

Private Rental Affordability Bulletin

Capital Cities (March Quarter 2014)



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 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 data.ⁱⁱⁱ 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

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	\$81.00	28.4%	\$225.00	83.6%	(\$201.84)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	36.0%	\$225.00	72.0%	(\$158.54)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	58.9%	\$137.50	47.1%	(\$92.21)
Single - Aged Pension	1 BR Flat	\$141.00	62.7%	\$225.00	48.0%	(\$2.34)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	61.5%	\$275.00	48.9%	(\$86.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	60.3%	\$360.00	49.8%	(\$280.20)
Couple (2 children) - AWE	3 BR House	\$366.00	101.7%	\$360.00	29.5%	\$120.93
Couple (2 children) - Min Wage	3 BR House	\$268.00	74.4%	\$360.00	40.3%	(\$207.13)

In Adelaide, rental prices were largely stable from the previous quarter, except for a slight increase for one bedroom flats, and remain comparatively more affordable than most other capitals. Nevertheless, housing stress remains a significant issue for seven of the eight households profiled. With the exception of households on average income, all other household types would fall below the AHPL line if paying median rent. Single students receiving Austudy allowance continue to be the worst affected, spending almost 84 per cent of their income on median rent for a one bedroom flat (up slightly from around 83 per cent in December 2013), leaving them \$201.84 per week below the AHPL. Most other household types would spend over 40 per cent of their income on median rent for appropriate housing (relatively unchanged since December 2013).

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	\$81.00	23.7%	\$270.00	100.3%	(\$246.04)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	30.0%	\$270.00	86.4%	(\$203.54)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	44.4%	\$182.50	62.5%	(\$137.21)
Single - Aged Pension	1 BR Flat	\$141.00	52.2%	\$270.00	57.6%	(\$47.34)
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	52.9%	\$410.00	56.7%	(\$330.20)
Couple (2 children) - AWE	3 BR House	\$384.00	93.7%	\$410.00	32.0%	\$130.55
Couple (2 children) - Min Wage	3 BR House	\$268.00	65.4%	\$410.00	46.0%	(\$257.13)

Median rental prices in Brisbane largely increased from the previous quarter. Consequently, unaffordability continues to affect all households. Students remain disproportionately worse off; median rent for one bedroom flat would now cost 100 per cent of their weekly income (up from 98 per cent in December 2013). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$330.20 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	\$81.00	19.4%	\$330.00	122.6%	(\$246.04)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	24.5%	\$330.00	105.6%	(\$246.04)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	41.5%	\$195.00	66.8%	(\$149.21)
Single - Aged Pension	1 BR Flat	\$141.00	42.7%	\$330.00	70.4%	(\$107.34)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	43.3%	\$390.00	69.3%	(\$201.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	50.5%	\$430.00	59.5%	(\$350.20)
Couple (2 children) - AWE	3 BR House	\$433.00	100.7%	\$430.00	29.8%	\$275.48
Couple (2 children) - Min Wage	3 BR House	\$268.00	62.3%	\$430.00	48.2%	(\$277.13)

In Canberra, median rental prices are unchanged since December 2013. Unaffordability remains acute for almost all households and only students receiving Austudy have witnessed a slight improvement. Nevertheless, seven of eight household types profiled face housing stress in Canberra; singles receiving Austudy and Newstart the worst affected and would spend 122.6 and 105.6 per cent of their weekly income, respectively. A couple with two children on minimum wage would spend almost half of their income on median rent for an appropriate three bedroom house (unchanged from December 2013), leaving them \$277.13 per week below the AHPL.

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	\$81.00	17.6%	\$363.00	134.8%	(\$246.04)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	22.3%	\$363.00	116.2%	(\$246.04)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	35.6%	\$227.50	78.0%	(\$182.21)
Single - Aged Pension	1 BR Flat	\$141.00	38.8%	\$363.00	77.4%	(\$140.34)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	37.1%	\$455.00	80.8%	(\$266.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	36.5%	\$594.00	82.2%	(\$514.20)
Couple (2 children) - AWE	3 BR House	\$389.00	65.5%	\$594.00	45.8%	(\$35.70)
Couple (2 children) - Min Wage	3 BR House	\$268.00	45.1%	\$594.00	66.6%	(\$441.13)

This quarter saw median rents for one bedroom flats and three bedroom houses increased, whilst rents for two bedroom flats decreased \$22 (4.6 per cent) to \$455. Overall though, the rental market in Darwin remains one of the least affordable of the capital cities. All household types profiled continue to face significant housing stress and must spend between 46 and 135 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; couples on Newstart supporting two children are left \$514.20 below the AHPL, up from \$496.12 in December 2013.

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	\$81.00	35.6%	\$180.00	66.9%	(\$156.84)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	45.0%	\$180.00	57.6%	(\$113.54)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	65.3%	\$124.00	42.5%	(\$78.21)
Single - Aged Pension	1 BR Flat	\$141.00	78.3%	\$180.00	38.4%	\$42.66
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	68.1%	\$248.00	44.1%	(\$59.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	67.8%	\$320.00	44.3%	(\$240.20)
Couple (2 children) - AWE	3 BR House	\$359.00	112.2%	\$320.00	26.7%	\$137.93
Couple (2 children) - Min Wage	3 BR House	\$268.00	83.8%	\$320.00	35.9%	(\$167.13)

Median rents for one- and three bedroom dwellings were unchanged and two bedroom flats increased 3 per cent from the previous quarter. Despite Hobart remaining the most affordable of the capital cities, seven out of eight household types profiled still face housing stress and only households receiving the aged pension or average weekly earnings sitting above the AHPL (\$42.66 and \$137.93, respectively). Students receiving Austudy allowance remain worst off even with a slight decrease (0.6 per cent) from the December 2013 quarter in the proportion of income required to cover median rent for a one bedroom flat. Couples with children and sharing singles receiving Newstart allowance witnessed an increased in unaffordability from the previous quarter, increasing around 1.5 percentage points to 44.1 and 42.5 per cent, respectively.

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	\$81.00	24.6%	\$260.00	96.6%	(\$236.84)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	31.2%	\$260.00	83.2%	(\$193.54)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	45.0%	\$180.00	61.7%	(\$134.21)
Single - Aged Pension	1 BR Flat	\$141.00	54.2%	\$260.00	55.5%	(\$37.34)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	46.9%	\$360.00	64.0%	(\$171.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	49.3%	\$440.00	60.9%	(\$360.20)
Couple (2 children) - AWE	3 BR House	\$377.00	85.7%	\$440.00	35.0%	\$78.83
Couple (2 children) - Min Wage	3 BR House	\$268.00	60.9%	\$440.00	49.3%	(\$287.13)

The rental market in Melbourne has remained relatively stable as median rent prices slightly decreased for one bedroom flats and increased slightly for three bedroom houses. Median rents remain unaffordable. As in most 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 (96.6 per cent, down 5 per cent on the previous quarter), while a single person receiving Newstart would pay 61.7 per cent of their income to share a two bedroom flat (unchanged since December 2013). Couples with children receiving Newstart allowance would also spend approximately 61 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$360.20 per week below the AHPL.

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	\$81.00	18.3%	\$350.00	130.0%	(\$246.04)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	23.1%	\$350.00	112.0%	(\$246.04)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	38.6%	\$210.00	72.0%	(\$164.21)
Single - Aged Pension	1 BR Flat	\$141.00	40.3%	\$350.00	74.7%	(\$127.34)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	40.2%	\$420.00	74.6%	(\$231.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	45.2%	\$480.00	66.4%	(\$400.20)
Couple (2 children) - AWE	3 BR House	\$423.00	88.1%	\$480.00	34.0%	\$191.23
Couple (2 children) - Min Wage	3 BR House	\$268.00	55.8%	\$480.00	53.8%	(\$327.13)

Perth rental prices have remained largely unchanged from December 2013 and unaffordability for low-income renters continues to be severe. Again, singles receiving Austudy and Newstart are the worst affected, needing to pay 130 and

112 per cent of their income, respectively, to meet median rents. Single parents would spend 74.6 per cent of their income on median rent for a two bedroom flat (unchanged from December 2013), leaving them \$400.20 per week below the AHPL. Single aged pensioners, a particularly vulnerable subgroup, would spend 74.7 per cent of their income on median rent for a one bedroom unit (unchanged from December 2013).

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	\$81.00	14.9%	\$430.00	159.7%	(\$246.04)
Single (>21yrs) - Newstart	1 BR Flat	\$94.00	18.8%	\$430.00	137.6%	(\$246.04)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$88.00	35.6%	\$227.50	78.0%	(\$182.21)
Single - Aged Pension	1 BR Flat	\$141.00	32.8%	\$430.00	91.7%	(\$207.34)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	37.1%	\$455.00	80.8%	(\$266.00)
Couple (2 children) - Newstart	3 BR House	\$217.00	39.5%	\$550.00	76.1%	(\$470.20)
Couple (2 children) - AWE	3 BR House	\$384.00	69.8%	\$550.00	43.0%	(\$10.05)
Couple (2 children) - Min Wage	3 BR House	\$268.00	48.7%	\$550.00	61.6%	(\$397.13)

The rental market in Sydney is also among the least affordable of the capital cities. Rents are high for all housing types and there were slight increases in median rents for one- and two bedroom flats from the December 2013 quarter. Median rents continue to consume between 76 and 160 per cent of income for those receiving income support. In Sydney, even family households on average income would need to spend 43 per cent of their income on median rent for a three bedroom house, leaving them slightly below the AHPL.

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 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: Brisbane: Canberra: Darwin: Hobart: Melbourne: Perth: Sydney:	\$1,220.31 \$1,279.93 \$1,444.86 \$1,297.68 \$1,197.31 \$1,258.21 \$1,410.61 \$1,279.33
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.