

Private Rental Affordability Bulletin Capital Cities (December Quarter 2010)



State of the rental market

The TUV Private Rental Affordability Bulletin for the December 2010 Quarter finds properties let out at the median rent are not affordable for low income households. The Bulletin also finds:

- The average rental property is unaffordable to low income households, particularly for single job seekers and single pensioners. The average rental property often consumes much 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 live in overcrowded conditions and rent substandard or insecure forms of rental property such as rooming or boarding houses.

The analysis below provides an analysis of how each capital city rental market performs for low income households. For each city the analysis shows a dollar figure for both an affordable rent and the median rent for the quarter for several household types. The last column shows the percentage of income left for each household type after paying a median rent for a reasonably sized 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. For an increasing number of low income households, renting is not a transitional tenure but the only housing option for the foreseeable future.

Assistance to low income households

The major form of housing assistance provided by the Commonwealth Government is Commonwealth Rent Assistance (CRA). CRA is an income supplement with the objective of making a contribution to improved affordability rather than providing full affordability as in the direct provision of housing. The Government currently spends more than \$2.5 billion annually on rent assistance. Recent research by the AHURI RMIT Research Centre commissioned by the TUV indicates CRA payments have lagged behind rent increases in all capital cities and now cover a smaller proportion of rent than in 1995.ⁱ More than thirty percent of CRA recipients remain in housing stress.ⁱⁱ This means many recipients continue to face serious financial hardship as a direct result of the prohibitive cost of private market rents.

Measuring affordability

Affordable housing 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% of income distribution), spending 30% or more of household income on rent is considered an indicator of housing stress.ⁱⁱⁱ
- **After Housing Poverty Line:** Poverty lines are income levels derived for various household types against which poverty can be measured. If a household's income is less than the poverty line applicable to it, then that household is considered to be in poverty.^{iv} 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, with figures in red representing a negative outcome.

This is a practical approach to the issue of affordability showing how much money households have left over after paying for their direct housing costs (ie their rent). It is important to note that for low income households the money left over after paying rent will be consumed by food, utilities costs and other necessities.

The TUV Private Rental Affordability Bulletin draws on a range of sources to provide median rent levels in each state.^v

Analysis

Adelaide

Household Type	Property Type	Affordable Rent		Rent	% of Income	Diff from AHPL
		Rent (30% of Total Income)	% of Median Rent			
Single - Austudy	1 BR Flat	\$58.00	25.8%	\$225.00	91.4%	(\$185.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	57.7%	\$130.00	48.2%	(\$67.26)
Single - Aged Pension	1 BR Flat	\$121.00	53.8%	\$225.00	55.1%	(\$23.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$147.00	56.5%	\$260.00	52.1%	(\$75.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	64.2%	\$313.00	46.7%	(\$184.58)
Couple (2 children) - AWE	3 BR House	\$379.00	121.1%	\$313.00	24.7%	\$329.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	85.9%	\$313.00	34.9%	(\$37.35)

Brisbane

Household Type	Property Type	Affordable Rent		Rent	% of Income	Diff from AHPL
		Rent (30% of Total Income)	% of Median Rent			
Single - Austudy	1 BR Flat	\$58.00	21.1%	\$275.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	41.1%	\$182.50	67.6%	(\$120.26)
Single - Aged Pension	1 BR Flat	\$121.00	44.0%	\$275.00	67.4%	(\$73.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$147.00	40.3%	\$365.00	73.2%	(\$180.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	52.9%	\$380.00	56.7%	(\$251.58)
Couple (2 children) - AWE	3 BR House	\$379.00	99.7%	\$380.00	30.0%	\$262.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	70.8%	\$380.00	42.3%	(\$104.35)

Canberra

Household Type	Property Type	Affordable Rent		Rent	% of Income	Diff from AHPL
		Rent (30% of Total Income)	% of Median Rent			
Single - Austudy	1 BR Flat	\$58.00	19.0%	\$305.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	40.5%	\$185.00	68.6%	(\$122.26)
Single - Aged Pension	1 BR Flat	\$121.00	39.7%	\$305.00	74.7%	(\$103.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$147.00	39.7%	\$370.00	74.2%	(\$185.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	44.7%	\$450.00	67.2%	(\$321.58)
Couple (2 children) - AWE	3 BR House	\$379.00	84.2%	\$450.00	35.6%	\$192.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	59.8%	\$450.00	50.1%	(\$174.35)

Darwin

Household Type	Property Type	Affordable Rent		Rent	% of Income	Diff from AHPL
		Rent (30% of Total Income)	% of Median Rent			
Single - Austudy	1 BR Flat	\$58.00	20.8%	\$279.00	>100%	(\$207.06)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	36.2%	\$207.00	76.7%	(\$144.26)
Single - Aged Pension	1 BR Flat	\$124.00	43.4%	\$279.00	68.4%	(\$77.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$147.00	35.5%	\$414.00	83.0%	(\$229.66)

Couple (2 children) – Newstart	3 BR House	\$201.00	36.9%	\$545.00	81.4%	(\$416.58)
Couple (2 children) - AWE	3 BR House	\$379.00	69.5%	\$545.00	43.1%	\$97.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	49.4%	\$545.00	60.7%	(\$269.35)

Hobart

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Diff from AHPL
Single – Austudy	1 BR Flat	\$58.00	28.3%	\$205.00	83.3%	(\$165.96)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$75.00	54.5%	\$137.50	51.0%	(\$75.26)
Single - Aged Pension	1 BR Flat	\$121.00	59.0%	\$205.00	50.2%	(\$3.91)
Single Parent (1 child) – Parenting	2 BR Flat	\$147.00	53.5%	\$275.00	55.1%	(\$90.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	60.9%	\$330.00	49.3%	(\$201.58)
Couple (2 children) - AWE	3 BR House	\$379.00	114.8%	\$330.00	26.1%	\$312.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.8%	(\$54.35)

Melbourne

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30%TI)	% of MR	Rent	% of Income	Diff from AHPL
Single – Austudy	1 BR Flat	\$58.00	20.0%	\$290.00	>100%	(\$207.06)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$75.00	44.1%	\$170.00	63.0%	(\$107.26)
Single - Aged Pension	1 BR Flat	\$121.00	41.7%	\$290.00	71.1%	(\$88.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$147.00	43.2%	\$340.00	68.1%	(\$155.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	60.9%	\$330.00	49.3%	(\$201.58)
Couple (2 children) - AWE	3 BR House	\$379.00	114.8%	\$330.00	26.1%	\$312.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.8%	(\$54.35)

Perth

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Diff from AHPL
Single – Austudy	1 BR Flat	\$58.00	20.5%	\$283.00	>100%	(\$207.06)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$75.00	44.1%	\$170.00	63.0%	(\$107.26)
Single - Aged Pension	1 BR Flat	\$121.00	42.8%	\$283.00	69.3%	(\$81.91)
Single Parent (1 child) – Parenting	2 BR Flat	\$147.00	43.2%	\$340.00	68.1%	(\$155.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	55.8%	\$360.00	53.3%	(\$231.58)
Couple (2 children) - AWE	3 BR House	\$379.00	105.3%	\$360.00	28.5%	\$282.46
Couple (2 children) - Min Wage	3 BR House	\$269.00	74.7%	\$360.00	40.1%	(\$84.35)

Sydney

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Diff from AHPL
Single – Austudy	1 BR Flat	\$58.00	14.9%	\$390.00	>100%	(\$207.06)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$75.00	34.9%	\$215.00	79.7%	(\$152.26)
Single - Aged Pension	1 BR Flat	\$121.00	31.0%	\$390.00	95.6%	(\$188.91)
Single Parent (1 child) - Parenting	2 BR Flat	\$147.00	34.2%	\$430.00	86.2%	(\$245.66)
Couple (2 children) - Newstart	3 BR House	\$201.00	50.3%	\$400.00	59.7%	(\$271.58)
Couple (2 children) – AWE	3 BR House	\$379.00	94.8%	\$400.00	31.6%	\$242.46

Couple (2 children) - Min Wage

3 BR House

\$269.00

67.3%

\$400.00

44.5%

(\$124.35)

ⁱ AHURI RMIT Research Centre 2010 Falling Behind: The growing gap between rent and rent assistance 1995-2009.

ⁱⁱ Australian Institute of Health and Wellbeing, Australia's Welfare 2009.

ⁱⁱⁱ 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.

^{iv} 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.

^v Rent data is based on data collected by state housing authorities or real estate institutes. Full citations are available on request.