

Private Rental Affordability Bulletin Melbourne (September Quarter 2013)



This issue resumes the Tenants Union of Victoria's Quarterly Affordability Bulletin series, which was last published for the June quarter, 2012. In this issue, rental affordability data for September 2013 are compared with previously unpublished figures from September 2012. Changes to our methodology limit comparability with earlier bulletins.

KEY FINDINGS

Private rental market data for September 2013 show that rental costs continue to be a major strain on low income households across metropolitan Melbourne. Over the previous twelve months median rental prices increased or remained stable for most dwelling types in most suburbs, while income support remains insufficient.

In September 2013, all households receiving income support across Melbourne would experience "housing stress"; all would spend more than 30 per cent of their income on median rent, often much higher proportions, and most would fall below the After Housing Poverty Line (AHPL) if paying median rent. This is consistent across all suburbs profiled, although Balwyn, Brunswick, Preston and St Kilda East are the least affordable.

Certain household types also continue to be disproportionately affected by high rental prices. Single students receiving Austudy allowance are consistently worst off; they would need to spend between 75 and 100 per cent of their income on rent for a one bedroom unit in all suburbs. Under these circumstances students are likely to seek accommodation in rooming houses, share houses and student accommodation.

Family households are struggling too. In all suburbs, couples with children receiving Newstart allowance are furthest below the AHPL, while, in five suburbs, even families with average weekly income would spend over 30 per cent and up to 60 per cent of their income on median rent for a three bedroom house.

Bolstering high rental prices is persisting low vacancy, which results in heightened competition for rental housing and further restricts low income tenants' options. The vacancy rate for Melbourne decreased 0.5 per cent from the previous quarter to 2.9 per cent for September 2013ⁱ, reflecting conditions that generally favour of landlords.

In another calculation of housing affordability, the Department of Human Services reports quarterly on the number and proportion of affordable lettings, defined as rentals costing no more than 30 per cent of the income of specified low income households receiving Centrelink payments. For September 2013 the proportion of affordable lettings across metropolitan Melbourne is 10.0%, down one per cent since September 2012ⁱⁱ.

Income data present more bad news, with the latest *Report on Government Services* illustrating the continuing insufficiency of Commonwealth Rent Assistance (CRA) rates for meeting rental costsⁱⁱⁱ. In Melbourne, 43 per cent of all renters receiving CRA remain in housing stress. Without CRA, this would increase to 69 per cent.

These figures point to the unsustainable nature of both supply and demand factors in the private rental market.

TUV continues to field frequent enquiries from private and social housing tenants struggling with rental costs. Over the 2012-2013 financial year, TUV received 293 enquiries regarding problems with rent increases and 699 rental arrears enquiries, the latter including tenants who were facing eviction after being in arrears for more than 14 days. In addition to the emotional stress of leaving a home and securing new accommodation in a timely manner, eviction entails sudden, major transitioning costs to tenants, which are often compounded by delayed or cancelled bond returns. Such additional costs present a real burden on tenants which are not visible in affordability statistics.

METHODOLOGY

Affordable housing 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.^{iv}
- **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.^v 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^{vi}. 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) are reported quarterly by the Australian Bureau of Statistics and are 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

Balwyn		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat*	\$64.00	21.7%	\$295.00	>100%	(\$237.26)
Single - Newstart	1 BR Flat*	\$81.00	27.5%	\$295.00	94.4%	(\$219.76)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$81.00	44.3%	\$183.00	62.7%	(\$128.43)
Single - Aged Pension	1 BR Flat*	\$141.00	47.8%	\$295.00	62.9%	(\$63.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	46.3%	\$365.00	64.8%	(\$162.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	44.7%	\$485.00	67.1%	(\$382.25)
Couple (2 children) - AWE	3 BR House	\$340.00	70.1%	\$485.00	42.8%	(\$66.02)
Couple (2 children) - Min Wage	3 BR House	\$268.00	55.3%	\$485.00	54.4%	(\$305.72)

* Figure for 1 BR flat is for Camberwell; Figure for Balwyn n/a

In Balwyn, rental prices decreased or remained stable over the previous year but are still critically unaffordable for low income households, particularly for singles. A single student receiving Austudy allowance would spend more than 100 per cent of their income on median rent for a one bedroom flat (no change since September 2012), and would be \$237.26 per week below the After Housing Poverty Line. An aged pensioner living alone would spend 62.9 per cent of their income on rent (down from 65.1 per cent in September 2012). Even a couple with children earning an average weekly wage would spend over 40 per cent of their income on rent for a three bedroom house (down slightly from 43.7 per cent in September 2012).

Broadmeadows		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$64.00	32.0%	\$200.00	74.3%	(\$168.06)
Single - Newstart	1 BR Flat	\$81.00	40.5%	\$200.00	64.0%	(\$124.76)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$81.00	54.7%	\$148.00	50.7%	(\$93.43)
Single - Aged Pension	1 BR Flat	\$141.00	70.5%	\$200.00	42.7%	\$31.44
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	57.3%	\$295.00	52.4%	(\$92.66)
Couple (2 children) - Newstart	3 BR House	\$217.00	70.0%	\$310.00	42.9%	(\$207.25)
Couple (2 children) - AWE	3 BR House	\$340.00	109.7%	\$310.00	27.4%	\$108.98
Couple (2 children) - Min Wage	3 BR House	\$268.00	86.5%	\$310.00	34.7%	(\$130.72)

Broadmeadows rental prices remained stable or decreased slightly over the previous year, however seven out of eight household types would remain in housing stress if paying median rent. Singles living alone would spend between 64 and 74 per cent of their income on median rent for a one bedroom flat (down one percentage point from September 2012), or 50.7 per cent of their income to share a two bedroom flat (stable from September 2012).

Brunswick		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$64.00	22.5%	\$285.00	>100%	(\$237.26)
Single - Newstart	1 BR Flat	\$81.00	28.4%	\$285.00	91.2%	(\$209.76)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$81.00	40.5%	\$200.00	68.5%	(\$145.43)
Single - Aged Pension	1 BR Flat	\$141.00	49.5%	\$285.00	60.8%	(\$53.56)
Single Parent (1 child) – Parenting	2 BR Flat	\$169.00	42.3%	\$400.00	71.1%	(\$197.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	39.5%	\$550.00	76.1%	(\$447.25)
Couple (2 children) – AWE	3 BR House	\$340.00	61.8%	\$550.00	48.6%	(\$131.02)
Couple (2 children) - Min Wage	3 BR House	\$268.00	48.7%	\$550.00	61.6%	(\$370.72)

Brunswick is among the least affordable suburbs for low income renters and has seen some rental prices increase slightly over the previous year. In Brunswick, singles living alone would spend more than 90 per cent of their income on median rent for a one bedroom flat (up from 88.1 per cent in September 2012), while single parents would spend over 70 per cent of their income on median rent for a two bedroom flat (up from 64.7 per cent in September 2012). Couples with children receiving Newstart allowance would spend 76.1 per cent of their income on median rent for a three bedroom house, leaving them \$447.25 below the After Housing Poverty Line (down from 77.4 per cent in September 2012).

Dandenong		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$64.00	27.8%	\$230.00	85.4%	(\$198.06)
Single - Newstart	1 BR Flat	\$81.00	35.2%	\$230.00	73.6%	(\$154.76)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$81.00	62.3%	\$130.00	44.5%	(\$75.43)
Single - Aged Pension	1 BR Flat	\$141.00	61.3%	\$230.00	49.1%	\$1.44
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	65.0%	\$260.00	46.2%	(\$57.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	65.8%	\$330.00	45.6%	(\$227.25)
Couple (2 children) – AWE	3 BR House	\$340.00	103.0%	\$330.00	29.2%	\$88.98
Couple (2 children) - Min Wage	3 BR House	\$268.00	81.2%	\$330.00	37.0%	(\$150.72)

Rental prices in Dandenong increased slightly for most housing types over the previous year. In Dandenong, a single student receiving Austudy would spend over 85 per cent of their income on median rent for a one bedroom flat (up from 80.3 per cent in September 2012), while an aged pensioner living alone would spend almost half of their income on median rent for similar accommodation (up from 47.6 per cent in September 2012).

Frankston		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$64.00	32.0%	\$200.00	74.3%	(\$168.06)
Single - Newstart	1 BR Flat	\$81.00	40.5%	\$200.00	64.0%	(\$124.76)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$81.00	62.3%	\$130.00	44.5%	(\$75.43)
Single - Aged Pension	1 BR Flat	\$141.00	70.5%	\$200.00	42.7%	\$31.44
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	65.0%	\$260.00	46.2%	(\$57.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	67.8%	\$320.00	44.3%	(\$217.25)
Couple (2 children) - AWE	3 BR House	\$340.00	106.3%	\$320.00	28.3%	\$98.98
Couple (2 children) - Min Wage	3 BR House	\$268.00	83.8%	\$320.00	35.9%	(\$140.72)

Rental prices in Frankston remained relatively stable and unaffordable over the previous year. Seven out of eight household types would face housing stress in Frankston if paying median rent, with students and singles again worst affected.

Preston		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$64.00	22.1%	\$290.00	>100%	(\$237.26)
Single - Newstart	1 BR Flat	\$81.00	27.9%	\$290.00	92.8%	(\$214.76)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$81.00	46.3%	\$175.00	60.0%	(\$120.43)
Single - Aged Pension	1 BR Flat	\$141.00	48.6%	\$290.00	61.9%	(\$58.56)
Single Parent (1 child) - Parenting	2 BR Flat	\$169.00	48.3%	\$350.00	62.2%	(\$147.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	54.3%	\$400.00	55.3%	(\$297.25)
Couple (2 children) - AWE	3 BR House	\$340.00	85.0%	\$400.00	35.3%	\$18.98
Couple (2 children) - Min Wage	3 BR House	\$268.00	67.0%	\$400.00	44.8%	(\$220.72)

Preston is also among the least affordable suburbs for low income renters. Since September 2013, median rental prices for one bedroom units increased by \$60.00 per week, while rents for other dwelling types rose marginally. In September 2013, students receiving Austudy allowance would spend more than 100 per cent of their income on median rent for a one bedroom flat, up from 77.6 per cent in September 2012. Singles in share accommodation, aged pensioners living alone and single parents would each spend more than 60 per cent of their income on median rent for suitable accommodation (up, since September 2012, from 59.4 per cent for sharers, up from 46.4% for aged pensioners and down from 62.9 per cent for single parents).

Ringwood		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$64.00	25.8%	\$248.00	92.1%	(\$216.06)
Single – Newstart	1 BR Flat	\$81.00	32.7%	\$248.00	79.4%	(\$172.76)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$81.00	52.3%	\$155.00	53.1%	(\$100.43)
Single - Aged Pension	1 BR Flat	\$141.00	56.9%	\$248.00	52.9%	(\$16.56)
Single Parent (1 child) – Parenting	2 BR Flat	\$169.00	54.5%	\$310.00	55.1%	(\$107.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	59.5%	\$365.00	50.5%	(\$262.25)
Couple (2 children) – AWE	3 BR House	\$340.00	93.2%	\$365.00	32.2%	\$53.98
Couple (2 children) - Min Wage	3 BR House	\$268.00	73.4%	\$365.00	40.9%	(\$185.72)

Rental prices in Ringwood increased slightly over the previous year and remain unaffordable, with low income students and singles again facing the greatest housing stress. A single student receiving Austudy allowance would spend 92.1 per cent of their income on median rent for a one bedroom flat (up from 88.0 per cent in September 2012). A couple with children receiving Newstart allowance would spend over 50 per cent of their income on median rent for a three bedroom house, leaving them \$262.25 per week below the After Housing Poverty Line (down from 51.1 per cent in September 2012).

St Kilda East		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$64.00	22.1%	\$290.00	>100%	(\$237.26)
Single – Newstart	1 BR Flat	\$81.00	27.9%	\$290.00	92.8%	(\$214.76)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$81.00	42.6%	\$190.00	65.1%	(\$135.43)
Single - Aged Pension	1 BR Flat	\$141.00	48.6%	\$290.00	61.9%	(\$58.56)
Single Parent (1 child) – Parenting	2 BR Flat	\$169.00	44.5%	\$380.00	67.5%	(\$177.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	32.4%	\$670.00	92.7%	(\$567.25)
Couple (2 children) – AWE	3 BR House	\$340.00	50.7%	\$670.00	59.2%	(\$251.02)
Couple (2 children) - Min Wage	3 BR House	\$268.00	40.0%	\$670.00	75.1%	(\$490.72)

Rental prices in St Kilda East decreased over the previous year, however the suburb remains among the least affordable for low income renters with all eight household types profiled here experiencing significant housing stress. Couples with children receiving Newstart allowance would spend 92.7 per cent of their income on median rent for a three bedroom house (down from 97.8 per cent in September 2012), and even a couple with children on average

weekly income would experience significant housing stress, spending 59.2 per cent of their income on median rent for a similar house (down from 62.8 per cent in September 2012).

Sunshine		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$64.00	32.0%	\$200.00	74.3%	(\$168.06)
Single – Newstart	1 BR Flat	\$81.00	40.5%	\$200.00	64.0%	(\$124.76)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$81.00	64.8%	\$125.00	42.8%	(\$70.43)
Single - Aged Pension	1 BR Flat	\$141.00	70.5%	\$200.00	42.7%	\$31.44
Single Parent (1 child) – Parenting	2 BR Flat	\$169.00	67.6%	\$250.00	44.4%	(\$47.66)
Couple (2 children) – Newstart	3 BR House	\$217.00	72.3%	\$300.00	41.5%	(\$197.25)
Couple (2 children) – AWE	3 BR House	\$340.00	113.3%	\$300.00	26.5%	\$118.98
Couple (2 children) - Min Wage	3 BR House	\$268.00	89.3%	\$300.00	33.6%	(\$120.76)

Rental prices in Sunshine remained stable over the previous year, however still seven out of eight household types would experience housing stress if paying median rent and, once again, substantially so for students and singles.

NOTES

- i Real Estate Institute of Australia, Real Estate Market Facts, September quarter 2013
- ii Department of Human Services, *Rental Report, September quarter 2013*
- iii Steering Committee for the Review of Government Service Provision (SCRGSP) 2014, Report on Government Services 2014, Volume G: Housing and homelessness.
- iv 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.
- v 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.
- vi Rent data are based on quarterly rental bond payments obtained from the Office of Housing. 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	\$269.20
Single (>21 yrs) - Newstart	Newstart CRA	\$312.50
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$291.84
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$468.70
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$562.84
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$722.99
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	\$1,131.97
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	\$892.27

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