

Private Rental Affordability Bulletin Melbourne (March Quarter 2014)



METHODOLOGY

Affordable housing can be measured in several ways.

The TUV *Private Rental Affordability Bulletin* draws on two standards:

- **30% of Total Income (30%TI):** For low-income households (defined as being in the lowest 40 per cent of income distribution), spending 30 per cent 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.

The TUV Private Rental Affordability Bulletin draws on a range of sources for median rent levels and national income dataⁱⁱⁱ. 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) is reported quarterly by the Australian Bureau of Statistics and is 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.

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 | \$81.00 | 27.0% | \$300.00 | 111.4% | (\$246.04) |
| Single - Newstart | 1 BR Flat | \$94.00 | 31.3% | \$300.00 | 96.0% | (\$233.54) |
| Single (>21yrs) Sharing - Newstart | 2 BR Flat | \$88.00 | 48.1% | \$183.00 | 62.7% | (\$137.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 47.0% | \$300.00 | 64.0% | (\$77.34) |
| Single Parent (1 child) - Parenting | 2 BR Flat | \$169.00 | 46.3% | \$365.00 | 64.8% | (\$176.00) |
| Couple (2 children) - Newstart | 3 BR House | \$217.00 | 43.8% | \$495.00 | 68.5% | (\$415.20) |
| Couple (2 children) - AWE | 3 BR House | \$377.00 | 76.2% | \$495.00 | 39.3% | \$23.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 54.1% | \$495.00 | 55.5% | (\$342.13) |

In Balwyn, rental prices increased slightly over the quarter and remain critically unaffordable for low-income households, particularly for singles. A single student receiving Austudy allowance would spend more than 100 per cent of their income on median rent for a one bedroom flat (little change since December 2013), and would be \$246.04 per week below the AHPL. An aged pensioner living alone would spend 64 per cent of their income on rent (up from 62.9 per cent from December 2013). Even a couple with children earning an average weekly wage, the only household type not to fall below the AHPL would spend close to 40 per cent of their income on rent for a three bedroom house.

| 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 | \$81.00 | 38.6% | \$210.00 | 78.0% | (\$186.84) |
| Single - Newstart | 1 BR Flat | \$94.00 | 44.8% | \$210.00 | 67.2% | (\$143.54) |
| Single (>21yrs) Sharing - Newstart | 2 BR Flat | \$88.00 | 58.7% | \$150.00 | 51.4% | (\$104.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 67.1% | \$210.00 | 44.8% | \$12.66 |
| Single Parent (1 child) – Parenting | 2 BR Flat | \$169.00 | 56.3% | \$300.00 | 53.3% | (\$111.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 67.8% | \$320.00 | 44.3% | (\$240.20) |
| Couple (2 children) - AWE | 3 BR House | \$377.00 | 117.8% | \$320.00 | 25.4% | \$198.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 83.8% | \$320.00 | 35.9% | (\$167.13) |

Broadmeadows rental prices increased over the previous quarter for all dwelling types and six out of eight household types would remain in housing stress if paying these median rents. Singles living alone would spend between 44.8 and 78 per cent of their income on median rent for a one bedroom flat (up 2.1 and 3 percentage points, respectively, from December 2013), or 51.4 per cent of their income to share a two bedroom flat (up from 50.7 per cent from December 2013).

| 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 | \$81.00 | 27.5% | \$295.00 | 109.6% | (\$246.04) |
| Single - Newstart | 1 BR Flat | \$94.00 | 31.9% | \$295.00 | 94.4% | (\$228.54) |
| Single (>21yrs) Sharing - Newstart | 2 BR Flat | \$88.00 | 44.4% | \$198.00 | 67.8% | (\$152.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 47.8% | \$295.00 | 62.9% | (\$72.34) |
| Single Parent (1 child) – Parenting | 2 BR Flat | \$169.00 | 42.8% | \$395.00 | 70.2% | (\$206.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 39.5% | \$550.00 | 76.1% | (\$470.20) |
| Couple (2 children) – AWE | 3 BR House | \$377.00 | 68.5% | \$550.00 | 43.7% | (\$31.17) |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 48.7% | \$550.00 | 61.6% | (\$397.13) |

Brunswick continues to be among the least affordable suburbs for low-income renters as median rents for one bedroom flat increased and other dwelling types remained stable from the previous quarter. All eight household types would face housing stress if paying media rent. Singles receiving Austudy and Newstart and living alone would spend more than 94 per cent of their income on median rent for a one bedroom flat (up from 91 per cent from December 2013), while single parents would spend over 70 per cent of their income on median rent for a two bedroom flat (down slightly from December 2013). Couples with children receiving Newstart allowance would spend 76.1 per cent of their income on median rent for a three bedroom house, leaving them \$470.20 below the AHPL (up from \$464.12 in December 2013).

| 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 | \$81.00 | 36.3% | \$223.00 | 82.8% | (\$199.84) |
| Single - Newstart | 1 BR Flat | \$94.00 | 42.2% | \$223.00 | 71.4% | (\$156.54) |
| Single (>21yrs) Sharing – Newstart | 2 BR Flat | \$88.00 | 66.2% | \$133.00 | 45.6% | (\$87.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 63.2% | \$223.00 | 47.6% | (\$0.34) |
| Single Parent (1 child) - Parenting | 2 BR Flat | \$169.00 | 63.8% | \$265.00 | 47.1% | (\$76.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 63.8% | \$340.00 | 47.0% | (\$260.20) |
| Couple (2 children) – AWE | 3 BR House | \$377.00 | 110.9% | \$340.00 | 27.0% | \$178.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 78.8% | \$340.00 | 38.1% | (\$187.13) |

Rental prices in Dandenong relatively stable since December 2013, with one bedroom flats decreasing and three bedroom houses increasing slightly. In Dandenong, a single student receiving Austudy would spend around 83 per cent of their income on median rent for a one bedroom flat (down from 86 per cent in December 2013), while an aged pensioner living along would spend almost half of their income on median rent for similar accommodation (down slightly from December 2013).

| 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 | \$81.00 | 38.6% | \$210.00 | 78.0% | (\$186.84) |
| Single - Newstart | 1 BR Flat | \$94.00 | 44.8% | \$210.00 | 67.2% | (\$143.54) |
| Single (>21yrs) Sharing - Newstart | 2 BR Flat | \$88.00 | 66.2% | \$133.00 | 45.6% | (\$87.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 67.1% | \$210.00 | 44.8% | \$12.66 |
| Single Parent (1 child) - Parenting | 2 BR Flat | \$169.00 | 63.8% | \$265.00 | 47.1% | (\$76.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 67.8% | \$320.00 | 44.3% | (\$240.20) |
| Couple (2 children) - AWE | 3 BR House | \$377.00 | 117.8% | \$320.00 | 25.4% | \$198.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 83.8% | \$320.00 | 35.9% | (\$167.13) |

Rental prices in Frankston remained relatively stable over the previous quarter and remain unaffordable for most household types profiled. Seven out of eight household types would face housing stress in Frankston if paying median rent, with students and singles again worst affected.

| 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 | \$81.00 | 28.4% | \$285.00 | 105.9% | (\$246.04) |
| Single - Newstart | 1 BR Flat | \$94.00 | 33.0% | \$285.00 | 91.2% | (\$218.54) |
| Single (>21yrs) Sharing - Newstart | 2 BR Flat | \$88.00 | 50.3% | \$175.00 | 60.0% | (\$129.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 49.5% | \$285.00 | 60.8% | (\$62.34) |
| Single Parent (1 child) - Parenting | 2 BR Flat | \$169.00 | 48.3% | \$350.00 | 62.2% | (\$161.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 54.3% | \$400.00 | 55.3% | (\$320.20) |
| Couple (2 children) - AWE | 3 BR House | \$377.00 | 94.3% | \$400.00 | 31.8% | \$118.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 67.0% | \$400.00 | 44.8% | (\$247.13) |

Preston remains among the least affordable suburbs for low-income renters. Median rental prices remain relatively unchanged from the December quarter and all household types would experience housing stress paying the median rent. In March 2014, students receiving Austudy allowance would spend more than 100 per cent of their income on median rent for a one bedroom flat (although this has decreased from 109.1 to 105.9 per cent from December 2013). Additionally, singles in share accommodation, aged pensioners living alone and single parents would each spend more than 60 per cent of their income on median rent for suitable accommodation (unchanged since December 2013).

| 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 | \$81.00 | 32.4% | \$250.00 | 92.9% | (\$226.84) |
| Single – Newstart | 1 BR Flat | \$94.00 | 37.6% | \$250.00 | 80.0% | (\$183.54) |
| Single (>21yrs) Sharing - Newstart | 2 BR Flat | \$88.00 | 56.8% | \$155.00 | 53.1% | (\$109.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 56.4% | \$250.00 | 53.3% | (\$27.34) |
| Single Parent (1 child) – Parenting | 2 BR Flat | \$169.00 | 54.5% | \$310.00 | 55.1% | (\$121.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 58.6% | \$370.00 | 51.2% | (\$290.20) |
| Couple (2 children) – AWE | 3 BR House | \$377.00 | 101.9% | \$370.00 | 29.4% | \$148.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 72.4% | \$370.00 | 41.5% | (\$217.13) |

Rental prices in Ringwood are unchanged since December 2013 and remain unaffordable, with low-income students and singles again facing the greatest housing stress. A single student receiving Austudy allowance would spend 94.1 per cent of their income on median rent for a one bedroom flat (down from 94.1 per cent in December 2013). A couple with children receiving Newstart allowance would spend over 51 per cent of their income on median rent for a three bedroom house, leaving them \$290.20 per week below the AHPL.

| 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 | \$81.00 | 27.9% | \$290.00 | 107.7% | (\$246.04) |
| Single – Newstart | 1 BR Flat | \$94.00 | 32.4% | \$290.00 | 92.8% | (\$223.54) |
| Single (>21yrs) Sharing – Newstart | 2 BR Flat | \$88.00 | 46.3% | \$190.00 | 65.1% | (\$144.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 48.6% | \$290.00 | 61.9% | (\$67.34) |
| Single Parent (1 child) – Parenting | 2 BR Flat | \$169.00 | 44.5% | \$380.00 | 67.5% | (\$191.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 32.1% | \$675.00 | 93.4% | (\$595.20) |
| Couple (2 children) – AWE | 3 BR House | \$377.00 | 55.9% | \$675.00 | 53.6% | (\$156.17) |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 39.7% | \$675.00 | 75.7% | (\$522.13) |

Rental prices in St Kilda East were largely unchanged over the previous quarter; however, the suburb remains among the least affordable for low-income renters with all eight household types profiled here experiencing significant housing stress. Couples with children receiving Newstart allowance would spend 93.4 per cent of their income on median rent for a three bedroom house (up from 92.7 per cent in December 2013), leaving them \$595.20 per week below the AHPL. Even a couple with children on average weekly income would experience significant housing stress, spending 53.6 per cent of their income on median rent for a similar house.

| 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 | \$81.00 | 40.5% | \$200.00 | 74.3% | (\$176.84) |
| Single – Newstart | 1 BR Flat | \$94.00 | 47.0% | \$200.00 | 64.0% | (\$133.54) |
| Single (>21yrs) Sharing – Newstart | 2 BR Flat | \$88.00 | 70.4% | \$125.00 | 42.8% | (\$79.21) |
| Single - Aged Pension | 1 BR Flat | \$141.00 | 70.5% | \$200.00 | 42.7% | \$22.66 |
| Single Parent (1 child) – Parenting | 2 BR Flat | \$169.00 | 67.6% | \$250.00 | 44.4% | (\$61.00) |
| Couple (2 children) – Newstart | 3 BR House | \$217.00 | 72.3% | \$300.00 | 41.5% | (\$220.20) |
| Couple (2 children) – AWE | 3 BR House | \$377.00 | 125.7% | \$300.00 | 23.8% | \$218.83 |
| Couple (2 children) - Min Wage | 3 BR House | \$268.00 | 89.3% | \$300.00 | 33.6% | (\$147.13) |

Rental prices in Sunshine remained stable from the previous quarter; however, seven out of eight household types would still experience housing stress if paying median rent and, once again, substantially so for students and singles.

NOTES

- 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 are 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.

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 | \$1,258.21 |
| 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 | \$892.25 |

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