

# Private Rental Affordability Bulletin Melbourne (March Quarter 2010)



## Background

### State of the rental market

The first TUV Melbourne 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 more than 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 analysis below provides an analysis of how each a sample of nine suburban rental markets performs for low income households, including Balwyn, Broadmeadows, Brunswick, Dandenong, Frankston, Ringwood, Preston, St Kilda East and Ringwood. For each suburb the analysis provides the dollar figure rent level for several household types and shows how much money the household has left after paying the rent on the average rental property.

### The private rental market and low income households

The private rental market is often viewed as a transitional tenure. It is seen as a way stop on the road between the parental home and home purchase. However, nearly a quarter of Australian households rent their home. Only a very small minority make a deliberate choice to do so as home ownership is an economically and socially preferable option. Renting in the private market is a matter of necessity for those unable to purchase a home and not eligible for a home in Australia's highly targeted and constrained public housing system.

The major form of housing assistance provided by the Commonwealth Government is Commonwealth Rent Assistance (CRA). CRA is an income supplement paid to recipients of government income support and is intended to improve the affordability of their housing. However, more than thirty percent of CRA recipients remain in housing stress.<sup>i</sup> This means many recipients continue to face serious financial hardship as a direct result of the prohibitive cost of private market rents. This TUV Regional Rental Affordability Bulletin further substantiates this evidence and suggests both the Commonwealth should commit to reviewing CRA.

### Market context

Nationally, the rental market exhibits several signs of failure. Rents have increased considerably in each capital city while supply has remained stagnant. In each of the largest population centres of Melbourne and Sydney rents have increased 6.5 percent and 8.6 percent respectively. Rents have also increased significantly in other capital cities.<sup>i</sup>

Rental markets also remain profoundly unbalanced with vacancy rates below two percent in Melbourne, Sydney and Canberra.<sup>ii</sup> The gap between aggregate housing demand and supply has recently been estimated to be 178,500.<sup>iii</sup>

## Methodology

### Affordability

Affordable housing can be measured in several ways. The TUV Melbourne 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.<sup>iv</sup>
- **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.<sup>v</sup> The AHPL refers to a poverty line with housing costs removed. The figures below show the money a household has left after paying rent at the median level.

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.

## Analysis

### Balwyn

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income		
Single - Austudy	Balwyn - 1 BR Flat	\$59.00	25.7%	\$230.00	<b>94.1%</b>	(\$179.86)	
Single (>21yrs) Sharing – Newstart	Balwyn - 2 BR Flat	\$74.00	42.8%	\$173.00	<b>65.2%</b>	(\$102.00)	
Single - Aged Pension	Balwyn - 1 BR Flat	\$105.00	45.7%	\$230.00	<b>63.2%</b>	(\$60.46)	
Single Parent (1 child) - Parenting	Balwyn - 2 BR Flat	\$142.00	41.2%	\$345.00	<b>71.7%</b>	(\$159.22)	
Couple (2 children) - Newstart	Balwyn – 3 BR House	\$197.00	43.3%	\$455.00	<b>69.2%</b>	(\$305.12)	
Couple (2 children) – AWE	Balwyn - 3 BR House	\$373.00	82.0%	\$455.00	<b>36.6%</b>	\$205.87	
Couple (2 children) - Min Wage	Balwyn - 3 BR House	\$259.00	56.9%	\$455.00	<b>52.6%</b>	(\$174.37)	

### Broadmeadows

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income		
Single - Austudy	B'meadows - 1 BR Flat	\$59.00	24.0%	\$246.00	<b>100.7%</b>	(\$194.26)	
Single (>21yrs) Sharing - Newstart	B'meadows - 2 BR Flat	\$74.00	56.9%	\$130.00	<b>49.0%</b>	(\$59.00)	
Single - Aged Pension	B'meadows - 1 BR Flat	\$105.00	42.7%	\$246.00	<b>67.6%</b>	(\$76.46)	
Single Parent (1 child) - Parenting	B'meadows - 2 BR Flat	\$142.00	54.6%	\$260.00	<b>54.1%</b>	(\$74.22)	
Couple (2 children) – Newstart	B'meadows - 3 BR House	\$197.00	65.7%	\$300.00	<b>45.6%</b>	(\$150.12)	
Couple (2 children) - AWE	B'meadows - 3 BR House	\$373.00	124.3%	\$300.00	24.1%	\$360.87	
Couple (2 children) - Min Wage	B'meadows - 3 BR House	\$259.00	86.3%	\$300.00	<b>34.7%</b>	(\$19.37)	

### Brunswick

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income		
Single - Austudy	Brunswick - 1 BR Flat	\$59.00	24.6%	\$240.00	<b>98.2%</b>	(\$189.86)	
Single (>21yrs) Sharing - Newstart	Brunswick - 2 BR Flat	\$74.00	44.8%	\$165.00	<b>62.2%</b>	(\$94.00)	
Single - Aged Pension	Brunswick - 1 BR Flat	\$105.00	43.8%	\$240.00	<b>66.0%</b>	(\$70.46)	
Single Parent (1 child) - Parenting	Brunswick - 2 BR Flat	\$142.00	43.0%	\$330.00	<b>68.6%</b>	(\$144.22)	
Couple (2 children) - Newstart	Brunswick - 3 BR House	\$197.00	41.0%	\$480.00	<b>73.0%</b>	(\$330.12)	
Couple (2 children) - AWE	Brunswick - 3 BR House	\$373.00	77.7%	\$480.00	<b>38.6%</b>	\$180.87	
Couple (2 children) - Min Wage	Brunswick - 3 BR House	\$259.00	54.0%	\$480.00	<b>55.5%</b>	(\$199.37)	

### Dandenong

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income		
Single – Austudy	D'nong - 1 BR Flat	\$59.00	29.5%	\$200.00	<b>81.8%</b>	(\$149.86)	
Single (>21yrs) Sharing – Newstart	D'nong - 2 BR Flat	\$74.00	60.2%	\$123.00	<b>46.4%</b>	(\$52.00)	
Single - Aged Pension	D'nong - 1 BR Flat	\$105.00	52.5%	\$200.00	<b>55.0%</b>	(\$30.46)	

Single Parent (1 child) - Parenting	D'nong - 2 BR Flat	\$142.00	58.0%	\$245.00	<b>50.9%</b>	(\$59.22)
Couple (2 children) - Newstart	D'nong - 3 BR House	\$197.00	65.7%	\$300.00	<b>45.6%</b>	(\$150.12)
Couple (2 children) - AWE	D'nong - 3 BR House	\$373.00	124.3%	\$300.00	<b>24.1%</b>	\$360.87
Couple (2 children) - Min Wage	D'nong - 3 BR House	\$259.00	86.3%	\$300.00	<b>34.7%</b>	(\$19.37)

## Frankston

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	Frankston - 1 BR Flat	\$59.00	34.7%	\$170.00	<b>69.6%</b>	(\$119.86)
Single (>21yrs) Sharing - Newstart	Frankston - 2 BR Flat	\$74.00	43.5%	\$170.00	<b>59.9%</b>	(\$80.36)
Single - Aged Pension	Frankston - 1 BR Flat	\$105.00	61.8%	\$170.00	<b>46.7%</b>	(\$0.46)
Single Parent (1 child) - Parenting	Frankston - 2 BR Flat	\$142.00	59.2%	\$240.00	<b>49.9%</b>	(\$54.22)
Couple (2 children) - Newstart	Frankston - 3 BR House	\$197.00	67.9%	\$290.00	<b>44.1%</b>	(\$140.12)
Couple (2 children) - AWE	Frankston - 3 BR House	\$373.00	128.6%	\$290.00	23.3%	\$370.87
Couple (2 children) - Min Wage	Frankston - 3 BR House	\$259.00	89.3%	\$290.00	<b>33.6%</b>	(\$9.37)

## Preston

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	Preston - 1 BR Flat	\$59.00	27.4%	\$215.00	<b>88.0%</b>	(\$164.86)
Single (>21yrs) Sharing - Newstart	Preston - 2 BR Flat	\$74.00	43.5%	\$170.00	<b>64.1%</b>	(\$99.00)
Single - Aged Pension	Preston - 1 BR Flat	\$105.00	48.8%	\$280.00	<b>59.1%</b>	(\$45.46)
Single Parent (1 child) - Parenting	Preston - 2 BR Flat	\$142.00	41.8%	\$340.00	<b>70.7%</b>	(\$154.22)
Couple (2 children) - Newstart	Preston - 3 BR House	\$197.00	50.5%	\$390.00	<b>59.3%</b>	(\$240.12)
Couple (2 children) - AWE	Preston 3 BR House	\$373.00	95.6%	\$390.00	<b>31.3%</b>	\$270.87
Couple (2 children) - Min Wage	Preston - 3 BR House	\$259.00	66.4%	\$390.00	<b>45.1%</b>	(\$109.37)

## Ringwood

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	Ringwood - 1 BR Flat	\$59.00	29.5%	\$200.00	<b>81.8%</b>	(\$149.86)
Single (>21yrs) Sharing - Newstart	Ringwood - 2 BR Flat	\$74.00	53.6%	\$138.00	<b>52.0%</b>	(\$67.00)
Single - Aged Pension	Ringwood - 1 BR Flat	\$105.00	52.5%	\$200.00	<b>55.0%</b>	(\$30.46)
Single Parent (1 child) - Parenting	Ringwood - 2 BR Flat	\$142.00	51.6%	\$275.00	<b>57.2%</b>	(\$89.22)
Couple (2 children) - Newstart	Ringwood - 3 BR House	\$197.00	57.9%	\$340.00	<b>51.7%</b>	(\$190.12)
Couple (2 children) - AWE	Ringwood - 3 BR House	\$373.00	109.7%	\$340.00	27.3%	\$320.87
Couple (2 children) - Min Wage	Ringwood - 3 BR House	\$259.00	76.2%	\$340.00	<b>39.3%</b>	(\$59.37)

## St Kilda East

Household Type	Property Type	Affordable Rent		Rent	Median Rent	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR		% of Income	
Single - Austudy	St Kilda East - 1 BR Flat	\$59.00	19.0%	\$310.00	<b>126.8%</b>	(\$194.26)
Single (>21yrs) Sharing - Newstart	St Kilda East - 2 BR Flat	\$74.00	37.9%	\$195.00	<b>73.5%</b>	(\$124.00)
Single - Aged Pension	St Kilda East - 1 BR Flat	\$105.00	33.9%	\$310.00	<b>85.2%</b>	(\$140.46)
Single Parent (1 child) - Parenting	St Kilda East - 2 BR Flat	\$142.00	36.4%	\$390.00	<b>81.1%</b>	(\$204.22)
Couple (2 children) - Newstart	St Kilda East - 3 BR House	\$197.00	34.0%	\$580.00	<b>88.2%</b>	(\$430.12)

Couple (2 children) - AWE	St Kilda East - 3 BR House	\$373.00	64.3%	\$580.00	46.6%	\$80.87
Couple (2 children) - Min Wage	St Kilda East - 3 BR House	\$259.00	44.7%	\$580.00	67.1%	(\$299.37)

## Sunshine

Household Type	Property Type	Affordable Rent		Rent	Median Rent % of Income	Diff from AHPL
		Rent (30%TI <sup>1</sup> )	% of MR			
Single – Austudy	Sunshine - 1 BR Flat	\$59.00	30.3%	\$195.00	79.8%	(\$144.86)
Single (>21yrs) Sharing - Newstart	Sunshine - 2 BR Flat	\$74.00	67.3%	\$110.00	41.5%	(\$39.00)
Single - Aged Pension	Sunshine - 1 BR Flat	\$105.00	53.8%	\$195.00	53.6%	(\$25.46)
Single Parent (1 child) - Parenting	Sunshine - 2 BR Flat	\$142.00	64.5%	\$220.00	45.7%	(\$34.22)
Couple (2 children) - Newstart	Sunshine - 3 BR House	\$197.00	67.9%	\$290.00	44.1%	(\$140.12)
Couple (2 children) - AWE	Sunshine - BR House	\$373.00	128.6%	\$290.00	23.3%	\$370.87
Couple (2 children) - Min Wage	Sunshine - 3 BR House	\$259.00	89.3%	\$290.00	33.6%	(\$9.37)

## Notes

<sup>i</sup> Real Estate Institute of Australia, Real Estate Market Facts March Quarter 2010. Based on rents for 3 bedroom houses.

<sup>ii</sup> Real Estate Institute of Australia, Real Estate Market Facts March Quarter 2010.

<sup>iii</sup> National Housing Supply Council, State of Supply Report 2010.

<sup>iv</sup> 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.

<sup>v</sup> 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.