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Employment no longer a guarantee of rental affordability

The Tenants Union of Victoria *National Private Rental Affordability Bulletin* for the December quarter 2010 released today reveals employment is no longer a guarantee that a family will be able to rent affordably.

“The median rental property is now unaffordable for most low income household types, even those in paid employment. Unless you are earning well above the minimum wage, you will struggle rent affordably. Even for better paid workers such as nurses and teachers, the median rental property often consumes much more than the accepted indicator of rental stress of 30 percent of household income. In many instances households will expend more than double this figure” said Toby Archer TUV policy worker.

“While median rents in all capital cities are unaffordable for minimum wage workers, in Canberra, Darwin and Sydney rents are unaffordable even for those on average weekly earnings. As a result, many households face the unenviable choice between are searching for properties further away from work, schools and family, forgoing basic necessities or paying unaffordable rents. Some resort to renting substandard or insecure forms of rental housing such as rooming or boarding houses.”

While families with two children on average incomes were able to achieve affordability at the median rent, those on minimum wages face the prospect of about forty percent of their income being consumed by rent alone. Minimum wage workers receive \$830 per week including rent assistance and the family tax benefit. Typical occupations include vital service industries such as child care, retail and hospitality. An affordable rent for these families is \$269 per week while the median rent for a three bedroom houses range from \$313 in Adelaide up to \$545 in Darwin.

“Housing is the basis for economic and social participation. However the rental market simply isn’t providing affordable housing for most low income household types” said Mr Archer.

The Bulletin illustrates how the rental market is performing for a range of low income household types in all capital cities. For each city the Bulletin provides:

- A dollar figure affordable rent levels
- Actual median rent for suitable properties
- Percentage of income consumed by the median rent
- Measurement of the household income against the poverty.

Private Rental Affordability Bulletin Capital Cities (December Quarter 2010)



State of the rental market

The TUV National Rental Affordability Bulletin has found average rental properties are no longer affordable for those households on low incomes. The Bulletin reveals:

- The average rental property is unaffordable to low income households, particularly for single job seekers and single pensioners. The average rental property often consumes considerably more than 30 percent of household income – with many households paying nearly double the accepted indicator of rental stress.
- Low income households face the choice of either paying unaffordable rents or forgoing basic necessities. Many are forced to rent substandard or insecure forms of rental property such as rooming or boarding houses.

The tables below provide an analysis of rental markets in Adelaide, Brisbane, Canberra, Darwin, Hobart, Melbourne, Perth and Sydney. For each city the tables show dollar figures for an affordable rent and the actual quarterly median rent for suitable properties for a range of household types. The last two columns show the percentage of income consumed by the median rent and measures the household’s remaining income against the After Housing Poverty Line.

Methodology

Affordable housing can be measured in several ways. The TUV National Victoria Rental Affordability Bulletin draws on two well recognised 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.

‘Min Wage’ refers to minimum wages workers and ‘AWE’ refers to Average Weekly Earnings. Examples of the former include child care, retail and hospitality workers, while the latter includes workers such as nurses, teachers and administrative workers.

The TUV supports a practical approach to the issue of affordability, believing that it is best demonstrated by households having sufficient income left over after paying their direct housing costs (i.e. their rent) for the other necessities of life.

The TUV National Private Rental Affordability Bulletin draws on a range of sources to provide median rent levels in each state and national income data.ⁱⁱⁱ

Analysis

Adelaide

Household Type	Property Type	Affordable Rent		Median Rent		
		(30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$58.00	25.8%	\$225.00	91.4%	(\$185.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	58.5%	\$130.00	47.6%	(\$63.81)
Single - Aged Pension	1 BR Flat	\$124.00	55.1%	\$225.00	54.1%	(\$16.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	57.3%	\$260.00	51.6%	(\$70.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	64.9%	\$313.00	46.3%	(\$178.28)

Couple (2 children) - AWE	3 BR House	\$388.00	124.0%	\$313.00	24.2%	\$356.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	85.9%	\$313.00	34.9%	(\$37.35)

Adelaide continues to be a more affordable option for low income tenants than most other capital cities. Low income tenants paying median rents for a reasonably sized dwelling however are still in significant housing stress. Singles, either sharing accommodation on Newstart, receiving single parent benefits or on aged pensions will be paying around half their weekly income for a dwelling leased at a median rent. The median rent for a 3 bedroom house of \$313 is affordable to couples with 2 children on AWE representing 24.2 percent of that household's weekly income but pushes a family with 2 children on the minimum wage into housing stress, consuming 34.9% of their weekly income. A vacancy rate of 0.9% for the quarter shows a very tight rental market pushing rents up and leaving few options for tenants looking for more affordable housing.

Brisbane

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$58.00	21.1%	\$275.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	41.6%	\$182.50	66.8%	(\$116.81)
Single - Aged Pension	1 BR Flat	\$124.00	45.1%	\$275.00	66.2%	(\$66.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	40.8%	\$365.00	72.4%	(\$175.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	53.4%	\$380.00	56.2%	(\$245.28)
Couple (2 children) - AWE	3 BR House	\$388.00	102.1%	\$380.00	29.4%	\$289.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	70.8%	\$380.00	42.3%	(\$104.35)

All households paying a median rent in Brisbane would experience a degree of housing stress. Stable median rent levels and a \$10 increase in the AWE over the quarter leaves couples on an average weekly income with two children on the threshold of the 30% affordability measure. At the other end of the spectrum singles on Centrelink benefits would be paying at least two thirds of their income for median rent on a reasonably sized dwelling. Even sharing a two bedroom flat leaves singles on Newstart spending 66.8 percent of their income on rent.

Canberra

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$58.00	19.0%	\$305.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	41.1%	\$185.00	67.7%	(\$118.81)
Single - Aged Pension	1 BR Flat	\$124.00	40.7%	\$305.00	73.4%	(\$96.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	40.3%	\$370.00	73.4%	(\$180.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	45.1%	\$450.00	66.6%	(\$315.28)
Couple (2 children) - AWE	3 BR House	\$388.00	86.2%	\$450.00	34.8%	\$219.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	59.8%	\$450.00	50.1%	(\$174.35)

The national capital continues to provide extremely poor outcomes for low income rental housing, with median rents consuming more than two thirds of the incomes of all household types dependent on Centrelink benefits. Couples on average weekly earnings with two children achieved closest to an affordable rent for a 3 bedroom house with the median rent of \$450 per week consuming 34.8 percent of their income. Couples with 2 children on the minimum wage would still be paying 50% of their weekly income for a 3 bedroom house at the median rent and single aged pensioners would be paying three quarters of their weekly income on rent for a one bedroom flat.

Darwin

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$58.00	20.8%	\$279.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	27.2%	\$279.00	95.4%	(\$193.61)

Single - Aged Pension	1 BR Flat	\$124.00	44.4%	\$279.00	67.1%	(\$70.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	36.0%	\$414.00	82.1%	(\$224.36)
Couple (2 children) – Newstart	3 BR House	\$203.00	37.2%	\$545.00	80.6%	(\$410.28)
Couple (2 children) - AWE	3 BR House	\$388.00	71.2%	\$545.00	42.2%	\$124.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	49.4%	\$545.00	60.7%	(\$269.35)

High median rents for all property types make Darwin among the most unaffordable cities for low income households with all household types experiencing housing stress at median rent levels. While couples with two children receiving average weekly earnings are at or close to affordable rent levels in other capital cities, the median rent in Darwin sits 12 percentage points above the rental affordability standard of 30 percent of household income. Couples with 2 children on the minimum wage would be paying 60.7 percent of their income for a 3 bedroom house at the median rent leaving just \$352 a week for bills, food and other expenses after paying rent.

Hobart

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$58.00	28.3%	\$205.00	83.3%	(\$165.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$76.00	55.3%	\$137.50	50.3%	(\$71.81)
Single - Aged Pension	1 BR Flat	\$124.00	60.5%	\$205.00	49.3%	\$3.59
Single Parent (1 child) – Parenting	2 BR Flat	\$149.00	54.2%	\$275.00	54.5%	(\$85.36)
Couple (2 children) – Newstart	3 BR House	\$203.00	61.5%	\$330.00	48.8%	(\$195.28)
Couple (2 children) - AWE	3 BR House	\$388.00	117.6%	\$330.00	25.5%	\$339.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.8%	(\$54.35)

Hobart remains Australia’s most affordable capital city for low income renters. This finding however merely highlights the affordability crisis across the country. Australia’s most affordable city for renting still offers very little for low income renters. Singles on Centrelink benefits still face the prospect of paying half of their weekly income in rent. Couples with children fare better with median rents for three bedroom houses providing affordable rents for those on the average wage and consuming 36.8% of the income for a couple on the minimum wage with two children.

Melbourne

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$58.00	20.0%	\$290.00	>100%	(\$207.06)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$76.00	44.7%	\$170.00	62.2%	(\$103.81)
Single - Aged Pension	1 BR Flat	\$124.00	42.8%	\$290.00	69.8%	(\$81.41)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	43.8%	\$340.00	67.4%	(\$150.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	61.5%	\$330.00	48.8%	(\$195.28)
Couple (2 children) - AWE	3 BR House	\$388.00	117.6%	\$330.00	25.5%	\$339.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.8%	(\$54.35)

Melbourne’s rental market continues to provide poor prospects for low income households looking for affordable rental housing. Singles on Centrelink benefits face the prospect of paying two thirds or more of their income for a reasonably sized property at the median rent. A couple on Newstart benefits with two children would pay half their income on rent for a 3 bedroom house and a couple on the minimum wage with two children would still find themselves in significant housing stress paying nearly 40 percent of their income in rent.

Perth

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$58.00	20.5%	\$283.00	>100%	(\$207.06)

Single (>21yrs) Sharing – Newstart	2 BR Flat	\$76.00	44.7%	\$170.00	62.2%	(\$103.81)
Single - Aged Pension	1 BR Flat	\$124.00	43.8%	\$283.00	68.1%	(\$74.41)
Single Parent (1 child) – Parenting	2 BR Flat	\$149.00	43.8%	\$340.00	67.4%	(\$150.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	56.4%	\$360.00	53.3%	(\$225.28)
Couple (2 children) - AWE	3 BR House	\$388.00	107.8%	\$360.00	27.9%	\$309.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	74.7%	\$360.00	40.1%	(\$84.35)

Perth rents have remained stable over the past few quarters and the rental market continues to perform very poorly for low income households. Renters on aged pension or single parents benefits would need to pay two thirds of their income for a one or two bedroom flat at a median rent. A single jobseeker sharing a 2 bedroom flat at the median rent of \$170 would be left with \$103 a week to pay for food, bills and other expenses. Couples (with children) in employment fare better with the median rent for a 3 bedroom house affordable to those on an average weekly income. Couples (with children) on a minimum wage would be under significant housing stress paying 40% of their income to rent a 3 bedroom house.

Sydney

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$58.00	14.9%	\$390.00	>100%	(\$207.06)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$76.00	35.3%	\$215.00	78.7%	(\$148.81)
Single - Aged Pension	1 BR Flat	\$124.00	31.8%	\$390.00	93.8%	(\$188.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$149.00	34.7%	\$430.00	85.3%	(\$240.36)
Couple (2 children) - Newstart	3 BR House	\$203.00	50.8%	\$400.00	59.2%	(\$265.28)
Couple (2 children) – AWE	3 BR House	\$388.00	97.0%	\$400.00	31.0%	\$269.84
Couple (2 children) - Min Wage	3 BR House	\$269.00	67.3%	\$400.00	44.5%	(\$124.35)

Historically the most expensive rental market, Sydney continues to perform very poorly for low income households with all household types experiencing a level of housing stress. Sydney is the least affordable city for single people on an aged pension with the median rent for a one bedroom flat consuming all their income. Likewise a single parent with one child would spend 85.3 percent of their income for a two bedroom flat at a median rent. Couples living on Newstart benefits with 2 children would be left with just \$275 after paying the median rent for a 3 bedroom house. With a vacancy rate of 1.4 percent for the quarter renters in housing stress have little chance of finding alternative accommodation. Increases in the median rents for all property types over the quarter continue to exacerbate the affordability problem for renters in Sydney.

Incomes^{iv}

Household Type	Income Components	Total Weekly Income
Single - Austudy	Austudy Commonwealth Rent Assistance (CRA)	\$188.50
Single (>21yrs) Sharing - Newstart	Newstart CRA	\$234.85
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$358.05
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$436.63
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2)	\$608.38

	CRA	
Couple (2 children) - AWE	Average Weekly Income Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$1,224.44
Couple (2 children) - Min Wage	Weekly Minimum Wage Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$830.25

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 on data collected by state housing authorities or real estate institutes. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.

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