

Private Rental Affordability Bulletin Capital Cities (September Quarter 2013)



This issue resumes the Tenants Union of Victoria's Quarterly Affordability Bulletin series, which was last published for the June quarter, 2012. In this issue, rental affordability data for September 2013 are compared with previously unpublished figures from September 2012. Changes to our methodology limit comparability with previous bulletins.

KEY FINDINGS

National rental pricing data for September 2013 indicate that rental affordability remains a critical issue in all Australian capital cities, with few signs of improvement over the previous twelve months.

Median rents continue to rise across most of the capitals, furthering already acute unaffordability for lower-income households. The most substantial increases have been in Darwin and Perth, which along with Sydney are already the least affordable rental markets.

In September 2013, all households receiving income support would experience "housing stress" in the capital cities; all would spend more than 30 per cent of their income on median rent and, in most cases, fall below the After Housing Poverty Line (AHPL).

Single students receiving Austudy allowance continue to be worst affected; median rental costs for a one bedroom unit would consume close to or more than 100 per cent of their income in six out of the eight capital cities. Equally as concerning; even family households on average weekly income would spend between 30 and 50 per cent of their income on median rent for a three bedroom house in seven of the capitals.

Compounding these conditions is a low market vacancy rate of 2.1 per cent nationallyⁱ, which results in heightened competition for housing and inflated prices. The national rental market is highly segmented and conditions will vary between cities, but overall low vacancy particularly affects lower-income households who find it increasingly difficult to secure affordable housing in the private market.

Data on income support are also concerning, with the latest *Report on Government Services* illustrating the continuing insufficiency of Commonwealth Rent Assistance (CRA) rates for meeting rental costsⁱⁱ. Across Australia, 40 per cent of all renters receiving CRA remain in housing stress. Without CRA, this would increase to 67 per cent.

Such high rates of acute financial hardship, even for the average household, highlight the unsustainable nature of the private rental market, which will not improve without intervention on both housing costs and income support.

Nation-wide, affordability is also worsening for potential home buyers as house sale prices continue to rise in all capital cities. The Australian weighted average median house price is \$562,503, representing a 9.5 per cent increase since September 2012ⁱⁱⁱ. Of the capital cities, the largest rise in median house prices has been in Melbourne, which increased 15 per cent. The weighted average median price for other dwellings also rose 7.6 per cent over the year to \$460,315.

After housing, a major source of household expenditure is utilities costs, which increased 14 per cent over the previous twelve months, constituting the greatest contribution to the increasing cost of living in that time^{iv}.

Altogether, these figures represent very challenging living conditions for low income households across Australia.

METHODOLOGY

Affordable housing can be measured in several ways. The TUV *Private 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 per cent or more of household income on rent is considered an indicator of housing stress.^v

- **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.^{vi} 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.

The TUV Private Rental Affordability Bulletin draws on a range of sources for median rent levels and national income data.^{vii} The Weekly Minimum Wage (WMW) is reviewed annually by Fair Work Australia and represents the minimum wage applicable to employees who aren't covered by an award or agreement, for example in industries such as retail and hospitality. Average Weekly Earnings (AWE) are reported quarterly by the Australian Bureau of Statistics and are based on all occupations and industries.

From September 2013, additional calculations have been applied to income data to provide a more accurate estimate of net income, which limits comparability with previous bulletins. Adjusted temporal analyses are published in the special addition TUV *Private Rental Affordability Bulletin Time Series Snapshot 2009 – 2013*.

ANALYSIS

Adelaide		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	\$64.00	27.8%	\$230.00	85.4%	(\$198.06)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	58.9%	\$135.00	46.3%	(\$80.43)
Single - Aged Pension	1 BR Flat	\$141.00	61.3%	\$230.00	49.1%	\$1.44
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	61.5%	\$270.00	48.0%	(\$67.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	66.8%	\$350.00	48.4%	(\$247.25)
Couple (2 children) - AWE	3 BR House	\$334.00	95.4%	\$350.00	31.4%	\$51.66
Couple (2 children) - Min Wage	3 BR House	\$268.00	76.6%	\$350.00	39.2%	(\$170.72)

In Adelaide, rental prices have remained stable over the previous year and comparatively more affordable than most other capitals. Nevertheless, all household types profiled face housing stress in Adelaide, and most would fall below the after housing poverty line if paying median rent. Single students receiving Austudy allowance are worst affected, they would spend over 85 per cent of their income on median rent for a one bedroom flat (up from 84.1 per cent in September 2012), leaving them \$198.06 per week below the After Housing Poverty Line. Most other household types would spend over 40 per cent of their income on median rent for appropriate housing (down 1-2 percentage points since September 2012).

Brisbane		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	\$64.00	20.3%	\$270.00	>100%	(\$237.26)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	41.0%	\$180.00	61.7%	(\$125.43)
Single - Aged Pension	1 BR Flat	\$141.00	44.8%	\$270.00	57.6%	(\$38.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	42.8%	\$360.00	64.0%	(\$157.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	52.9%	\$400.00	55.3%	(\$297.25)
Couple (2 children) - AWE	3 BR House	\$342.00	85.5%	\$400.00	35.1%	\$27.58
Couple (2 children) - Min Wage	3 BR House	\$268.00	67.0%	\$400.00	44.8%	(\$220.72)

Median rental prices in Brisbane have increased marginally over the previous year and unaffordability continues to affect all households. Students remain disproportionately worse off; median rent for one bedroom flat would cost more than 100 per cent of their weekly income (up from 99.4% in September 2012). Couples with children receiving Newstart allowance would be furthest below the After Housing Poverty Line (\$297.25 below), as is the case in all capital cities.

Canberra		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	\$64.00	22.1%	\$340.00	>100%	(\$237.26)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	44.1%	\$197.50	67.7%	(\$143.43)
Single - Aged Pension	1 BR Flat	\$141.00	48.6%	\$340.00	72.5%	(\$108.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	46.0%	\$395.00	70.2%	(\$192.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	46.4%	\$435.00	60.2%	(\$332.25)
Couple (2 children) - AWE	3 BR House	\$374.00	86.0%	\$435.00	34.9%	\$100.06
Couple (2 children) - Min Wage	3 BR House	\$268.00	61.6%	\$435.00	48.8%	(\$255.72)

In Canberra, median rental prices have decreased since last year and affordability has improved slightly for most household types, although unaffordability remains acute. All household types profiled face housing stress in Canberra, with students, single aged pensioners and single parents worst affected. A couple with two children on minimum wage income would spend almost half of their income on median rent for an appropriate three bedroom house (down from 51.5 per cent in September 2012), leaving them \$255.72 per week below the After Housing Poverty Line.

Darwin		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	\$64.00	17.8%	\$359.00	>100%	(\$237.26)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	32.8%	\$247.00	78.6%	(\$175.43)
Single - Aged Pension	1 BR Flat	\$141.00	39.3%	\$359.00	81.3%	(\$149.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	34.2%	\$494.00	81.6%	(\$256.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	32.3%	\$671.00	80.6%	(\$480.25)
Couple (2 children) - AWE	3 BR House	\$357.00	61.2%	\$671.00	49.0%	\$106.09
Couple (2 children) - Min Wage	3 BR House	\$268.00	46.0%	\$671.00	65.3%	(\$403.72)

With substantial increases in median rental prices for all dwelling types over the previous year, the rental market in Darwin remains one of the least affordable of the capital cities. All household types profiled face significant housing stress in Darwin, with all needing to spend between 49 and 100 per cent of their income on median rent for appropriate housing. Larger households are particularly disadvantaged in Darwin, with very high median rents for three bedroom houses.

Hobart		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	\$64.00	32.8%	\$160.00	59.4%	(\$128.06)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	41.5%	\$125.00	42.8%	(\$70.43)
Single - Aged Pension	1 BR Flat	\$141.00	72.3%	\$160.00	34.1%	\$71.44
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	65.0%	\$250.00	44.4%	(\$47.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	66.8%	\$310.00	42.9%	(\$207.25)
Couple (2 children) - AWE	3 BR House	\$331.00	106.8%	\$310.00	28.1%	\$80.92
Couple (2 children) - Min Wage	3 BR House	\$268.00	86.5%	\$310.00	34.7%	(\$130.72)

The rental market in Hobart continues to be the most affordable among the capital cities, despite slight increases in median rental prices for all dwelling types except for one bedroom units. Nevertheless, six out of seven household types profiled still face housing stress in Hobart. Students receiving Austudy allowance remain worst off and would need to spend 59.4 per cent of their income on median rent for a one bedroom flat, although this proportion has decreased substantially from 70.8 per cent of income in September 2012. For all other household types the proportion of income needed for median rent has remained stable or decreased slightly since last year.

Melbourne		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	\$64.00	21.1%	\$260.00	96.6%	(\$228.06)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	45.0%	\$175.00	60.0%	(\$120.43)
Single - Aged Pension	1 BR Flat	\$141.00	46.4%	\$260.00	55.5%	(\$28.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	46.9%	\$350.00	62.2%	(\$147.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	62.9%	\$430.00	59.5%	(\$327.25)
Couple (2 children) - AWE	3 BR House	\$340.00	79.1%	\$430.00	38.0%	(\$11.02)
Couple (2 children) - Min Wage	3 BR House	\$268.00	62.3%	\$430.00	48.2%	(\$250.72)

The rental market in Melbourne has remained relatively stable and unaffordable over the year. As in other capital cities, a student receiving Austudy allowance in Melbourne would pay almost 100 per cent of their income for median rent for a one bedroom flat, while a single person receiving Newstart would pay 60.0 per cent of their to share a two bedroom flat (down from 61.1 per cent in September 2012). Couples with children receiving Newstart allowance would also spend close to 60 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$327.25 per week below the After Housing Poverty Line.

Perth		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	\$64.00	17.8%	\$360.00	>100%	(\$237.26)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	36.0%	\$215.00	73.7%	(\$160.43)
Single - Aged Pension	1 BR Flat	\$141.00	39.2%	\$360.00	76.8%	(\$128.56)
Single Parent (1 child) – Parenting	2 BR Flat	\$169.00	37.6%	\$430.00	76.4%	(\$227.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	48.2%	\$500.00	69.2%	(\$397.25)
Couple (2 children) - AWE	3 BR House	\$363.00	72.6%	\$500.00	41.3%	(\$2.30)
Couple (2 children) - Min Wage	3 BR House	\$268.00	53.6%	\$500.00	56.0%	(\$320.72)

Perth rental prices have increased substantially over the previous year, exacerbating unaffordability for low income renters. In Perth, a single parent would spend 76.8 percent of their income on median rent for a two bedroom flat (up from 74.0 per cent in September 2012), leaving them \$227.66 per week below the After Housing Poverty Line. Single aged pensioners, a particularly vulnerable subgroup, would spend 76.8 per cent of their income on median rent for a one bedroom unit (up from 74.8 per cent in September 2012).

Sydney		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	\$64.00	14.7%	\$405.00	>100%	(\$237.26)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$81.00	33.8%	\$225.00	77.1%	(\$170.43)
Single - Aged Pension	1 BR Flat	\$141.00	32.4%	\$405.00	86.4%	(\$173.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	35.2%	\$450.00	80.0%	(\$247.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	50.5%	\$530.00	73.3%	(\$427.25)
Couple (2 children) – AWE	3 BR House	\$344.00	64.9%	\$530.00	46.2%	(\$94.95)
Couple (2 children) - Min Wage	3 BR House	\$268.00	50.6%	\$530.00	59.4%	(\$350.72)

The rental market in Sydney is also among the least affordable of the capital cities. Rents are high for all housing types, having also increased slightly over the previous year for most dwelling types, and continuing to consume between 70 and 100 per cent of income for those receiving income support. In Sydney, even family households on average income would need to spend over 45 per cent of their income on median rent for a three bedroom house, leaving them almost \$100 per week below the After Housing Poverty Line.

Notes

- i SQM Research
- ii Steering Committee for the Review of Government Service Provision 2014, Report on Government Services 2014
- iii Real Estate Institute of Australia, Real Estate Market Facts, September quarter 2013, pp.5-6
- iv National Centre for Social and Economic Modelling 2013, NATSEM household budget report: cost of living and standard of living indexes for Australia, p.16
- v 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.
- vi 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.
- vii Rent data are based on quarterly median rental prices for 'middle' suburbs/zones of each city, obtained from REIA *Real Estate Market Facts*. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.

This table summarises the components of total weekly income for the various household types:

Household Type	Income Components	Maximum Total Weekly Income*
Single - Austudy	Austudy CRA	\$269.20
Single (>21 yrs) - Newstart	Newstart CRA	\$312.50
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$291.84
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$468.70
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$562.84
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$722.99
Couple (2 children) - AWE	Average Weekly Income (1 partner) Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	Adelaide: \$1114.65 Brisbane: \$1140.57 Canberra: \$1248.05 Darwin: \$1189.90 Hobart: \$1103.91 Melbourne: \$1131.97 Perth: \$1210.69 Sydney: \$1148.04
Couple (2 children) - Min Wage	Weekly Minimum Wage (1 partner) Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$892.27

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