

Private Rental Affordability Bulletin Capital Cities (June 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	\$278	\$83	\$230	82.9%	(\$203)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$230	71.0%	(\$157)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$140	46.3%	(\$88)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$230	47.2%	\$7
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$280	48.1%	(\$79)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$375	50.2%	(\$282)
Couple (2 children) - AWE	3 BR House	\$1,240	\$372	\$375	30.2%	\$112
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$375	40.9%	(\$211)

Adelaide remains comparatively more affordable than most other capitals. In Adelaide, median rental prices for one bedroom flats decreased \$5 (2.1 per cent) while other dwellings remained stable. Despite the city's comparative affordability, housing stress remains an 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 47 per cent and 83 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$203 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	\$278	\$83	\$275	99.1%	(\$248)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$275	84.9%	(\$202)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$180	59.5%	(\$128)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$275	56.4%	(\$38)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$360	61.9%	(\$159)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$410	54.9%	(\$317)
Couple (2 children) - AWE	3 BR House	\$1,291	\$387	\$410	31.8%	\$128
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$410	44.7%	(\$246)

In Brisbane, median rents for two bedroom flats and three bedroom houses decreased \$10 (2.7 per cent and 2.4 per cent, respectively) and one bedroom flats eased \$5 (1.8 per cent) in the June quarter. Unaffordability continues to affect all households. Students remain disproportionately worse off; median rent for one bedroom flat would consume close to 100 per cent of their weekly income (down 2 per cent from March 2015). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$317 below).

Canberra		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 (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$310	95.7%	(\$237)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$185	61.2%	(\$133)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$310	63.6%	(\$73)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$370	63.6%	(\$169)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$420	56.2%	(\$327)
Couple (2 children) - AWE	3 BR House	\$1,465	\$440	\$420	28.7%	\$293
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$420	45.8%	(\$256)

In Canberra, median rental prices for one bedroom flats and three bedroom houses decreased \$5 and \$10, respectively, since March 2015. 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 between 95 and 112 per cent of their weekly income (down 2 per cent from March 2015). A couple with two children on minimum wage would still spend 45.8 per cent on median rent for an appropriate three bedroom house (down 1.1 per cent on the previous quarter), leaving them \$256 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	\$278	\$83	\$342	123.2%	(\$250)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$342	105.6%	(\$250)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$200	66.1%	(\$148)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$342	70.2%	(\$105)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$400	68.7%	(\$199)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$520	69.6%	(\$427)
Couple (2 children) - AWE	3 BR House	\$1,338	\$402	\$520	38.9%	\$66
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$520	56.7%	(\$356)

In Darwin, there have been fairly major swings in median rents in the June quarter. Median rents for two and three bedroom dwellings witnessed large decreases of \$40 (9.1 per cent) and \$30 (5.5 per cent), respectively, while one bedroom flats increased \$22 (6.9 per cent). 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	\$278	\$83	\$198	71.3%	(\$171)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$198	61.1%	(\$125)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$123	40.7%	(\$71)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$198	40.6%	\$39
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$245	42.1%	(\$44)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$310	41.5%	(\$217)
Couple (2 children) - AWE	3 BR House	\$1,213	\$364	\$310	25.6%	\$151
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$310	33.8%	(\$146)

Median rents for two and three bedroom dwellings decreased \$5 and 10, respectively. Rents for one bedroom dwellings, on the other hand, increased significantly by \$28 (16.5 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 (\$39 and \$151, respectively). Students receiving Austudy allowance remain worst off spending more than 71 per cent of their income on median rent for a one bedroom flat (up 10 per cent from March 2015).

Melbourne		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	\$280	100.9%	(\$250)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$280	86.5%	(\$207)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$185	61.2%	(\$133)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$280	57.5%	(\$43)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$370	63.6%	(\$169)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$450	60.2%	(\$357)
Couple (2 children) - AWE	3 BR House	\$1,262	\$379	\$450	35.7%	\$59
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$450	49.1%	(\$286)

The rental market in Melbourne is relatively unchanged from the March 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 (an increase of 3.5 per cent on previous quarter), while a single person receiving Newstart would pay 61 per cent of their income to share a two bedroom flat (unchanged from March 2015). Couples with children receiving Newstart allowance would also spend 60.2 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$357 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	\$278	\$83	\$330	118.9%	(\$250)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$330	101.9%	(\$250)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$198	65.5%	(\$146)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$330	67.7%	(\$93)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$395	67.9%	(\$194)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$440	58.9%	(\$347)
Couple (2 children) - AWE	3 BR House	\$1,455	\$436	\$440	30.2%	\$262
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$440	48.0%	(\$276)

Median rents in Perth have eased since March 2015 with the largest decrease found one bedroom flats (\$15, 4.3 per cent). Unaffordability for low-income renters continues to be severe. Again, singles receiving Austudy and Newstart are the worst affected, needing to pay between 102 per cent and 119 per cent of their income, respectively,

to meet median rent. Single parents would spend around 68 per cent of their income on median rent for a two bedroom flat (down 1.2 per cent since March 2015), leaving them \$194 per week below the AHPL. Single aged pensioners, a particularly vulnerable subgroup, would spend 67.7 per cent of their income on median rent for a one bedroom unit (a decrease of close to 4 per cent from March 2015).

Sydney		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	\$460	165.7%	(\$250)
Single (>21yrs) - Newstart	1 BR Flat	\$324	\$97	\$460	142.1%	(\$250)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$302	\$91	\$240	79.4%	(\$188)
Single - Aged Pension	1 BR Flat	\$487	\$146	\$460	94.4%	(\$223)
Single Parent (1 child) - Parenting	2 BR Flat	\$582	\$175	\$480	82.5%	(\$279)
Couple (2 children) - Newstart	3 BR House	\$747	\$224	\$550	73.6%	(\$457)
Couple (2 children) - AWE	3 BR House	\$1,337	\$401	\$550	41.1%	\$35
Couple (2 children) - Min Wage	3 BR House	\$917	\$275	\$550	60.0%	(\$386)

The rental market in Sydney was stable in the June quarter but the city continues to be one of the least affordable of the capital cities. Rents are high for all housing types, particularly singles living alone. Median rents consume between 73 per cent and 166 per cent of income for those receiving income support. In Sydney, even family households on average income would need to spend more than 41 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	\$277.60	
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	Adelaide: Brisbane: Canberra: Darwin: Hobart: Melbourne: Perth: Sydney:	\$1,239.99 \$1,290.80 \$1,465.09 \$1,338.35 \$1,213.05 \$1,262.01 \$1,454.74 \$1,337.43
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.