

Private Rental Affordability Bulletin Melbourne (March Quarter 2015)



METHODOLOGY

Housing affordability 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		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$277	\$83	\$300	108.2%	(\$247)
Single - Newstart	1 BR Flat	\$322	\$96	\$300	93.3%	(\$225)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$190	63.3%	(\$137)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$300	62.0%	(\$63)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$380	65.6%	(\$176)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$520	69.9%	(\$422)
Couple (2 children) - AWE	3 BR House	\$1,262	\$378	\$520	41.2%	(\$0)
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$520	56.7%	(\$345)

In Balwyn, rental prices for one bedroom flats and three bedroom houses increased \$11 (3.8 per cent) and \$16 (3.2 per cent), respectively, in the March quarter. All housing types remain critically unaffordable for low-income households, particularly for singles. A single student receiving Austudy allowance would continue to spend more than 100 per cent of their income on median rent for a one bedroom flat and would be \$247 per week below the AHPL. An aged pensioner living alone would spend 62 per cent of their income on rent (up 2 per cent December 2014). Even a couple with children earning an average weekly wage, a household that would be situated at the AHPL, would need to spend 41 per cent of their income on rent for a three bedroom house.

Broadmeadows		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$277	\$83	\$223	80.4%	(\$193)
Single - Newstart	1 BR Flat	\$322	\$96	\$223	69.3%	(\$148)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$150	49.9%	(\$97)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$223	46.1%	\$14
Single Parent (1 child) – Parenting	2 BR Flat	\$579	\$174	\$300	51.8%	(\$96)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$320	43.0%	(\$222)
Couple (2 children) - AWE	3 BR House	\$1,262	\$378	\$320	25.4%	\$200
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$320	34.9%	(\$145)

Broadmeadows median rents for all housing types are relatively unchanged since the December quarter. Even so, six out of eight household types would remain in housing stress if paying median rent, while only two household types profiled would remain above the AHPL. Singles living alone would spend between 46.1 and 80.4 per cent of their income on median rent for a one bedroom flat (little changed from December 2014), or 49.9 per cent of their income to share a two bedroom flat (little changed from December 2014).

Brunswick		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$277	\$83	\$300	108.2%	(\$247)
Single - Newstart	1 BR Flat	\$322	\$96	\$300	93.3%	(\$225)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$198	65.9%	(\$145)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$300	62.0%	(\$63)
Single Parent (1 child) – Parenting	2 BR Flat	\$579	\$174	\$395	68.2%	(\$191)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$595	80.0%	(\$497)
Couple (2 children) – AWE	3 BR House	\$1,262	\$378	\$595	47.2%	(\$75)
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$595	64.9%	(\$420)

Rents remained stable over the quarter, with the exception of three bedroom house, which increased \$14 (2.4 per cent). Brunswick remains among the least affordable suburbs for low-income renters. All eight household types would face housing stress if paying median rent and all households analysed fall well short of the AHPL. Singles receiving Austudy and Newstart and living alone would spend more than 93 per cent of their income on median rent for a one bedroom flat (unchanged from December 2014), while single parents would spend over 68 per cent of their income on median rent for a two bedroom flat (relatively unchanged from December 2014). Couples with children receiving Newstart allowance would spend 80 per cent of their income on median rent for a three bedroom house, leaving them close to \$500 below the AHPL.

Dandenong		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$277	\$83	\$225	81.2%	(\$195)
Single - Newstart	1 BR Flat	\$322	\$96	\$225	70.0%	(\$150)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$300	\$90	\$135	44.9%	(\$82)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$225	46.5%	\$12
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$270	46.6%	(\$66)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$350	47.1%	(\$252)
Couple (2 children) – AWE	3 BR House	\$1,262	\$378	\$350	27.7%	\$170
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$350	38.2%	(\$175)

Rental prices in Dandenong for one bedroom flats decreased \$10 (4.3 per cent) from the previous quarter, while other rents were stable. In Dandenong, a single student receiving Austudy would spend 81.2 per cent of their income on median rent for a one bedroom flat (down from 86.7 per cent in December 2014). A couple with two children relying on Newstart would spend close to half (47.1 per cent) of their incomes on median rent for an appropriate house (relatively unchanged from December 2014) and leave them \$252 below the AHPL.

Frankston		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$277	\$83	\$215	77.6%	(\$185)
Single - Newstart	1 BR Flat	\$322	\$96	\$215	66.9%	(\$140)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$138	45.9%	(\$85)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$215	44.4%	\$22
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$275	47.5%	(\$71)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$330	44.4%	(\$232)
Couple (2 children) - AWE	3 BR House	\$1,262	\$378	\$330	26.2%	\$190
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$330	36.0%	(\$155)

Rental prices in Frankston for one and two bedroom flats fell \$5 from September 2015 and remain unaffordable for all household types profiled other than those earning an average wage. Singles studying or on Newstart and living alone would have to pay between 66.9 and 77.6 per cent of their income for a one bedroom flat.

Preston		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$277	\$83	\$270	97.4%	(\$240)
Single - Newstart	1 BR Flat	\$322	\$96	\$270	84.0%	(\$195)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$175	58.3%	(\$122)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$270	55.8%	(\$33)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$350	60.5%	(\$146)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$420	56.5%	(\$322)
Couple (2 children) - AWE	3 BR House	\$1,262	\$378	\$420	33.3%	\$100
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$420	45.8%	(\$245)

Preston remains among the least affordable suburbs for low-income renters. Median rental prices for one bedroom flats increased \$5 (1.9 per cent) over the quarter while rents for two and three bedroom dwellings remained unchanged. All household types continue to experience housing stress when paying the median rent. In March 2015, students receiving Austudy allowance would spend 97.4 per cent of their income on median rent for a one bedroom flat (relatively unchanged from December 2014). Additionally, single parents would need to spend more than 60 per cent of their income on median rent for suitable accommodation (unchanged since December 2014).

Ringwood		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$277	\$83	\$250	90.2%	(\$220)
Single – Newstart	1 BR Flat	\$322	\$96	\$250	77.7%	(\$175)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$160	53.3%	(\$107)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$250	51.7%	(\$13)
Single Parent (1 child) – Parenting	2 BR Flat	\$579	\$174	\$320	55.3%	(\$116)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$380	51.1%	(\$282)
Couple (2 children) – AWE	3 BR House	\$1,262	\$378	\$380	30.1%	\$140
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$380	41.5%	(\$205)

Rental prices in Ringwood for one bedroom flats surged \$20 (8.7 per cent) in the March quarter, while rents for other dwellings were unchanged from December 2014. All housing options remain unaffordable with low-income students and singles again facing the greatest housing stress. A single student receiving Austudy allowance would spend 90.2 per cent of their income on median rent for a one bedroom flat (up from 84.9 per cent in December 2014). 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 \$282 per week below the AHPL.

St Kilda East		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$277	\$83	\$290	104.6%	(\$247)
Single – Newstart	1 BR Flat	\$322	\$96	\$290	90.2%	(\$215)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$300	\$90	\$190	63.3%	(\$137)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$290	59.9%	(\$53)
Single Parent (1 child) – Parenting	2 BR Flat	\$579	\$174	\$380	65.6%	(\$176)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$678	91.2%	(\$580)
Couple (2 children) – AWE	3 BR House	\$1,262	\$378	\$678	53.7%	(\$158)
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$678	74.0%	(\$503)

Rental prices in St Kilda East were mostly 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 91.2 per cent of their income on median rent for a three bedroom house (relatively unchanged from December 2014), leaving them \$580 per week below the AHPL. Even a couple with children on average weekly income would experience significant housing stress, spending over 53 per cent of their income on median rent for a similar house.

Sunshine		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$277	\$83	\$210	75.8%	(\$180)
Single – Newstart	1 BR Flat	\$322	\$96	\$210	65.3%	(\$135)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$300	\$90	\$135	44.9%	(\$82)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$210	43.4%	\$27
Single Parent (1 child) – Parenting	2 BR Flat	\$579	\$174	\$270	46.6%	(\$66)
Couple (2 children) – Newstart	3 BR House	\$744	\$223	\$320	43.0%	(\$222)
Couple (2 children) – AWE	3 BR House	\$1,262	\$378	\$320	25.4%	\$200
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$320	34.9%	(\$145)

Rental prices in Sunshine for two and three bedroom dwellings increased \$10 (3.8 per cent and 3.2 per cent, respectively) and one bedroom flats increased \$5 (2.4 per cent). 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	\$277.20
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	\$1,261.52
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.