

Private Rental Affordability Bulletin

Capital Cities (March Quarter 2015)



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	\$277	\$83	\$235	84.8%	(\$205)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$235	73.1%	(\$160)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$140	46.6%	(\$87)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$235	48.6%	\$2
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$280	48.4%	(\$76)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$375	50.4%	(\$277)
Couple (2 children) - AWE	3 BR House	\$1,239	\$372	\$375	30.3%	\$122
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$375	40.9%	(\$200)

Adelaide remains comparatively more affordable than most other capitals. In Adelaide, median rental prices for one bedroom flats and three bedroom houses decreased \$5 (2.1 per cent) and increased \$5 (1.3 per cent), respectively. Despite the city's comparative affordability, housing stress remains a significant issue for all households profiled. With the exception of households on average income, all other household types would either be situated at, or fall below, the AHPL line if paying median rent. Singles receiving income support would be required to pay between 48.6 per cent and 84.8 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$205 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	\$277	\$83	\$280	101.0%	(\$247)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$280	87.1%	(\$205)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$185	61.6%	(\$132)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$280	57.9%	(\$43)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$370	63.9%	(\$166)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$420	56.5%	(\$322)
Couple (2 children) - AWE	3 BR House	\$1,301	\$390	\$420	32.3%	\$139
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$420	45.8%	(\$245)

In Brisbane, median rents for one and two bedroom flats (\$5 and \$10, respectively) and three bedroom houses (\$20) increased in the March quarter, the latter by 5 per cent. 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 December 2014). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$322 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	\$277	\$83	\$315	113.6%	(\$247)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$315	97.9%	(\$240)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$185	61.6%	(\$132)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$315	65.1%	(\$78)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$370	63.9%	(\$166)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$430	57.8%	(\$332)
Couple (2 children) - AWE	3 BR House	\$1,461	\$438	\$430	29.4%	\$290
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$430	46.9%	(\$255)

In Canberra, median rental prices for one bedroom flats increased \$5, while two bedroom flats and three bedroom dwellings increased \$10. 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 approximately 114 per cent and 98 per cent of their weekly income, respectively (relatively unchanged from December 2014). A couple with two children on minimum wage would still spend 46.9 per cent on median rent for an appropriate three bedroom house (up 1.1 per cent on December 2014), leaving them \$255 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	\$277	\$83	\$320	115.4%	(\$247)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$320	99.5%	(\$245)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$220	73.3%	(\$167)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$320	66.1%	(\$83)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$440	76.0%	(\$236)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$550	74.0%	(\$452)
Couple (2 children) - AWE	3 BR House	\$1,299	\$390	\$550	42.3%	\$7
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$550	60.0%	(\$375)

Median rents for two and three bedroom dwellings increased \$10 (2.3 and 1.9 per cent, respectively) over the March quarter. Overall, 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	\$277	\$83	\$170	61.3%	(\$140)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$170	52.9%	(\$95)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$125	41.6%	(\$72)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$170	35.1%	\$67
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$250	43.2%	(\$46)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$320	43.0%	(\$222)
Couple (2 children) - AWE	3 BR House	\$1,202	\$361	\$320	26.6%	\$141
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$320	34.9%	(\$145)

Median rents for two and three bedroom dwellings increased \$10 (4.2 per cent) and \$7 (2.2 per cent), respectively, while one bedroom dwellings fell \$15 (8.1 per cent) 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 sit above the AHPL (\$67 and \$141, respectively). Students receiving Austudy allowance remain worst off spending more than 61 per cent of their income on median rent for a one bedroom flat (down 7 per cent from December 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	\$277	\$83	\$270	97.4%	(\$240)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$270	84.0%	(\$195)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$185	61.6%	(\$132)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$270	55.8%	(\$33)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$370	63.9%	(\$166)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$450	60.5%	(\$352)
Couple (2 children) - AWE	3 BR House	\$1,262	\$378	\$450	35.7%	\$70
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$450	49.1%	(\$275)

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 97 per cent of their income for median rent for a one bedroom flat (97.4 per cent, a decrease of 4.1 per cent on previous quarter), while a single person receiving Newstart would pay 61.6 per cent of their income to share a two bedroom flat (up 1.7 per cent from December 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 \$352 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	\$277	\$83	\$345	124.5%	(\$247)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$345	107.3%	(\$247)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$200	66.6%	(\$147)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$345	71.3%	(\$108)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$400	69.1%	(\$196)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$450	60.5%	(\$352)
Couple (2 children) - AWE	3 BR House	\$1,442	\$433	\$450	31.2%	\$251
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$450	49.1%	(\$275)

Median rents in Perth one bedroom flats increased \$5 while three bedroom houses eased slightly from December 2014. Unaffordability for low-income renters continues to be severe. Again, singles receiving Austudy and Newstart are the worst affected, needing to pay 124.5 per cent and 107.3 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

(unchanged from December 2014), leaving them \$196 per week below the AHPL. Single aged pensioners, a particularly vulnerable subgroup, would spend 71.3 per cent of their income on median rent for a one bedroom unit (relatively unchanged from December 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	\$277	\$83	\$460	165.9%	(\$247)
Single (>21yrs) - Newstart	1 BR Flat	\$322	\$96	\$460	143.0%	(\$247)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300	\$90	\$240	79.9%	(\$187)
Single - Aged Pension	1 BR Flat	\$484	\$145	\$460	95.1%	(\$223)
Single Parent (1 child) - Parenting	2 BR Flat	\$579	\$174	\$480	82.9%	(\$276)
Couple (2 children) - Newstart	3 BR House	\$744	\$223	\$550	74.0%	(\$452)
Couple (2 children) - AWE	3 BR House	\$1,324	\$397	\$550	41.5%	\$32
Couple (2 children) - Min Wage	3 BR House	\$916	\$275	\$550	60.0%	(\$375)

The rental market in Sydney is one of the least affordable of the capital cities. Median rents in Sydney for one bedroom dwellings increased \$20 (4.5 per cent) and two bedroom flats increased \$10 (2.1 per cent) since December 2014. Rents are high for all housing types, particularly singles living alone. Median rents consume between 74 and 166 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	\$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	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.