

# Private Rental Affordability Bulletin Capital Cities (December Quarter 2011)



## Key findings

This edition of the TUV Private Rental Affordability Bulletin details the experience of Newstart recipients in the private rental market. Those who have found themselves outside of the labour market face severe difficulties securing and sustaining housing in the private rental market due to the low level of Newstart payments and the declining effectiveness of Commonwealth Rent Assistance (CRA) payments.

Newstart recipients simply do not have sufficient income to compete in the private rental market. A total income of \$303.10 per week is equal to or below the median rent in all capital cities except Adelaide and Hobart. As a result, renting a one bedroom flat in most capital cities is simply out of contention for renters reliant on Newstart. As a consequence, they are forced to adapt to the market. Typical adaptive strategies include renting lower quality properties below the median rent, sharing accommodation which can lead to overcrowded and insecure living conditions and moving into areas of marginal tenure such as rooming houses, boarding houses and caravan parks.

Sharing rental housing is a necessity for most Newstart recipients. However, current eligibility requirements for CRA penalise them for sharing by reducing CRA payment by one third. This leaves Newstart recipients with very limited options for renting at an affordable level. With a reduced income of \$282.20 per week, Newstart recipients sharing an average two bedroom flat in Hobart or Adelaide would still devote almost half their income to rent payments alone. In other capital cities, sharing the rent on a two bedroom flat consumes between 60 and 80 percent of a Newstart recipient's weekly income.

The rental stress experience by these households can be alleviated by providing them with greater ability to pay the rent. This analysis lends strong support to recent calls from Australians for Affordable Housing and the Australian Council of Social Service to increase Newstart payments by \$50 per week and to increase CRA payments by 30 percent.

## 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.<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 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.<sup>iii</sup>

## Analysis

### Single Newstart 1 BR Flat

City	Affordable Rent		Median Rent		
	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Adelaide	\$79.00	34.3%	\$230.00	75.9%	(\$149.39)
Brisbane	\$79.00	26.3%	\$300.00	99.0%	(\$219.39)
Canberra	\$79.00	25.9%	\$305.00	>100%	(\$222.49)
Darwin	\$79.00	26.5%	\$298.50	98.5%	(\$218.39)
Hobart	\$79.00	43.9%	\$180.00	59.4%	(\$99.39)
Melbourne	\$79.00	26.3%	\$300.00	99.0%	(\$219.39)
Perth	\$79.00	26.3%	\$300.00	99.0%	(\$219.39)
Sydney	\$79.00	18.8%	\$420.00	>100%	(\$222.49)

At \$243.40 a week, Newstart payments are less than half the minimum wage. A Newstart recipient renting on their own receives an additional \$59.70 in rent assistance. A total income of \$303.10 per week is equal to or below the median rent in all capital cities except Adelaide and Hobart. The most affordable median rents are in Hobart where a one bedroom flat would still consume around 60 percent of a Newstart recipient's weekly income. The median rent for a one bedroom flat in Adelaide is \$230; three quarters of a Newstart payment. Renting a one bedroom flat in other capital cities is simply out of contention for renters reliant on Newstart. As a consequence, Newstart recipients are forced to adapt to the market. Typical adaptive strategies include renting lower quality properties below the median rent, sharing accommodation which can lead to overcrowded and insecure living conditions and moving into areas of marginal tenure such as rooming houses, boarding houses and caravan parks.

### Single Newstart - sharing 2 BR Flat

City	Affordable Rent		Median Rent		
	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Adelaide	\$79.00	58.5%	\$135.00	47.7%	(\$74.29)
Brisbane	\$79.00	41.6%	\$190.00	67.1%	(\$129.29)
Canberra	\$79.00	40.5%	\$195.00	68.9%	(\$134.29)
Darwin	\$79.00	39.9%	\$198.05	69.9%	(\$137.29)
Hobart	\$79.00	57.5%	\$137.50	48.6%	(\$77.29)
Melbourne	\$79.00	45.1%	\$175.00	61.8%	(\$114.29)
Perth	\$79.00	43.9%	\$180.00	63.6%	(\$119.29)
Sydney	\$79.00	35.1%	\$225.00	79.4%	(\$164.29)

Sharing rental housing is a necessity for most Newstart recipients. While sharing reduces the cost of renting, current eligibility requirements reduce rent assistance payments for those sharing their housing by one third. This leaves Newstart recipients with very limited options for renting at an affordable level. With a reduced income of \$282.20 per week, Newstart recipients sharing an average two bedroom flat in Hobart or Adelaide would still devote almost half their income to rent payments alone. In other capital cities, sharing the rent on a two bedroom flat consumes between 60 and 80 percent of a Newstart recipient's weekly income. Newstart recipients and other low income renters looking for affordable rental housing are forced to compromise; cheaper, poorer quality housing, sharing in larger groups and moving into marginal tenures like rooming houses, boarding houses and caravan parks are more affordable but undesirable options.

### Single Aged Pension 1 BR Flat

City	Affordable Rent		Median Rent		
	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Adelaide	\$130.00	56.5%	\$230.00	53.0%	(\$18.39)
Brisbane	\$130.00	43.3%	\$300.00	69.1%	(\$88.39)
Canberra	\$130.00	42.6%	\$305.00	70.3%	(\$93.39)
Darwin	\$130.00	43.6%	\$298.50	68.8%	(\$87.39)
Hobart	\$130.00	72.2%	\$180.00	41.5%	\$31.61
Melbourne	\$130.00	43.3%	\$300.00	69.1%	(\$88.39)
Perth	\$130.00	43.3%	\$300.00	69.1%	(\$88.39)
Sydney	\$130.00	31.0%	\$420.00	96.8%	(\$208.39)

Single pensioners reliant on Centrelink payments are faced with unaffordable median rents for one bedroom flats in all capital cities. The most affordable rental markets in Hobart and Adelaide would consume between 40 and 53 percent of a pensioner's weekly income leaving them with very little money pay for other living expenses. Median rents in other cities remain severely unaffordable. Pensioners on fixed low incomes renting alone are highly vulnerable in markets where rents continue to rise. Like other low income renters, aged pensioners have few affordable options in any of our capital city rental markets.

### Sole Parent (1 child) 2 BR Flat

City	Affordable Rent		Median Rent		
	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Adelaide	\$156.00	57.8%	\$270.00	51.4%	(\$83.12)
Brisbane	\$156.00	41.1%	\$380.00	72.4%	(\$193.12)
Canberra	\$156.00	40.0%	\$390.00	74.3%	(\$203.12)
Darwin	\$156.00	39.4%	\$396.10	75.5%	(\$209.12)
Hobart	\$156.00	56.7%	\$275.00	52.4%	(\$88.12)
Melbourne	\$156.00	44.6%	\$350.00	66.7%	(\$163.12)
Perth	\$156.00	43.3%	\$360.00	68.6%	(\$173.12)
Sydney	\$156.00	34.7%	\$450.00	85.7%	(\$263.12)

The combination of low payment levels and high median rents for two bedroom flats make capital city private rental markets very challenging for sole parents. As with other cities, Adelaide and Hobart represent the most affordable locations, with median rents in all other markets placing these households in severe rental stress. These conditions place households with children well below the poverty line, with these households being more than \$163 per week below the poverty line. This poor outcome is despite sole parents receiving higher payments than most other recipients.

### Couple (2 children) Newstart - 3 BR House

City	Affordable Rent		Median Rent		
	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Adelaide	\$217.00	67.8%	\$320.00	44.3%	(\$179.09)
Brisbane	\$217.00	54.9%	\$395.00	54.7%	(\$254.09)
Canberra	\$217.00	47.2%	\$460.00	63.7%	(\$319.09)
Darwin	\$217.00	42.9%	\$505.80	70.0%	(\$365.09)
Hobart	\$217.00	63.8%	\$340.00	47.1%	(\$199.09)
Melbourne	\$217.00	63.8%	\$340.00	47.1%	(\$199.09)
Perth	\$217.00	46.2%	\$470.00	65.1%	(\$329.09)

Sydney

\$217.00

51.7%

\$420.00

58.1%

(\$279.09)

For a family living on Newstart, rent payments on an average three bedroom house in any of our capital cities leave the household living in poverty. Unemployed couples with children are faced with low levels of affordability with barely any properties available at an affordable rent level. Such low levels of affordability and research done by the Tenants Union indicate that these families are likely to move further away from the capitals. While outer suburbs and satellite towns have relatively more affordable housing they often have poor transport, employment and community services.

## Incomes<sup>iv</sup>

Household Type	Income Components	Total Weekly Income
Single - 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

<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.

<sup>iii</sup> 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.

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