

Private Rental Affordability Bulletin

Capital Cities (December Quarter 2014)



METHODOLOGY

Housing affordability 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		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$240.00	88.6%	(\$216.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$240.00	74.6%	(\$165.98)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$140.00	46.6%	(\$87.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$240.00	49.6%	(\$3.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$280.00	48.4%	(\$77.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$370.00	49.8%	(\$273.53)
Couple (2 children) - AWE	3 BR House	\$1,239.00	\$372.00	\$370.00	29.9%	\$124.69
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$370.00	40.4%	(\$197.68)

In Adelaide, median rental prices for one bedroom flats and three bedroom housed increased \$10 (4.3 and 2.7 per cent, respectively), but Adelaide remains 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. Singles receiving income support would be required to pay between 49.6 per cent and 88.6 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$216.58 per week below the AHPL.

Brisbane		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$275.00	101.5%	(\$247.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$275.00	85.5%	(\$200.98)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$180.00	59.9%	(\$127.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$275.00	56.8%	(\$38.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$360.00	62.2%	(\$157.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$400.00	53.8%	(\$303.53)
Couple (2 children) - AWE	3 BR House	\$1,301.00	\$390.00	\$400.00	30.8%	\$156.80
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$400.00	43.7%	(\$227.68)

Median rental price movements in Brisbane were stable over the quarter. Unaffordability continues to affect all households. Students remain disproportionately worse off; median rent for one bedroom flat would still cost over 100 per cent of their weekly income (unchanged from September 2014). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$303.53 below), as is the case in all capital cities.

Canberra		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$310.00	114.4%	(\$247.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$310.00	96.4%	(\$235.98)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$180.00	59.9%	(\$127.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$310.00	64.1%	(\$73.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$360.00	62.2%	(\$157.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$420.00	56.5%	(\$323.53)
Couple (2 children) - AWE	3 BR House	\$1,461.00	\$438.00	\$420.00	28.7%	\$297.40
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$420.00	45.8%	(\$247.68)

In Canberra, median rental prices for one bedroom and three bedroom dwellings increased \$10 (3.3 and 2.4 cent since September 2014, respectively). Unaffordability remains acute with seven of eight household types profiled facing significant housing stress in Canberra; singles receiving Austudy and Newstart remain the worst affected and would spend 114.4 per cent and 96.4 per cent of their weekly income, respectively (up 3.5 and 2.2 per cent from September 2014, respectively). A couple with two children on minimum wage would still spend 45.8 per cent on median rent for an appropriate three bedroom house (largely unchanged), leaving them \$247.68 per week below the AHPL.

Darwin		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$320.00	118.1%	(\$247.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$320.00	99.5%	(\$245.98)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$215.00	71.6%	(\$162.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$320.00	66.1%	(\$83.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$430.00	74.3%	(\$227.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$540.00	72.6%	(\$443.53)
Couple (2 children) - AWE	3 BR House	\$1,299.00	\$390.00	\$540.00	41.6%	\$14.83
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$540.00	58.9%	(\$367.68)

Median rents for one and three bedroom dwellings decreased \$30 (8.6 and 5.3 per cent, respectively) and rents for two bedroom flats fell \$50 (10.4 per cent) since September 2014, respectively. Overall though, Darwin remains one of the least affordable of the capital cities. All household types profiled continue to face significant housing stress and larger households are particularly disadvantaged.

Hobart		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$185.00	68.3%	(\$161.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$185.00	57.5%	(\$110.98)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$120.00	40.0%	(\$67.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$185.00	38.2%	\$51.32
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$240.00	41.5%	(\$37.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$313.00	42.1%	(\$216.53)
Couple (2 children) - AWE	3 BR House	\$1,202.00	\$361.00	\$313.00	26.0%	\$145.47
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$313.00	34.2%	(\$140.68)

Median rents for two and three bedroom dwellings decreased \$7 (2.2 per cent) and \$10 (4 per cent), respectively, while one bedroom dwellings were stable from the previous quarter. Hobart remains the most affordable of the capital cities; however, 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 (\$51.32 and \$145.47, respectively). Students receiving Austudy allowance remain worst off spending more than 68 per cent of their income on median rent for a one bedroom flat (unchanged from September 2014).

Melbourne		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$275.00	101.5%	(\$247.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$275.00	85.5%	(\$200.98)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$180.00	59.9%	(\$127.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$275.00	56.8%	(\$38.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$360.00	62.2%	(\$157.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$450.00	60.5%	(\$353.53)
Couple (2 children) - AWE	3 BR House	\$1,262.00	\$378.00	\$450.00	35.7%	\$67.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$450.00	49.1%	(\$277.68)

The rental market in Melbourne is relatively unchanged from the September quarter, yet median rents remain particularly unaffordable. As in most other capital cities, a student receiving Austudy allowance in Melbourne would pay over 100 per cent of their income for median rent for a one bedroom flat (101.5 per cent, unchanged on previous quarter), while a single person receiving Newstart would pay 59.9 per cent of their income to share a two bedroom flat (down 1.6 per cent from September 2014). Couples with children receiving Newstart allowance would also spend 60.5 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$353.53 per week below the AHPL.

Perth		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$340.00	125.5%	(\$247.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$340.00	105.7%	(\$247.58)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$200.00	66.6%	(\$147.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$340.00	70.3%	(\$103.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$400.00	69.1%	(\$197.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$460.00	61.9%	(\$363.53)
Couple (2 children) - AWE	3 BR House	\$1,442.00	\$433.00	\$460.00	31.9%	\$238.41
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$460.00	50.2%	(\$287.68)

Median rents in Perth for one and two bedroom flats have eased slightly from September 2014, although unaffordability for low-income renters continues to be severe. Again, singles receiving Austudy and Newstart are the worst affected, needing to pay 125.5 per cent and 105.7 per cent of their income, respectively, to meet median rent. Single parents would spend 69.1 per cent of their income on median rent for a two bedroom flat (down 2.3 per cent

from September 2014), leaving them \$197.26 per week below the AHPL. Single aged pensioners, a particularly vulnerable subgroup, would spend 70.3 per cent of their income on median rent for a one bedroom unit (down 3 per cent from September 2014).

Sydney		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$440.00	162.4%	(\$247.58)
Single (>21yrs) - Newstart	1 BR Flat	\$322.00	\$96.00	\$440.00	136.8%	(\$247.58)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$235.00	78.2%	(\$182.25)
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$440.00	90.9%	(\$203.68)
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$470.00	81.2%	(\$267.26)
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$550.00	74.0%	(\$453.53)
Couple (2 children) - AWE	3 BR House	\$1,324.00	\$397.00	\$550.00	41.5%	\$29.98
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$550.00	60.0%	(\$377.68)

While median rents for one bedroom dwellings have decreased slightly since September 2014, the rental market in Sydney is one of the least affordable of the capital cities. Rents are high for all housing types, particularly singles living alone. Median rents consume between 74 and 162 per cent of income for those receiving income support. In Sydney, even family households on average income would need to spend 41.5 per cent of their income on median rent for a three bedroom house, leaving them only slightly above 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	\$271.00	
Single (>21 yrs) - Newstart	Newstart CRA	\$321.60	
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$300.34	
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$483.90	
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$578.92	
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$743.68	
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:	\$1,238.68 \$1,300.79 \$1,461.39 \$1,298.82 \$1,202.46 \$1,261.52 \$1,442.40 \$1,323.97
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	\$916.31	

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