

Private Rental Affordability Bulletin

Melbourne (June 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	\$278	\$83	\$330	118.9%	(\$250)
Single - Newstart	1 BR Flat	\$324	\$97	\$330	101.9%	(\$250)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$190	62.8%	(\$138)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$330	67.7%	(\$93)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$380	65.3%	(\$179)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$520	69.6%	(\$427)
Couple (2 children) - AWE	3 BR House	\$1,262	\$379	\$520	41.2%	(\$11)
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$520	56.7%	(\$356)

In Balwyn, median rental prices for one bedroom flats surged \$30 (10 per cent) in the June quarter, while other dwellings were stable. All housing types remain critically unaffordable for low-income households, particularly for singles. The significant rise in rents for one bedroom properties means that a single student receiving Austudy allowance would need to spend almost 119 per cent of their income (up from 108 per cent in March) on median rent and would be \$250 per week below the AHPL. An aged pensioner living alone would spend 67.7 per cent of their income on rent (up 5.7 per cent from March). Even a couple with children earning an average weekly wage 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	\$278	\$83	\$223	80.3%	(\$196)
Single - Newstart	1 BR Flat	\$324	\$97	\$223	68.9%	(\$150)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$150	49.6%	(\$98)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$223	45.8%	\$14
Single Parent (1 child) – Parenting	2 BR Flat	\$582	\$175	\$300	51.5%	(\$99)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$324	43.3%	(\$231)
Couple (2 children) - AWE	3 BR House	\$1,262	\$379	\$324	25.7%	\$185
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$324	35.3%	(\$160)

Broadmeadows median rents for all housing types are relatively unchanged since the March quarter. Even so, seven 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 45.8 and 80.3 per cent of their income on median rent for a one bedroom flat (little changed from March 2015), or 49.6 per cent of their income to share a two bedroom flat (little changed from March 2015).

Brunswick		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$278	\$83	\$310	111.7%	(\$250)
Single - Newstart	1 BR Flat	\$324	\$97	\$310	95.7%	(\$237)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$200	66.1%	(\$148)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$310	63.6%	(\$73)
Single Parent (1 child) – Parenting	2 BR Flat	\$582	\$175	\$400	68.7%	(\$199)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$595	79.6%	(\$502)
Couple (2 children) – AWE	3 BR House	\$1,262	\$379	\$595	47.1%	(\$86)
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$595	64.9%	(\$431)

Rents remained relatively stable over the quarter, with one and two bedroom flats increasing \$10 (3.3 per cent) and \$5 (1.3 per cent), respectively. Brunswick remains among the least affordable suburbs for low-income renters. All eight household types would face significant 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 95 per cent of their income on median rent for a one bedroom flat (up 3.5 per cent and 2.4 per cent, respectively, from March 2015), while single parents would spend over 68 per cent of their income on median rent for a two bedroom flat (relatively unchanged from March 2015). Couples with children receiving Newstart allowance would spend nearly 80 per cent of their income on median rent for a three bedroom house, leaving them more than \$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	\$278	\$83	\$220	79.3%	(\$193)
Single - Newstart	1 BR Flat	\$324	\$97	\$220	67.9%	(\$147)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$302	\$91	\$136	45.0%	(\$84)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$220	45.2%	\$17
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$272	46.7%	(\$71)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$350	46.8%	(\$257)
Couple (2 children) – AWE	3 BR House	\$1,262	\$379	\$350	27.7%	\$159
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$350	38.2%	(\$186)

Rental prices in Dandenong for one bedroom flats decreased \$5 (2.2 per cent) from the previous quarter, while other rents were stable. In Dandenong, a single student receiving Austudy would spend 79.3 per cent of their income on median rent for a one bedroom flat (down from 81.2 per cent in March 2015). A couple with two children relying on Newstart would spend close to half (46.8 per cent) of their incomes on median rent for an appropriate house (relatively unchanged from March 2015) and leave them \$257 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	\$278	\$83	\$215	77.4%	(\$188)
Single - Newstart	1 BR Flat	\$324	\$97	\$215	66.4%	(\$142)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$138	45.6%	(\$86)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$215	44.1%	\$22
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$275	47.3%	(\$74)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$330	44.1%	(\$237)
Couple (2 children) - AWE	3 BR House	\$1,262	\$379	\$330	26.1%	\$179
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$330	36.0%	(\$166)

Rental prices in Frankston are unchanged from March 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 66.4 and 77.4 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	\$278	\$83	\$273	98.3%	(\$246)
Single - Newstart	1 BR Flat	\$324	\$97	\$273	84.3%	(\$200)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$178	58.9%	(\$126)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$273	56.0%	(\$36)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$355	61.0%	(\$154)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$430	57.5%	(\$337)
Couple (2 children) - AWE	3 BR House	\$1,262	\$379	\$430	34.1%	\$79
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$430	46.9%	(\$266)

Preston remains among the least affordable suburbs for low-income renters. Median rental prices for one bedroom flats increased \$3 (1.1 per cent) over the quarter while rents for two and three bedroom dwellings increased \$5 (1.4 per cent) and \$10 (2.4 per cent), respectively. All household types continue to experience housing stress when paying the median rent. In June 2015, couples with children on the minimum wage or receiving Newstart would need to spend between 47 and 57 per cent of their income on median rent for a three bedroom house (an increase of around 1 per cent from March 2015). Additionally, single parents would need to spend 61 per cent of their income on median rent for suitable accommodation (unchanged since March 2015).

Ringwood		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$278	\$83	\$250	90.1%	(\$223)
Single – Newstart	1 BR Flat	\$324	\$97	\$250	77.2%	(\$177)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$163	53.9%	(\$111)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$250	51.3%	(\$13)
Single Parent (1 child) – Parenting	2 BR Flat	\$582	\$175	\$326	56.0%	(\$125)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$380	50.8%	(\$287)
Couple (2 children) – AWE	3 BR House	\$1,262	\$379	\$380	30.1%	\$129
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$380	41.4%	(\$216)

Rental prices in Ringwood are unchanged since the March quarter. 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 90.1 per cent of their income on median rent for a one bedroom flat (unchanged from March 2015). A couple with children receiving Newstart allowance would spend close to 51 per cent of their income on median rent for a three bedroom house, leaving them \$287 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	\$278	\$83	\$295	106.3%	(\$250)
Single – Newstart	1 BR Flat	\$324	\$97	\$295	91.1%	(\$222)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$302	\$91	\$190	62.8%	(\$138)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$295	60.5%	(\$58)
Single Parent (1 child) – Parenting	2 BR Flat	\$582	\$175	\$380	65.3%	(\$179)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$680	91.0%	(\$587)
Couple (2 children) – AWE	3 BR House	\$1,262	\$379	\$680	53.9%	(\$171)
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$680	74.2%	(\$516)

Rental prices in St Kilda East were relatively unchanged over the previous quarter, although the median rent for a one bedroom flat increased \$5 (1.7 per cent) during the 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 per cent of their income on median rent for a three bedroom house (relatively unchanged from March 2015), leaving them \$587 per week below the AHPL. Even a couple with children on average weekly income would experience significant housing stress, spending close to 54 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	\$278	\$83	\$210	75.6%	(\$183)
Single – Newstart	1 BR Flat	\$324	\$97	\$210	64.9%	(\$137)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$302	\$91	\$135	44.6%	(\$83)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$210	43.1%	\$27
Single Parent (1 child) – Parenting	2 BR Flat	\$582	\$175	\$270	46.4%	(\$69)
Couple (2 children) – Newstart	3 BR House	\$747	\$224	\$320	42.8%	(\$227)
Couple (2 children) – AWE	3 BR House	\$1,262	\$379	\$320	25.4%	\$189
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$320	34.9%	(\$156)

Rental prices in Sunshine were unchanged in the June quarter. Of the households profiled, only those on an average wage would not experience housing stress if paying median rent and, once again. Again, students and singles are the most affected.

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	\$277.60
Single (>21 yrs) - Newstart	Newstart CRA	\$323.80
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$302.40
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$487.25
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$581.96
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$747.47
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	\$1,262.01
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	\$916.80

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