

Private Rental Affordability Bulletin

Regional Victoria (December 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% of income distribution), spending 30% 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. 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.

Ballarat		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	\$170	61.0%	(\$141)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$170	52.0%	(\$93)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$115	37.8%	(\$61)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$280	37.0%	(\$184)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$170	33.9%	\$82
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$230	39.1%	(\$26)
AWE - Single	1 BR Flat	\$1,096	\$329	\$170	15.5%	\$576
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$280	21.8%	\$248
Min Wage - Single	1 BR Flat	\$599	\$180	\$170	28.4%	\$79
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$280	29.9%	(\$100)

In Ballarat, median rental prices for one bedroom flats and three bedroom houses increased \$5 in the December quarter. Rents remain unaffordable for six out of eight low-income households profiled. Students receiving Austudy allowance are worst affected as median rental costs would consume 61 per cent of their weekly income. As in all

other cities, family households receiving Newstart allowance would be furthest below AHPL if paying median rent (\$184 per week under).

Bendigo		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	\$163	58.5%	(\$134)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$163	49.9%	(\$86)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$120	39.3%	(\$65)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$285	37.7%	(\$189)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$163	32.5%	\$89
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$240	40.8%	(\$36)
AWE - Single	1 BR Flat	\$1,096	\$329	\$163	14.9%	\$583
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$285	22.2%	\$243
Min Wage - Single	1 BR Flat	\$599	\$180	\$163	27.2%	\$86
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$285	30.5%	(\$105)

Rental prices in Bendigo for two and three bedroom dwellings increased \$10 and \$5, respectively, in the December quarter, while the median rent for one bedroom flats fell \$7. Rents in Bendigo remain unaffordable for all low-income household types other than singles earning the minimum wage. Indeed, singles not on the aged pension or minimum wage are the worst affected and would spend between 50 per cent and 59 per cent of their income on median rent for a one bedroom flat (down around 3 per cent from September 2015). Single parents would continue to spend around 41 per cent of their income on median rent for a two bedroom flat (relatively unchanged from the previous quarter).

Geelong		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	\$208	74.7%	(\$179)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$208	63.6%	(\$131)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$140	45.9%	(\$85)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$325	43.0%	(\$229)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$208	41.5%	\$44
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$280	47.6%	(\$76)
AWE - Single	1 BR Flat	\$1,096	\$329	\$208	19.0%	\$538
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$325	25.3%	\$203
Min Wage - Single	1 BR Flat	\$599	\$180	\$208	34.7%	\$41
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$325	34.7%	(\$145)

In Geelong median rents were relatively unchanged from the September quarter, although the median rent for three bedroom houses increased \$5. The rental market in Geelong continues to be the least affordable of the regional cities profiled; only households earning an average income would not pay more than 30 per cent of their income on the median rent. Families on the minimum wage or Newstart would need to spend 34 per cent and 43 per cent of their income on rent for a three bedroom house, leaving them \$145 and \$229 below the poverty line, respectively.

Mildura		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	\$180	64.6%	(\$151)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$180	55.1%	(\$103)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$100	34.1%	(\$57)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$290	38.4%	(\$194)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$180	35.9%	\$72
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$200	34.0%	\$4
AWE - Single	1 BR Flat	\$1,096	\$329	\$180	16.4%	\$566
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$290	22.6%	\$238
Min Wage - Single	1 BR Flat	\$599	\$180	\$180	30.1%	\$69
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$290	31.0%	(\$110)

In Mildura, median rents paid for two bedroom flats and three bedroom houses increased \$5 and \$10, respectively, over the quarter. Housing affordability continues to be an issue, with all eight low-income households profiled facing housing stress if paying median rent; it is a substantially different situation for households earning an average wage. Single occupant households on income support continue to be the worst affected with an aged pensioner living alone in a one bedroom flat needing to spend 36 per cent of their income on median rent.

Shepparton		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	\$168	60.3%	(\$139)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$168	51.4%	(\$91)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$109	36.3%	(\$59)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$280	37.0%	(\$184)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$168	33.5%	\$84
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$218	37.0%	(\$14)
AWE - Single	1 BR Flat	\$1,096	\$329	\$168	15.3%	\$578
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$280	21.8%	\$248
Min Wage - Single	1 BR Flat	\$599	\$180	\$168	28.1%	\$81
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$280	29.9%	(\$100)

Rental prices in Shepparton remain among the most affordable in this analysis; however, median rent for two bedroom flats and three bedroom houses increased \$15 (7.4 per cent) and \$10 in the December quarter. Six out of eight low income household types would spend 30 per cent or more of their income on median rent in Shepparton, with students again worst affected.

Swan Hill		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	\$138	50.5%	(\$115)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$138	42.9%	(\$66)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$105	35.4%	(\$58)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$240	31.7%	(\$144)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$138	27.8%	\$109
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$210	35.7%	(\$6)
AWE - Single	1 BR Flat	\$1,096	\$329	\$138	12.6%	\$608
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$240	18.7%	\$288
Min Wage - Single	1 BR Flat	\$599	\$180	\$138	23.1%	\$111
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$240	25.7%	(\$60)

The rental market in Swan Hill is the most affordable of the regional cities in this analysis. Median rent for two bedroom flats and three bedroom houses significantly decreased \$15 (6.7 per cent) and \$40 (14.3 per cent) in the

December quarter. Low income households other than singles receiving the aged pension or minimum wage would still experience housing stress if paying median rents. Students receiving Austudy again face the greatest hardship in the rental market, as median rent for a one bedroom flat would consume around 50 per cent of their weekly income (unchanged from the previous quarter). Couples with dependent children relying on Newstart would be required to spend approximately 32 per cent of their income if paying the median rent (down 5.6 per cent from September 2015), leaving them \$144 below the AHPL.

Traralgon		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	\$175	62.8%	(\$146)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$175	53.5%	(\$98)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$115	37.8%	(\$61)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$295	39.0%	(\$199)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$175	34.9%	\$77
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$230	39.1%	(\$26)
AWE - Single	1 BR Flat	\$1,096	\$329	\$175	16.0%	\$571
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$295	23.0%	\$233
Min Wage - Single	1 BR Flat	\$599	\$180	\$175	29.2%	\$74
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$295	31.5%	(\$115)

Median rental prices for two and three bedroom dwellings increased \$20 (9.5 per cent) and \$25 (9.3 per cent) in the December quarter, while the median rent for one bedroom flats in Traralgon fell \$15 (7.9 per cent). Despite the decline in median rent for one bedroom flats singles on income support remain in a precarious situation. Singles receiving income support and living alone would need to spend between 35 per cent and 63 per cent of their income on rent. Higher median rents for three bedroom houses means couples on Newstart with two children would need to spend 39 per cent of their income on rent. Even couples earning the minimum wage would spend close to 32 per cent of their income for appropriate housing, leaving them well below the poverty line.

Warrnambool		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	\$220	79.0%	(\$191)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$220	67.3%	(\$143)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$118	38.7%	(\$63)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$315	41.7%	(\$219)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$220	43.8%	\$32
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$235	39.9%	(\$31)
AWE - Single	1 BR Flat	\$1,096	\$329	\$220	20.1%	\$526
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$315	24.5%	\$213
Min Wage - Single	1 BR Flat	\$599	\$180	\$220	36.8%	\$29
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$315	33.7%	(\$135)

In Warrnambool, median rents for one and two bedroom flats increased \$20 (10 per cent) and \$24 (10.9 per cent), respectively, over the previous quarter. Housing stress remains an issue for low income household types profiled. Households receiving Newstart would need to spend between 39 per cent and 67 per cent of their income on median rent for appropriate housing in Warrnambool. A single parent would spend around 40 per cent of their income on median rent for a two bedroom flat (down 2.1 per cent from September 2015).

Wodonga		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	\$180	64.6%	(\$151)
Newstart - Single (>21yrs)	1 BR Flat	\$326	\$98	\$180	55.1%	(\$103)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$91	\$105	35.4%	(\$58)
Newstart - Couple (2 children)	3 BR House	\$755	\$227	\$300	39.7%	(\$204)
Aged Pension - Single	1 BR Flat	\$491	\$147	\$180	35.9%	\$72
Parenting - Single Parent (1 child)	2 BR Flat	\$588	\$176	\$210	35.7%	(\$6)
AWE - Single	1 BR Flat	\$1,096	\$329	\$180	16.4%	\$566
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$300	23.4%	\$228
Min Wage - Single	1 BR Flat	\$599	\$180	\$180	30.1%	\$69
Min Wage - Couple (2 children)	3 BR House	\$935	\$280	\$300	32.1%	(\$120)

The rental market in Wodonga is also among the least affordable of the regional cities profiled. The December 2015 quarter saw median rents for all dwellings decrease, the largest of which was one bedroom flats which fell \$25 (12.2 per cent) from September 2015. All low income households would experience housing stress in Wodonga if paying median rent, with singles and couples with children who receive income support being among the worst affected. Median rents may have fallen but single students must spend almost 65 per cent of their income on median rent for a one bedroom flat and aged pensioners living alone would spend 36 per cent of their income on median rent for similar accommodation (down 9.2 per cent and 6.2 per cent from September 2015, respectively).

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 is based quarterly rental bond payments obtained from the DHHS. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request. The table below 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	\$750.90
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	\$1,095.80
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	\$1,282.77
Min Wage - Single	Weekly Minimum Wage	\$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

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