

Private Rental Affordability Bulletin

Capital Cities (December 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. The AWE households used in this analysis are not considered to be low income households. They have been included as comparators of affordability.

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. From September 2015, single person households earning a minimum wage and average weekly earnings have been added to the analysis.

ANALYSIS

It is worth noting at the outset that households on average weekly earnings serve as useful comparators to illustrate the stark difference between low income households receiving income support or earning the minimum wage, and those earning an average wage. Even if households earning an average wage are paying close to- or more than 30 per cent of their income on housing, they remain above the poverty line – particularly single person households, which have significant disposable income after paying for housing.

Adelaide		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$223	80.0%	(\$194)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$223	68.2%	(\$146)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$140	45.9%	(\$85)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$370	49.0%	(\$275)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$223	45.3%	\$19
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$280	47.6%	(\$77)
AWE - Single	1 BR Flat	\$1,064	\$319	\$223	20.9%	\$491
AWE - Couple (2 children)	3 BR House	\$1,260	\$378	\$370	29.4%	\$135
Min Wage - Single	1 BR Flat	\$599	\$180	\$223	37.2%	\$26
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$370	39.6%	(\$190)

Adelaide remains comparatively more affordable than most other capitals. In Adelaide, median rental prices for one bedroom flats decreased \$9 while median rents for other dwellings remained stable in the December quarter. Despite the city's comparative affordability, housing stress remains an issue for all low income households profiled. With the exception of households on average income, all other household types would either be situated close to, or fall well below, the AHPL line if paying median rent. Singles receiving income support would be required to pay between 45 per cent and 80 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$194 per week below the AHPL.

Brisbane		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$275	98.9%	(\$247)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$275	84.3%	(\$199)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$180	59.0%	(\$125)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$410	54.3%	(\$315)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$275	56.0%	(\$34)
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$360	61.2%	(\$157)
AWE - Single	1 BR Flat	\$1,110	\$333	\$275	24.8%	\$485
AWE - Couple (2 children)	3 BR House	\$1,297	\$389	\$410	31.6%	\$132
Min Wage - Single	1 BR Flat	\$599	\$180	\$275	45.9%	(\$26)
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$410	43.9%	(\$230)

In Brisbane, median rents remain unchanged in the December quarter and unaffordability continues to affect all households other than singles earning an average wage. Students remain disproportionately worse off; median rent for one bedroom flat would consume close to 100 per cent of their weekly income (relatively unchanged from September 2015). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$315 below).

Canberra		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$300	107.9%	(\$250)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$300	91.9%	(\$224)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$185	60.7%	(\$130)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$410	54.3%	(\$315)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$300	61.1%	(\$59)
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$370	62.9%	(\$167)
AWE - Single	1 BR Flat	\$1,286	\$386	\$300	23.3%	\$636
AWE - Couple (2 children)	3 BR House	\$1,473	\$442	\$410	27.8%	\$308
Min Wage - Single	1 BR Flat	\$599	\$180	\$300	50.1%	(\$51)
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$410	43.9%	(\$230)

In Canberra, median rental prices for one bedroom flats and three bedroom houses decreased \$5 and two bedroom flats decreased \$10, in December 2015. Unaffordability remains acute with all eight low income households profiled facing significant housing stress in Canberra; households on Newstart would spend between 54 per cent and 92 per cent of their weekly income to pay the median rent. While households earning the minimum wage would have to spend between 44 per cent and 50 per cent of income on rent for appropriate housing. Couples with two children and on the minimum wage would be left \$230 per week below the AHPL.

Darwin		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$285	102.4%	(\$250)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$285	87.2%	(\$208)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$190	62.3%	(\$135)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$495	65.5%	(\$400)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$285	58.0%	(\$44)
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$380	64.6%	(\$177)
AWE - Single	1 BR Flat	\$1,180	\$354	\$285	24.1%	\$545
AWE - Couple (2 children)	3 BR House	\$1,367	\$410	\$495	36.2%	\$117
Min Wage - Single	1 BR Flat	\$599	\$180	\$285	47.6%	(\$36)
Couple (2 children) - Min Wage	3 BR House	\$935	\$280	\$495	53.0%	(\$315)

In Darwin the largest movement in median rents in the December quarter was for one bedroom flats which decreased \$37 (11.5 per cent), median rent for two and three bedroom dwellings also fell (\$10 and \$5, respectively). Overall, Darwin remains one of the least affordable of the capital cities. With the exception of singles earning an average income, all household types profiled continue pay more than 30 per cent of their income on median rent, with larger households particularly disadvantaged.

Hobart		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$195	70.1%	(\$167)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$195	59.7%	(\$119)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$125	41.0%	(\$70)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$320	42.4%	(\$225)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$195	39.7%	\$46
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$250	42.5%	(\$47)
AWE - Single	1 BR Flat	\$1,026	\$308	\$195	19.0%	\$481
AWE - Couple (2 children)	3 BR House	\$1,234	\$370	\$320	25.9%	\$159
Min Wage - Single	1 BR Flat	\$599	\$180	\$195	32.6%	\$54
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$320	34.2%	(\$140)

Median rents for one and three bedroom dwellings increased \$20 (11.4 per cent and 6.7 per cent, respectively) in the December quarter. Hobart remains the most affordable of the capital cities; however, all eight low income household types profiled still face housing stress and, of these, only singles receiving the aged pension or minimum wage sit above the AHPL (\$46 and \$54, respectively). Students receiving Austudy allowance remain worst off spending 70 per cent of their income on median rent for a one bedroom flat (up 7 per cent from September 2015).

Melbourne		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$290	104.3%	(\$250)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$290	88.8%	(\$214)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$190	62.3%	(\$135)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$460	60.9%	(\$365)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$290	59.0%	(\$49)
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$380	64.6%	(\$177)
AWE - Single	1 BR Flat	\$1,163	\$349	\$290	24.9%	\$523
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$460	35.9%	\$68
Min Wage - Single	1 BR Flat	\$599	\$180	\$290	48.4%	(\$41)
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$460	49.2%	(\$280)

The rental market in Melbourne saw rents for two and three bedroom dwellings increase \$5 and \$10, respectively, and median rents remain particularly unaffordable. As in most other capital cities, a student receiving Austudy allowance would be one of the worst affected, and in Melbourne would pay over 104 per cent of their income for median rent for a one bedroom flat (unchanged from the previous quarter), while a single person receiving Newstart would pay 62 per cent of their income to share a two bedroom flat (unchanged from September 2015). Couples with children receiving Newstart allowance would also spend around 61 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$365 per week below the AHPL.

Perth		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$330	118.7%	(\$250)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$330	101.1%	(\$250)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$180	59.0%	(\$125)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$420	55.6%	(\$325)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$330	67.2%	(\$89)
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$360	61.2%	(\$157)
AWE - Single	1 BR Flat	\$1,282	\$385	\$330	25.7%	\$602
AWE - Couple (2 children)	3 BR House	\$1,469	\$441	\$420	28.6%	\$294
Min Wage - Single	1 BR Flat	\$599	\$180	\$330	55.1%	(\$81)
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$420	44.9%	(\$240)

Median rents in Perth have eased since September 2015, although the median rent for one bedroom flats increased slightly. Median rents for two and three bedroom dwellings fell \$15 and \$10, respectively. Unaffordability for low-income renters continues to be severe. Again, singles receiving Austudy and Newstart are the worst affected, needing to pay between 101 per cent and 119 per cent of their income, respectively, to meet median rent. Single parents would spend around 61 per cent of their income on median rent for a two bedroom flat (down 3 per cent since September 2015), leaving them \$157 per week below the AHPL. While single aged pensioners, a particularly vulnerable subgroup, would spend around 67 per cent of their income on median rent for a one bedroom unit.

Sydney		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$460	165.4%	(\$250)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$460	140.9%	(\$250)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$243	79.7%	(\$188)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$570	75.5%	(\$475)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$460	93.7%	(\$219)
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$485	82.5%	(\$282)
AWE - Single	1 BR Flat	\$1,096	\$329	\$460	42.0%	\$286
AWE - Couple (2 children)	3 BR House	\$1,350	\$405	\$570	42.2%	\$25
Min Wage - Single	1 BR Flat	\$599	\$180	\$460	76.8%	(\$211)
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$570	61.0%	(\$390)

In the December quarter median rents for one bedroom flats and three bedroom houses increased \$10, while rents for two bedroom flats increased \$5. The rental market in Sydney continues to be the least affordable of the capital cities. Rents are high for all housing types, particularly for singles living alone – even for those earning an average wage. Median rents consume between 75 per cent and 165 per cent of income for those receiving income support. In Sydney, even family households on average income would need to spend more than 42 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*	
Austudy - Single	Austudy CRA	\$278.10	
Newstart - Single (>21 yrs)	Newstart CRA	\$326.40	
Newstart - Single (>21yrs) [Sharing]	Newstart CRA	\$304.84	
Newstart - Couple (2 children)	Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$755.33	
Aged Pension - Single	Aged Pension Pharmaceutical Allowance CRA	\$491.15	
Parenting - Single Parent (1 child)	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$587.87	
AWE - Single	Average Weekly Income	Adelaide:	\$1,063.84
		Brisbane:	\$1,110.15
		Canberra:	\$1,286.28
		Darwin:	\$1,179.77
		Hobart:	\$1,026.31
		Melbourne:	\$1,095.80
		Perth:	\$1,281.76
AWE - Couple (2 children)	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:	\$1,260.00
		Brisbane:	\$1,297.12
		Canberra:	\$1,473.25
		Darwin:	\$1,366.74
		Hobart:	\$1,233.92
		Melbourne:	\$1,282.77
		Perth:	\$1,468.73
Min Wage - Single	Weekly Minimum Wage	Sydney:	\$1,349.91
		\$598.59	

Min Wage - Couple (2 children)	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	\$934.73
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* Total weekly income for households in the tables above is less than the maximum where households are not eligible for maximum CRA payments.