

Private Rental Affordability Bulletin Regional Victoria (March Quarter 2010)



State of the rental market

The first TUV Regional Victoria Rental Affordability Bulletin has found average rental properties are no longer affordable for those households on low incomes. The Bulletin reveals:

- The average rental property is unaffordable to low income households, particularly for single job seekers and single pensioners. The average rental property often consumes considerably more than 30 percent of household income – with many households paying nearly 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 rent substandard or insecure forms of rental property such as rooming or boarding houses.

The analysis below provides an analysis of rental markets in Ballarat, Bendigo, Geelong, Mildura, Shepparton, Swan Hill, Traralgon, Warrnambool and Wodonga. For each city the analysis provides the dollar figure rent level for several household types and shows how much money the household has left after paying the rent on the average rental 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.

The major form of housing assistance provided by the Commonwealth Government is Commonwealth Rent Assistance (CRA). CRA is an income supplement paid to recipients of government income support and is intended to improve the affordability of their housing. However, more than thirty percent of CRA recipients remain in housing stress.ⁱ This means many recipients continue to face serious financial hardship as a direct result of the prohibitive cost of private market rents. This TUV Regional Rental Affordability Bulletin further substantiates this evidence and suggests both the Commonwealth should commit to reviewing CRA.

Availability

Rental markets have become profoundly unbalanced in regional Victoria, with July vacancy rates in Geelong at 1.2 percent and 0.4 percent in both Bendigo and Ballarat. By comparison, the vacancy rate for Melbourne was 1.7 percent.ⁱⁱ A vacancy rate of 3 percent is viewed as representing a balanced rental market

Methodology

Affordable housing can be measured in several ways. The TUV Regional Victoria Rental Affordability Bulletin draws on two well recognised 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.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 the money a household has left after paying rent at the median level.

The TUV supports a practical approach to the issue of affordability, believing that it is best demonstrated by households having sufficient income left over after paying their direct housing costs (i.e. their rent) for the other necessities of life.

Analysis

Ballarat

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	Ballarat - 1 BR Flat	\$59.00	47.2%	\$125.00	51.1%	(\$74.86)	
Single (>21yrs) Sharing – Newstart	Ballarat - 2 BR Flat	\$74.00	70.5%	\$105.00	39.6%	(\$34.00)	
Single - Aged Pension	Ballarat - 1 BR Flat	\$105.00	84.0%	\$125.00	34.4%	\$44.54	
Single Parent (1 child) - Parenting	Ballarat - 2 BR Flat	\$142.00	67.6%	\$210.00	43.7%	(\$24.22)	
Couple (2 children) - Newstart	Ballarat – 3 BR House	\$197.00	82.1%	\$240.00	36.5%	(\$90.12)	
Couple (2 children) – AWE	Ballarat - 3 BR House	\$373.00	155.4%	\$240.00	19.3%	\$420.87	
Couple (2 children) - Min Wage	Ballarat - 3 BR House	\$259.00	107.9%	\$240.00	27.8%	\$40.63	

Bendigo

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single - Austudy	B'meadows - 1 BR Flat	\$59.00	40.7%	\$145.00	59.3%	(\$94.86)	
Single (>21yrs) Sharing - Newstart	B'meadows - 2 BR Flat	\$74.00	80.00%	\$92.50	35.6%	(\$27.16)	
Single - Aged Pension	B'meadows - 1 BR Flat	\$105.00	72.4%	\$145.00	39.9%	\$24.54	
Single Parent (1 child) – Parenting	B'meadows - 2 BR Flat	\$142.00	76.8%	\$185.00	38.5%	\$0.78	
Couple (2 children) – Newstart	B'meadows - 3 BR House	\$197.00	78.8%	\$250.00	38.0%	(\$100.12)	
Couple (2 children) - AWE	B'meadows - 3 BR House	\$373.00	149.2%	\$250.00	20.1%	\$410.87	
Couple (2 children) - Min Wage	B'meadows - 3 BR House	\$259.00	103.6%	\$250.00	28.9%	\$30.63	

Geelong

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single - Austudy	Geelong - 1 BR Flat	\$59.00	36.9%	\$160.00	65.5%	(\$109.86)	
Single (>21yrs) Sharing - Newstart	Geelong - 2 BR Flat	\$74.00	61.7%	\$120.00	45.2%	(\$49.00)	
Single - Aged Pension	Geelong - 1 BR Flat	\$105.00	65.6%	\$160.00	44.0%	\$9.54	
Single Parent (1 child) - Parenting	Geelong - 2 BR Flat	\$142.00	59.2%	\$240.00	49.9%	(\$54.22)	
Couple (2 children) – Newstart	Geelong - 3 BR House	\$197.00	70.4%	\$280.00	42.6%	(\$130.12)	
Couple (2 children) – AWE	Geelong - BR House	\$373.00	133.2%	\$280.00	22.5%	\$380.87	
Couple (2 children) - Min Wage	Geelong - 3 BR House	\$259.00	92.5%	\$280.00	32.4%	\$0.63	

Mildura

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	Mildura - 1 BR Flat	\$59.00	48.0%	\$123.00	50.5%	(\$73.79)	
Single (>21yrs) Sharing – Newstart	Mildura - 2 BR Flat	\$74.00	95.5%	\$77.50	31.1%	(\$23.41)	
Single - Aged Pension	Mildura - 1 BR Flat	\$105.00	85.4%	\$123.00	33.9%	\$45.62	
Single Parent (1 child) - Parenting	Mildura - 2 BR Flat	\$142.00	91.6%	\$155.00	32.2%	\$30.78	
Couple (2 children) - Newstart	Mildura - 3 BR House	\$197.00	87.6%	\$225.00	34.2%	(\$75.12)	
Couple (2 children) – AWE	Mildura - 3 BR House	\$373.00	165.8%	\$225.00	18.1%	\$435.87	
Couple (2 children) - Min Wage	Mildura - 3 BR House	\$259.00	115.1%	\$225.00	26.0%	\$55.63	

Shepparton

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	Shepparton - 1 BR Flat	\$59.00	43.7%	\$135.00	55.2%	(\$84.86)	
Single (>21yrs) Sharing - Newstart	Shepparton - 2 BR Flat	\$74.00	82.2%	\$90.00	34.9%	(\$26.04)	
Single - Aged Pension	Shepparton - 1 BR Flat	\$105.00	77.8%	\$135.00	37.1%	\$34.54	
Single Parent (1 child) - Parenting	Shepparton - 2 BR Flat	\$142.00	78.9%	\$180.00	37.4%	\$5.78	
Couple (2 children) - Newstart	Shepparton - 3 BR House	\$197.00	82.1%	\$240.00	36.5%	(\$90.12)	
Couple (2 children) - AWE	Shepparton - 3 BR House	\$373.00	155.4%	\$240.00	19.3%	\$420.87	
Couple (2 children) - Min Wage	Shepparton - 3 BR House	\$259.00	107.9%	\$240.00	27.8%	\$40.63	

Swan Hill

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	Swan Hill - 1 BR Flat	\$59.00	51.3%	\$115.00	48.4%	(\$71.79)	
Single (>21yrs) Sharing - Newstart	Swan Hill - 2 BR Flat	\$74.00	72.2%	\$102.50	38.6%	(\$32.00)	
Single - Aged Pension	Swan Hill - 1 BR Flat	\$105.00	91.3%	\$115.00	32.2%	\$47.62	
Single Parent (1 child) - Parenting	Swan Hill - 2 BR Flat	\$142.00	69.3%	\$205.00	42.6%	(\$19.22)	
Couple (2 children) - Newstart	Swan Hill - 3 BR House	\$197.00	82.1%	\$240.00	36.5%	(\$90.12)	
Couple (2 children) - AWE	Swan Hill 3 BR House	\$373.00	155.4%	\$240.00	19.3%	\$420.87	
Couple (2 children) - Min Wage	Swan Hill - 3 BR House	\$259.00	107.9%	\$240.00	27.8%	\$40.63	

Traralgon

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single - Austudy	Traralgon - 1 BR Flat	\$59.00	49.2%	\$120.00	49.7%	(\$73.04)	
Single (>21yrs) Sharing - Newstart	Traralgon - 2 BR Flat	\$74.00	80.9%	\$91.50	35.3%	(\$26.91)	
Single - Aged Pension	Traralgon - 1 BR Flat	\$105.00	87.5%	\$120.00	33.3%	\$46.37	
Single Parent (1 child) - Parenting	Traralgon - 2 BR Flat	\$142.00	77.6%	\$183.00	38.1%	\$2.78	
Couple (2 children) - Newstart	Traralgon - 3 BR House	\$197.00	83.8%	\$235.00	35.7%	(\$85.12)	
Couple (2 children) - AWE	Traralgon - 3 BR House	\$373.00	158.7%	\$235.00	18.9%	\$425.87	
Couple (2 children) - Min Wage	Traralgon - 3 BR House	\$259.00	110.2%	\$235.00	27.2%	\$45.63	

Warrnambool

Household Type	Property Type	Affordable Rent		Rent	Median Rent		Diff from AHPL
		Rent (30%TI ¹)	% of MR		% of Income		
Single – Austudy	St Kilda East - 1 BR Flat	\$59.00	34.7%	\$170.00	69.6%	(\$119.86)	
Single (>21yrs) Sharing - Newstart	St Kilda East - 2 BR Flat	\$74.00	67.3%	\$110.00	41.5%	(\$39.00)	
Single - Aged Pension	St Kilda East - 1 BR Flat	\$105.00	61.8%	\$170.00	46.7%	(\$0.46)	
Single Parent (1 child) - Parenting	St Kilda East - 2 BR Flat	\$142.00	64.5%	\$220.00	45.7%	(\$34.22)	
Couple (2 children) - Newstart	St Kilda East - 3 BR House	\$197.00	65.7%	\$300.00	45.6%	(\$150.12)	
Couple (2 children) - AWE	St Kilda East - 3 BR House	\$373.00	124.3%	\$300.00	24.1%	\$360.87	
Couple (2 children) - Min Wage	St Kilda East - 3 BR House	\$259.00	86.3%	\$300.00	34.7%	(\$19.37)	

Wodonga

Household Type	Property Type	Affordable Rent		Median Rent		
		Rent (30%TI ¹)	% of MR	Rent	% of Income	Diff from AHPL
Single – Austudy	Wodonga - 1 BR Flat	\$59.00	53.6%	\$110.00	47.1%	(\$70.54)
Single (>21yrs) Sharing - Newstart	Wodonga - 2 BR Flat	\$74.00	80.0%	\$92.50	35.6%	(\$27.16)
Single - Aged Pension	Wodonga - 1 BR Flat	\$105.00	95.5%	\$110.00	31.2%	\$48.87
Single Parent (1 child) - Parenting	Wodonga - 2 BR Flat	\$142.00	76.8%	\$185.00	38.5%	\$0.78
Couple (2 children) - Newstart	Wodonga - 3 BR House	\$197.00	78.8%	\$250.00	38.0%	(\$100.12)
Couple (2 children) - AWE	Wodonga - BR House	\$373.00	149.2%	\$250.00	20.1%	\$410.87
Couple (2 children) - Min Wage	Wodonga - 3 BR House	\$259.00	103.6%	\$250.00	28.9%	\$30.63

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

ⁱⁱ Real Estate Institute of Victoria, July 2010 Vacancy Rates.

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.