Darwin consumes 40 percent of household income. Households dependent on Centrelink benefits face severely unaffordable rents for suitable properties. A couple on Newstart face devoting more than three quarters of their income to the rent for an average three bedroom property.

Hobart

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$60.00	30.0%	\$200.00	79.4%	(\$155.48)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	53.3%	\$142.50	52.2%	(\$77.18)
Single - Aged Pension	1 BR Flat	\$124.00	62.0%	\$200.00	48.1%	\$8.22
Single Parent (1 child) – Parenting	2 BR Flat	\$149.00	52.3%	\$285.00	56.5%	(\$95.92)
Couple (2 children) - Newstart	3 BR House	\$203.00	56.4%	\$360.00	53.3%	(\$226.24)
Couple (2 children) - AWE	3 BR House	\$388.00	107.8%	\$360.00	27.9%	\$308.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	74.7%	\$360.00	40.1%	(\$85.46)

Median rents in Hobart have risen over the quarter for most property types. The median rent for a three bedroom house in Hobart has risen nearly 10 percent over the quarter. While rents are generally cheaper in Hobart than other cities, the figures show median rents for suitably sized properties are still unaffordable for most household types. Singles and families dependent on Centrelink benefits face paying more than half their weekly income in rent for an average property. Even couples with two children living on average weekly earnings are looking at paying 28 percent of their income in rent for a three bedroom house at the median rent which means, only just under the 30 percent affordability threshold.

Melbourne

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	20.7%	\$290.00	>100%	(\$207.43)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	43.4%	\$175.00	64.0%	(\$109.18)
Single - Aged Pension	1 BR Flat	\$124.00	42.8%	\$290.00	69.8%	(\$81.78)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	42.6%	\$350.00	69.4%	(\$160.92)
Couple (2 children) – Newstart	3 BR House	\$203.00	59.7%	\$340.00	50.3%	(\$206.24)
Couple (2 children) - AWE	3 BR House	\$388.00	114.1%	\$340.00	26.3%	\$328.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	79.1%	\$340.00	37.9%	(\$65.46)

Melbourne remains one the least affordable cities for low income households renting. All household types dependent on Centrelink benefits are experiencing a degree of housing stress. Singles and sole parents are spending around two thirds of their income for an average suitably sized property. A couple with two children living on Newstart would pay around half of their income in rent for an average three bedroom property leaving a disposable income which is just \$65 over the poverty line. A couple on average weekly earnings remain only a few percentage points below the 30 percent affordability benchmark paying the median rent for a three bedroom property.

Perth

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$60.00	20.7%	\$290.00	>100%	(\$207.43)

Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	43.4%	\$175.00	64.0%	(\$109.18)
Single - Aged Pension	1 BR Flat	\$124.00	42.8%	\$290.00	69.8%	(\$81.78)
Single Parent (1 child) – Parenting	2 BR Flat	\$149.00	42.6%	\$350.00	69.4%	(\$160.92)
Couple (2 children) - Newstart	3 BR House	\$203.00	54.9%	\$370.00	54.7%	(\$236.24)
Couple (2 children) - AWE	3 BR House	\$388.00	104.9%	\$370.00	28.6%	\$298.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	72.7%	\$370.00	41.2%	(\$95.46)

The Perth rental market continues to offer little hope for low income households looking for affordable rents. Median rents for all property types in Perth rose over the quarter. Families on average weekly earnings are the only household type paying an affordable rent for a reasonably sized property. All other household types are experiencing significant housing stress renting at median prices. Singles on benefits and aged pensioners are paying over two-thirds of their income in rent. A couple with two children dependent on Newstart is paying more than half of their income in rent.

Sydney

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$60.00	15.4%	\$390.00	>100%	(\$207.43)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$76.00	35.3%	\$215.00	78.7%	(\$149.18)
Single - Aged Pension	1 BR Flat	\$124.00	31.8%	\$390.00	93.8%	(\$181.78)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	34.7%	\$430.00	85.3%	(\$240.92)
Couple (2 children) – Newstart	3 BR House	\$203.00	50.8%	\$400.00	59.2%	(\$266.24)
Couple (2 children) – AWE	3 BR House	\$388.00	97.0%	\$400.00	31.0%	\$268.70
Couple (2 children) - Min Wage	3 BR House	\$269.00	67.3%	\$400.00	44.5%	(\$125.46)

Median rents remained stable for the quarter offering no relief for low income renters in Australia’s least affordable rental market. All households types above are experiencing a degree of housing stress renting an average suitably sized property. Single renters dependent on Centrelink benefits and single parents with one child face severely unaffordable rents for an average property. A couple with two children dependent on Centrelink are paying more than half their income in rent for an average three bedroom property. Even a couple living on average weekly earnings are pushed over the 30 percent affordability threshold to pay for a suitably sized dwelling at the median rent.

Incomes^{iv}

Household Type	Income Components	Total Weekly Income
Single - Austudy	Austudy CRA	\$251.95
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$292.45
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$415.65
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$504.25
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$676.00
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	\$1,292.03

Couple (2 children) - Min Wage	Weekly Minimum Wage	\$897.87
	Family Tax Benefit A (Child 1)	
	Family Tax Benefit A (Child 2)	
	Family Tax Benefit B (Children 5-15)	
	CRA	

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- i 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.
- ii 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.
- iii Rent data is based on data collected by state housing authorities or real estate institutes. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.
- iv Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.