

Private Rental Affordability Bulletin

Capital Cities (June Quarter 2011)



Key findings

Low income households continue to face unaffordable rents in all capital city rental markets. Many households experience rental stress as median rents consume more than a third of total household income. Analysis for the June Quarter 2011 shows that Sydney, Perth, Canberra and Darwin markets remain unaffordable for all household types modelled in the Affordability Bulletin. Meanwhile, Melbourne and Brisbane markets are also unaffordable for most household types, however relatively stable rents have slowed the deteriorating affordability of these cities for low income renters.

Single parents, jobseekers and students face unaffordable rents in all markets, with the median rents for one and two bed room flats consuming virtually all income. These household types generally rent at levels below the median rent, lower quality stock and in the marginal tenure of rooming and boarding houses as a result of high mainstream rents.

Families dependent on a single minimum wage income face median rents which consume more than 40 percent of total household income in all capital cities other than Adelaide and Melbourne. Families dependent on higher average weekly earnings also face the prospect of rental stress in Canberra, Darwin, and Sydney

Methodology

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

- **30% of Total Income:** For low income households (defined as being in the lowest 40 percent of income distribution), spending 30 percent 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 National Private Rental Affordability Bulletin draws on a range of sources for median rent levels and national income data.ⁱⁱⁱ

Analysis

Adelaide

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	\$60.00	26.1%	\$230.00	91.1%	(\$193.47)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	56.0%	\$137.50	49.8%	(\$77.77)
Single - Aged Pension	1 BR Flat	\$126.00	54.8%	\$230.00	54.4%	(\$23.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	55.6%	\$275.00	53.4%	(\$87.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	64.4%	\$320.00	46.6%	(\$198.27)
Couple (2 children) - AWE	3 BR House	\$398.00	124.4%	\$320.00	24.1%	\$357.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	84.4%	\$320.00	35.6%	(\$69.25)

Adelaide remains one the most affordable capital cities for low income tenants but households dependent on income support payments are still likely to experience significant housing stress renting at the median level. Aged pensioners living alone are paying more than half their weekly income for an average one bedroom flat. Singles on Newstart allowance are paying half their weekly income for a share in a two bedroom flat at the median rent. A couple with two children living on the minimum wage are pushed over the 30 per cent affordability threshold to pay for an average three bedroom house.

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	\$60.00	21.1%	\$285.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	40.5%	\$190.00	68.8%	(\$129.77)
Single - Aged Pension	1 BR Flat	\$126.00	44.2%	\$285.00	67.4%	(\$78.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	40.3%	\$380.00	73.7%	(\$192.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	52.8%	\$390.00	56.8%	(\$268.27)
Couple (2 children) - AWE	3 BR House	\$398.00	102.1%	\$390.00	29.4%	\$287.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	69.2%	\$390.00	43.3%	(\$139.25)

Brisbane rents have remained fairly steady over the first half of the year. The overall picture shows all low income households experiencing some degree of housing stress renting at the median level. Families on average weekly earnings renting a 3 bedroom house are on the threshold of affordability with the median rent consuming around 30 percent of their weekly income. Other household types are experiencing greater levels of housing stress. The rent for an average two bedroom flat would consume nearly three quarters of the weekly income of a single parent with one child and around two-thirds of the weekly income for singles on Newstart sharing accommodation.

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	2 BR Flat	\$60.00	16.7%	\$360.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	42.8%	\$180.00	65.2%	(\$119.77)
Single - Aged Pension	2 BR Flat	\$126.00	35.0%	\$360.00	85.1%	(\$153.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	42.5%	\$360.00	69.8%	(\$172.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	47.9%	\$430.00	62.6%	(\$308.27)
Couple (2 children) - AWE	3 BR House	\$398.00	92.6%	\$430.00	32.4%	\$247.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	62.8%	\$430.00	47.8%	(\$179.25)

Canberra remains one of the least affordable cities for low income households renting, with median rents continuing to rise over the first half of the year. At \$360 a week the average two bedroom flat in Canberra consumes around two thirds of the parenting payment for a single parent with one child. Newstart allowance recipients would also be paying around two-thirds of their income for a share in a two bedroom flat. A couple with two children living on the minimum wage face paying almost half their weekly income in rent for an average three bedroom house.

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	\$60.00	21.9%	\$274.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	38.1%	\$202.00	73.1%	(\$141.77)
Single - Aged Pension	1 BR Flat	\$126.00	46.0%	\$274.00	64.8%	(\$67.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	37.9%	\$404.00	78.4%	(\$216.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	38.1%	\$540.00	78.7%	(\$418.27)
Couple (2 children) - AWE	3 BR House	\$398.00	73.7%	\$540.00	40.7%	\$137.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	50.0%	\$540.00	60.0%	(\$289.25)

Darwin remains among the most expensive Australian city for low income renters with all low income household types in significant housing stress at median rent levels. While couples with two children on average weekly earnings are at or close to affordable rent levels in other capital cities, the median rent for a 3 bedroom house in Darwin consumes 40 percent of household income for a couple on average weekly earnings. A four person family living on the minimum wage would pay 60 per cent of income for an average three bedroom house. At \$404 a week the median rent for a two bedroom flat would consume almost 80 per cent of the weekly income of a single parent with one child and 64 per cent of an aged pensioner's income support payments.

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	\$60.00	20.7%	\$290.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	44.0%	\$175.00	63.3%	(\$114.77)
Single - Aged Pension	1 BR Flat	\$126.00	43.4%	\$290.00	68.6%	(\$83.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	43.7%	\$350.00	67.9%	(\$162.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	60.6%	\$340.00	49.5%	(\$218.27)
Couple (2 children) - AWE	3 BR House	\$398.00	117.1%	\$340.00	25.6%	\$337.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	79.4%	\$340.00	37.8%	(\$89.25)

While the Melbourne rental market remains unaffordable to households dependent on income support payments, median rents have stabilised over the first two quarters of this year and it is currently a more affordable prospect than Sydney, Perth, Brisbane, Canberra or Darwin. Significant housing stress for low income households remains the norm however with singles on income support payments paying two-thirds of their weekly income for a suitably sized property at the median rent. A median rent of \$340 a week for a 3 bedroom house consumes 50 per cent of income for a couple with 2 children living on Newstart and 38 per cent of weekly income for a four person family living on the minimum wage.

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	\$60.00	20.3%	\$295.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	41.8%	\$184.00	66.6%	(\$123.77)
Single - Aged Pension	1 BR Flat	\$126.00	42.7%	\$295.00	69.8%	(\$88.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	41.6%	\$368.00	71.4%	(\$180.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	54.2%	\$380.00	55.4%	(\$258.27)
Couple (2 children) - AWE	3 BR House	\$398.00	104.7%	\$380.00	28.6%	\$297.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	71.1%	\$380.00	42.2%	(\$129.25)

The Perth rental market remains highly unaffordable for low income households. Families on average weekly earnings are the only household type paying an affordable rent for a reasonably sized property. Singles on income support payments are paying over two-thirds of their income in rent for average one and two bedroom flats. A couple with two children dependent on Newstart is paying more than half of their income in rent for a three bedroom flat at the median rent.

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	\$60.00	15.0%	\$400.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$77.00	35.0%	\$220.00	79.6%	(\$159.77)
Single - Aged Pension	1 BR Flat	\$126.00	31.5%	\$400.00	94.6%	(\$193.17)
Single Parent (1 child) - Parenting	2 BR Flat	\$153.00	34.8%	\$440.00	85.4%	(\$252.77)
Couple (2 children) - Newstart	3 BR House	\$206.00	51.5%	\$400.00	58.3%	(\$278.27)

Couple (2 children) – AWE	3 BR House	\$398.00	99.5%	\$400.00	30.2%	\$277.48
Couple (2 children) - Min Wage	3 BR House	\$270.00	67.5%	\$400.00	44.4%	(\$149.25)

High median rents for all property types make Sydney Australia’s least affordable rental market. All low income households types above are experiencing a degree of housing stress renting an average suitably sized property. A median rent of \$400 for a three bedroom house places a four person family living on average weekly earnings on the 30 percent affordability threshold and pushes families on lower incomes into significant housing stress for a suitably sized property. Singles on income support payments are priced out of the rental market with the median rent for a one bedroom flat also at \$400. A single parent with one child would be unable to rent an average two bedroom flat because the median rent of \$40 would consume 85 per cent of their income support payments.

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.