

Private Rental Affordability Bulletin Capital Cities (March Quarter 2012)



Key findings

While rent levels appear to have been stabilising in most capital city markets over the past year, low income households continue to face unaffordable rents in all capital city rental markets.

Sydney, Canberra and Darwin remain the least affordable cities for low income renters with median rents over the 30 per cent affordability threshold for all household types shown below. Hobart and Adelaide continue to provide the most affordable rental markets for low income households but even in these cities, median rents remain well over the affordability threshold for most low income households.

Median rent levels in all capital city markets remain acutely unaffordable for students, jobseekers, single parents and aged pensioners. These household types are forced to adapt to the market. Typical adaptive strategies include renting lower quality properties below the median rent, sharing accommodation which can lead to overcrowded and insecure living conditions and moving into areas of marginal tenure such as rooming houses, boarding houses and caravan parks.

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	\$63.00	26.8%	\$235.00	90.0%	(\$201.53)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	57.5%	\$137.50	48.6%	(\$82.38)
Single - Aged Pension	1 BR Flat	\$130.00	55.3%	\$235.00	54.1%	(\$28.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	56.7%	\$275.00	52.4%	(\$95.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	65.8%	\$330.00	45.7%	(\$202.42)
Couple (2 children) - AWE	3 BR House	\$422.00	127.9%	\$330.00	23.5%	\$392.68
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.7%	(\$115.89)

Adelaide remains one of the most affordable capital cities for renters. Low income households dependent on income support payments however still struggle to afford a suitably sized property at the median rent. Median rent figures for

the September quarter show that aged pensioners living alone would pay more than half their weekly income on a one bedroom flat, singles on Newstart allowance would pay almost half their weekly income to share a two bedroom flat and a single parent with one child would pay around half their income in rent for a two bedroom flat. 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	\$63.00	20.3%	\$310.00	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	40.5%	\$195.00	68.9%	(\$139.38)
Single - Aged Pension	1 BR Flat	\$130.00	41.9%	\$310.00	71.4%	(\$103.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	40.0%	\$390.00	74.3%	(\$210.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	54.3%	\$400.00	55.4%	(\$272.42)
Couple (2 children) - AWE	3 BR House	\$452.00	113.0%	\$400.00	26.6%	\$422.00
Couple (2 children) - Min Wage	3 BR House	\$269.00	67.3%	\$400.00	44.5%	(\$185.89)

Rental affordability in Brisbane has remained fairly steady over the year, however median rents remain at unaffordable levels for low income households. Median rent figures for the September quarter show that aged pensioners, single parents and singles sharing accommodation would all pay two-thirds or more of their weekly income for a suitably sized property at the median rent. A household with two parents and two children living on average weekly earnings would be on the affordability threshold of 30 per cent to pay for a three bedroom house at the median rent of \$390. The same household type dependent on Newstart would pay over half their weekly income to rent at the median level. An income at the minimum wage would leave the same household type to pay 42 per cent of income to rent at the median level.

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	\$63.00	20.3%	\$310.00	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	39.5%	\$200.00	70.6%	(\$144.38)
Single - Aged Pension	1 BR Flat	\$130.00	41.9%	\$310.00	71.4%	(\$103.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	39.0%	\$400.00	76.2%	(\$220.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	45.7%	\$475.00	65.7%	(\$347.42)
Couple (2 children) - AWE	3 BR House	\$518.00	109.1%	\$475.00	27.5%	\$569.10
Couple (2 children) - Min Wage	3 BR House	\$269.00	56.6%	\$475.00	52.9%	(\$260.89)

Canberra remains one of the least affordable cities for low income households renting. The city's very high rents are affordable for many working households due to relatively high income levels, low income renters, especially those dependent on income support payments are effectively locked out of the rental market at the median level. A two bedroom flat at the median rent of \$395 consumes three-quarters of the parenting payment for a single parent with one child and 70 per cent of income support payments for Newstart recipients sharing accommodation. A three bedroom house at the median rent of \$430 consumes 60 per cent of income for a couple with two children dependent on Newstart allowance and 46 per cent of income for the same household type living on the minimum wage.

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	\$63.00	21.1%	\$298.50	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	39.2%	\$201.55	71.2%	(\$146.38)
Single - Aged Pension	1 BR Flat	\$130.00	43.6%	\$298.50	68.8%	(\$92.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	38.7%	\$403.10	76.8%	(\$223.86)

Couple (2 children) – Newstart	3 BR House	\$217.00	38.8%	\$558.70	77.3%	(\$431.42)
Couple (2 children) - AWE	3 BR House	\$467.00	83.6%	\$558.70	35.9%	\$312.30
Couple (2 children) - Min Wage	3 BR House	\$269.00	48.1%	\$558.70	62.2%	(\$344.89)

Darwin remains among the most expensive Australian cities for low income renters with all low income household types in significant housing stress at median rent levels. While high median income levels in Darwin mean the high rents are affordable for medium to high income households, low income households remain effectively locked out of the rental market at the median level. The median rent of \$408 for a two bedroom flat would consume more than three quarters of the parenting payment of a single parent with one child. Singles on Newstart would be paying 77 per cent of income on rent for the same type of property. A three bedroom house at the median rent of \$545 would consume 40 per cent of income for a couple with two children living on one average weekly income. The same household type dependent on Newstart would pay three quarters of their weekly income to rent a three bedroom house at the median level.

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	\$63.00	31.5%	\$200.00	76.6%	(\$161.44)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	55.4%	\$142.50	50.3%	(\$82.29)
Single - Aged Pension	1 BR Flat	\$130.00	65.0%	\$200.00	46.1%	\$11.61
Single Parent (1 child) – Parenting	2 BR Flat	\$156.00	54.7%	\$285.00	54.3%	(\$98.12)
Couple (2 children) - Newstart	3 BR House	\$217.00	63.8%	\$340.00	47.1%	(\$199.09)
Couple (2 children) - AWE	3 BR House	\$411.00	120.9%	\$340.00	24.8%	\$360.30
Couple (2 children) - Min Wage	3 BR House	\$269.00	79.1%	\$340.00	37.9%	(\$110.57)

Hobart remains one of the more affordable cities for low income renters. Like other capital cities however, median rents remain well over the affordability threshold for low income households dependent on income support payments. The median rent of \$270 for a two bedroom flat would consume half the weekly income for a single parent with one child and 48 per cent of income for singles on Newstart sharing accommodation. A couple with two children dependent on Newstart would pay 46 per cent of income for a three bedroom house at the median rent.

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	\$63.00	21.4%	\$295.00	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	43.9%	\$180.00	63.6%	(\$124.38)
Single - Aged Pension	1 BR Flat	\$130.00	44.1%	\$295.00	68.0%	(\$88.48)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	43.3%	\$360.00	68.6%	(\$180.86)
Couple (2 children) – Newstart	3 BR House	\$217.00	63.8%	\$340.00	47.1%	(\$212.42)
Couple (2 children) - AWE	3 BR House	\$445.00	130.9%	\$340.00	22.9%	\$460.50
Couple (2 children) - Min Wage	3 BR House	\$269.00	79.1%	\$340.00	37.9%	(\$125.89)

Rental affordability in Melbourne has remained fairly steady over the year. Low income households remain in significant housing stress renting at the median level with singles dependent on income support paying more than 60 per cent of income to rent suitably sized properties at the median rent. A median rent of \$340 a week for a 3 bedroom house is affordable for two parent/two children households on one average weekly income. The same household type dependent on Newstart would pay 47 per cent of income for a similar property.

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	19.4%	\$310.00	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	41.6%	\$190.00	67.1%	(\$134.38)
Single - Aged Pension	1 BR Flat	\$130.00	41.9%	\$310.00	71.4%	(\$103.48)
Single Parent (1 child) – Parenting	2 BR Flat	\$156.00	41.1%	\$380.00	72.4%	(\$200.86)
Couple (2 children) - Newstart	3 BR House	\$217.00	54.3%	\$400.00	55.4%	(\$272.42)
Couple (2 children) - AWE	3 BR House	\$510.00	127.5%	\$400.00	23.5%	\$616.99
Couple (2 children) - Min Wage	3 BR House	\$269.00	67.3%	\$400.00	44.5%	(\$185.89)

The Perth rental market remains highly unaffordable for low income households with median rents for suitably sized properties consuming between 50 and 70 per cent of income for households dependent on income support payments. Singles on Newstart sharing a two bedroom flat at the median level would pay nearly two-thirds of their weekly income in rent. A single parent with one child would pay 70 per cent of income for a similar property. A couple with two children living on one average weekly income would only just come in under the 30 per cent affordability threshold paying 29 per cent of income for a three bedroom house 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	\$63.00	14.8%	\$425.00	>100%	(\$222.49)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	18.6%	\$425.00	>100%	(\$222.49)
Single - Aged Pension	1 BR Flat	\$79.00	35.1%	\$225.00	79.4%	(\$164.29)
Single Parent (1 child) - Parenting	2 BR Flat	\$130.00	30.6%	\$425.00	97.9%	(\$213.39)
Couple (2 children) – Newstart	3 BR House	\$217.00	51.7%	\$420.00	58.1%	(\$279.09)
Couple (2 children) – AWE	3 BR House	\$455.00	108.3%	\$420.00	27.7%	\$427.82
Couple (2 children) - Min Wage	3 BR House	\$269.00	64.0%	\$420.00	46.8%	(\$190.57)

High median rents for all property types make Sydney Australia's least affordable rental market. All low income households types above would experience moderate to very high levels of housing stress renting a suitably sized property at the median rent. Renting a one or two bedroom flat at the median level remains out of reach for singles on income support payments with median rents consuming over 80 per cent of weekly income. At \$400, the median rent for a three bedroom house would consume more than half the weekly income for a four person family dependent on Newstart and 43 per cent of income for the same household type living on one minimum wage.

Incomes^{iv}

Household Type	Income Components	Total Weekly Income
Single - Austudy	Austudy CRA	\$261.05
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$283.20
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$434.10
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$524.93
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2)	\$722.52

	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	Adelaide \$1,406.58 Brisbane \$1,505.90 Canberra \$1,657.93 Darwin \$1,485.13 Hobart \$1,368.88 Melbourne \$1,414.33 Perth \$1,630.82 Sydney \$1,516.40
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	\$898.01

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- 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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