

Private Rental Affordability Bulletin Capital Cities (June Quarter 2012)



Key findings

National rental pricing data over the June 2012 quarter indicates that rents in capital cities continue to be excessive for lower-income tenants.

While Melbourne, Adelaide and Hobart are the most affordable rental markets, and experienced stable median rents over the quarter, these cities are still out of reach for low income tenants.

Median rents in Canberra, Darwin, Sydney and Perth continue to rise and remain acutely unaffordable.

The vacancy rate across the nation was approximately 2 per cent, reflecting an unbalanced and highly competitive market that favours landlords.

Low income tenants in the cities are likely to be particularly affected as they cannot compete for properties with higher income earners.

Lower-income renters have been dealt another blow this month, with the results of a Senate inquiry into the Newstart allowance being released in late November.

The increase of \$50 per week advocated by many in the community sector was not recommended, despite overwhelming evidence that the allowance is not sufficient to meet the basic needs of recipients. While the Report acknowledges that "Newstart Allowance does not allow people to live at an acceptable standard in the long term"ⁱ the recommendations fail to adequately address these clear and well-documented deficiencies.

As is evidenced in the data below for June 2012, many recipients of Centrelink support struggle to find affordable accommodation, particularly in Australia's capital cities.

Many renters continue to also struggle with non-housing expenses, which are increasing alongside rental prices.

A recent Report by the Australian Competition and Consumer Commission (ACCC) has indicated that average petrol prices in 2011-2012 were the highest on record.ⁱⁱ

Of particular concern for renters in capital cities are price cycles, whereby petrol prices sharply increase then slowly decline over a 9 to 12 day cycle. These price changes are not aligned with international price trends; rather, they are a result of retailers' pricing policies.

While prices in regional Australia are comparatively stable, they are generally higher than in the capitals.

The increasing cost of petrol places extra pressure on rental households, particularly those in outer-suburban or regional areas where inadequate public transport makes residents more dependent upon cars.

The ACCC report indicates that the price of petrol will likely continue to rise, as costs related to fuel sourcing and refining increase. The price of petrol not only impacts the cost of vehicle use, but also the price of food and other goods that require road transportation.

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.ⁱⁱⁱ

- **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.^{iv} 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.^v

Analysis

Adelaide		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	\$62.00	27.0%	\$230.00	88.0%	(\$196.13)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	57.5%	\$137.50	48.3%	(\$80.67)
Single - Aged Pension	1 BR Flat	\$131.00	57.0%	\$230.00	52.5%	(\$19.73)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	57.1%	\$275.00	52.0%	(\$91.84)
Couple (2 children) - Newstart	3 BR House	\$211.00	65.9%	\$320.00	45.6%	(\$213.10)
Couple (2 children) - AWE	3 BR House	\$425.00	132.8%	\$320.00	22.6%	\$411.18
Couple (2 children) - Min Wage	3 BR House	\$269.00	84.1%	\$320.00	35.6%	(\$105.97)

Rental costs in Adelaide were relatively stable over the June quarter, with some forms of housing decreasing slightly in cost. However, as can be seen above, all households on income support are spending a significant portion of their income on housing. Each of these household types is below the after housing poverty line. A single student would be spending 88 per cent of their income on rent, and would be \$196.13 below the poverty line. An aged pensioner in a one bedroom flat would spend 52.5 per cent of their income on housing costs, while a single parent in a two bedroom flat would be spending 52 per cent.

Brisbane		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	\$62.00	20.0%	\$310.00	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	40.5%	\$195.00	68.4%	(\$137.67)
Single - Aged Pension	1 BR Flat	\$131.00	42.3%	\$310.00	70.8%	(\$99.73)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	40.3%	\$390.00	73.7%	(\$206.84)
Couple (2 children) - Newstart	3 BR House	\$211.00	52.8%	\$400.00	57.0%	(\$293.10)
Couple (2 children) - AWE	3 BR House	\$448.00	112.0%	\$400.00	26.8%	\$410.42
Couple (2 children) - Min Wage	3 BR House	\$269.00	67.3%	\$400.00	44.5%	(\$185.97)

The rental market in Brisbane remained stable and unaffordable over the June quarter. Student households are particularly affected by high rental prices, with a one bedroom flat costing more than 100 per cent of weekly income. Under these circumstances, students are likely to seek accommodation in rooming houses, share houses and student accommodation. Couples with children receiving the Newstart allowance are furthest from the after housing poverty line. Such households have fewer housing options than singles due to their size; they are therefore likely to be paying median prices and experiencing significant housing stress.

Canberra		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	\$62.00	18.0%	\$345.00	>100%	(\$229.44)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	39.5%	\$200.00	70.2%	(\$144.53)
Single - Aged Pension	1 BR Flat	\$131.00	38.0%	\$345.00	78.8%	(\$136.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	39.3%	\$400.00	75.6%	(\$219.67)
Couple (2 children) – Newstart	3 BR House	\$211.00	44.0%	\$480.00	68.4%	(\$377.95)
Couple (2 children) - AWE	3 BR House	\$530.00	110.4%	\$480.00	27.2%	\$596.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	56.0%	\$480.00	53.5%	(\$271.55)

The June quarter has seen Canberra’s rental market remain relatively stable, with increases in certain housing forms, most notably one bedroom flats (which increased from \$310). Rental prices remain unaffordable for all households receiving income support, particularly students. A student receiving Austudy would spend more than 100 per cent of their income on rent for a one bedroom flat. A couple with two children on minimum wage would spend 53.5 per cent of their income on rent for a one bedroom flat, and would be \$271.55 below the after housing poverty line.

Darwin		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	\$62.00	17.3%	\$359.00	>100%	(\$227.58)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	38.6%	\$204.50	71.8%	(\$147.67)
Single - Aged Pension	1 BR Flat	\$131.00	36.5%	\$359.00	82.0%	(\$148.73)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	38.4%	\$409.00	77.3%	(\$225.84)
Couple (2 children) – Newstart	3 BR House	\$211.00	36.0%	\$586.00	83.5%	(\$479.10)
Couple (2 children) - AWE	3 BR House	\$474.00	80.9%	\$586.00	37.1%	\$310.62
Couple (2 children) - Min Wage	3 BR House	\$269.00	45.9%	\$586.00	65.3%	(\$371.97)

The rental market in Darwin remains one of the least affordable of the capital cities. All households surveyed are spending greater than 30 per cent of their income on housing. Again, couples with children receiving the Newstart allowance are experiencing significant housing stress, and are \$479.10 below the after housing poverty line. Larger households are particularly disadvantaged, with high median rents for three bedroom houses. These households are likely to have less flexibility in their housing choices due to their requirements for larger housing forms.

Hobart		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	\$62.00	31.8%	\$195.00	74.6%	(\$162.99)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	59.6%	\$132.50	46.5%	(\$77.53)
Single - Aged Pension	1 BR Flat	\$131.00	67.2%	\$195.00	44.5%	\$13.41
Single Parent (1 child) – Parenting	2 BR Flat	\$157.00	59.2%	\$265.00	50.1%	(\$84.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	63.9%	\$330.00	47.0%	(\$227.95)
Couple (2 children) - AWE	3 BR House	\$417.00	126.4%	\$330.00	23.8%	\$368.96
Couple (2 children) - Min Wage	3 BR House	\$269.00	81.5%	\$330.00	36.8%	(\$121.55)

The rental housing market in Hobart, while one of the most affordable on a national scale, remains unaffordable for low income renters. A couple with 2 children on the Newstart allowance would spend 47 per cent of their income on a three bedroom house, and would be \$227.95 below the after housing poverty line. A one bedroom flat would consume almost 45 per cent of an aged pensioner’s income, and more than 50 per cent of a single parent’s income.

Melbourne		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	\$62.00	20.7%	\$300.00	>100%	(\$229.44)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	43.9%	\$180.00	63.2%	(\$124.53)
Single - Aged Pension	1 BR Flat	\$131.00	43.7%	\$300.00	68.5%	(\$91.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	43.6%	\$360.00	68.1%	(\$179.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	62.1%	\$340.00	48.4%	(\$237.95)
Couple (2 children) - AWE	3 BR House	\$441.00	129.7%	\$340.00	23.1%	\$440.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	79.1%	\$340.00	37.9%	(\$131.55)

Rental prices in Melbourne remain unaffordable but have been stable over the June quarter. A single person receiving Newstart would pay 63.2 per cent of their income to share a two bedroom flat. Similarly, a two bedroom flat would consume almost 70 per cent of a single parent's income, while a three bedroom house would cost a couple with children almost half of their Newstart allowance.

Perth		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	\$62.00	18.8%	\$330.00	>100%	(\$229.44)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	39.5%	\$200.00	70.2%	(\$144.53)
Single - Aged Pension	1 BR Flat	\$131.00	39.7%	\$330.00	75.4%	(\$121.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	39.3%	\$400.00	75.6%	(\$219.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	51.5%	\$410.00	58.4%	(\$307.95)
Couple (2 children) - AWE	3 BR House	\$441.00	107.6%	\$410.00	27.9%	\$370.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	65.6%	\$410.00	45.7%	(\$201.55)

Perth rental prices have continued to rise over the June quarter, and are increasingly unaffordable for lower-income renters. Families earning average weekly income are very close to the 30 per cent affordability threshold; if rents in Perth continue to increase such households will also face additional housing pressures. As with the majority of Australian capitals, students are experiencing acute hardship in terms of rental pricing. A one bedroom flat would consume more than 100 per cent of a student's weekly income.

Sydney		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	\$62.00	14.4%	\$430.00	>100%	(\$229.44)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	35.1%	\$225.00	79.0%	(\$169.53)
Single - Aged Pension	1 BR Flat	\$131.00	30.5%	\$430.00	98.2%	(\$221.59)
Single Parent (1 child) - Parenting	2 BR Flat	\$157.00	34.9%	\$450.00	85.1%	(\$269.67)
Couple (2 children) - Newstart	3 BR House	\$211.00	50.2%	\$420.00	59.8%	(\$317.95)
Couple (2 children) - AWE	3 BR House	\$441.00	105.0%	\$420.00	28.6%	\$360.04
Couple (2 children) - Min Wage	3 BR House	\$269.00	64.0%	\$420.00	46.8%	(\$211.55)

Rents in Sydney have remained stable and unaffordable over the June quarter. As can be seen above, the cost of all housing forms is similar, and consumes between 59 and 100 per cent of income for those receiving support from Centrelink. As in Perth, families living on average weekly income are very close to the affordability threshold, and will face housing stress if rental prices continue to rise.

Notes

- i Senate Standing Committee on Education, Employment and Workplace Relations 2012, *The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market*, November, pp. 54
- ii Australian Competition and Consumer Commission 2012, *Monitoring of the Australian petroleum industry: Report of the ACCC into the prices costs and profits of unleaded petrol in Australia*, December.
- 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. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request. The table following summarises the components of total weekly income for the various household types.

Household Type	Income Components	Total Weekly Income*
Single - Austudy	Austudy CRA	\$261.45
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$284.92
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$437.85
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$528.95
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$701.84
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: \$1,415.08 Brisbane: \$1,494.32 Canberra: \$1,765.92 Darwin: \$1,580.52 Hobart: \$1,388.44 Melbourne: \$1,469.52 Perth: \$1,469.52 Sydney: \$1,469.52
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	\$897.93

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