

Private Rental Affordability Bulletin Regional Victoria (Dec Quarter 2011)



Key findings

This edition of the TUV Private Rental Affordability Bulletin illustrates the difficulties confronted by jobseekers and students in regional Victoria. Low income households experience rental stress when rent consumes more than a third of total household income. Analysis for the December Quarter 2011 shows that rental markets in Ballarat, Bendigo, Geelong, Warrnambool and Wodonga are unaffordable for most of the low income household types modelled in the Affordability Bulletin. Those who have found themselves outside of the labour market face severe difficulties securing and sustaining housing in the private rental market due to the low level of Newstart and Austudy payments and the declining effectiveness of Commonwealth Rent Assistance (CRA) payments.

Overwhelmingly young people, these low income renters simply do not have sufficient income to secure and maintain rental housing which is affordable. As a consequence, they 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.

Sharing rental housing is a necessity for most Newstart and Austudy recipients. However, current eligibility requirements for CRA penalise them for sharing by reducing CRA payment by one third. This leaves these renters with very limited options for renting at an affordable level. With a reduced income of \$282.20 per week, Newstart recipients sharing an average two bedroom flat in regional Victorian cities would still devote more than a third of their income to rent payments alone. Even they live in share housing they will remain in rental stress.

Of particular concern, students in university towns like Ballarat, Bendigo, Geelong and Warrnambool face particularly unaffordable markets, with average rents consuming more than 60 percent of their Austudy and CRA payments. This is double the accepted measure of rental stress and places them more than \$120 per week below the poverty line. This poses a serious barrier to educational opportunities, particularly for those students unable to access parental assistance and have to move to these cities to take up university or TAFE places.

The rental stress experience by these households can be alleviated by providing them with greater ability to pay the rent. This analysis lends strong support to recent calls from Australians for Affordable Housing and the Australian Council of Social Service to increase Newstart payments by \$50 per week and to increase CRA payments by 30 percent.

Several other household types have experienced a deterioration in affordability in key regional cities. Sole parents in Warrnambool have been pushed \$53 per week below the poverty line as rents for two bedroom flats increased by \$20. Families living on the minimum wage in Swan Hill are now below the poverty line by \$11 due as rents for three bedroom houses increased by \$10 to \$240 per week.

Methodology

Affordable housing can be measured in several ways. The TUV Rental Affordability Bulletin draws on two 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.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 Private Rental Affordability Bulletin draws data provided by the Office of Housing and a range of income data sources.ⁱⁱⁱ

Analysis

Ballarat

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$60.00	40.0%	\$150.00	59.0%	(\$118.44)
Single - Newstart	1 BR Flat	\$79.00	52.7%	\$150.00	49.5%	(\$69.39)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	71.8%	\$110.00	38.8%	(\$49.29)
Single - Aged Pension	1 BR Flat	\$130.00	86.7%	\$150.00	34.6%	\$61.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	70.9%	\$220.00	41.9%	(\$33.12)
Couple (2 children) - Newstart	3 BR House	\$217.00	81.9%	\$265.00	36.7%	(\$124.09)
Couple (2 children) - AWE	3 BR House	\$439.00	165.7%	\$265.00	18.1%	\$530.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	101.5%	\$265.00	29.5%	(\$36.07)

Bendigo

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$60.00	38.7%	\$155.00	61.0%	(\$123.44)
Single - Newstart	1 BR Flat	\$79.00	51.0%	\$155.00	51.1%	(\$74.39)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	68.7%	\$115.00	40.6%	(\$54.29)
Single - Aged Pension	1 BR Flat	\$130.00	83.9%	\$155.00	35.7%	\$56.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	67.8%	\$230.00	43.8%	(\$43.12)
Couple (2 children) - Newstart	3 BR House	\$217.00	77.5%	\$280.00	38.8%	(\$139.09)
Couple (2 children) - AWE	3 BR House	\$439.00	156.8%	\$280.00	19.1%	\$515.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	96.1%	\$280.00	31.2%	(\$51.07)

Geelong

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$60.00	32.4%	\$185.00	72.8%	(\$153.44)
Single - Newstart	1 BR Flat	\$79.00	42.7%	\$185.00	61.0%	(\$104.39)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	59.6%	\$132.50	46.8%	(\$72.29)
Single - Aged Pension	1 BR Flat	\$130.00	70.3%	\$185.00	42.6%	\$26.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	58.9%	\$265.00	50.5%	(\$78.12)
Couple (2 children) - Newstart	3 BR House	\$217.00	72.3%	\$300.00	41.5%	(\$159.09)
Couple (2 children) - AWE	3 BR House	\$439.00	146.3%	\$300.00	20.5%	\$495.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	89.7%	\$300.00	33.4%	(\$71.07)

Mildura

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$60.00	42.9%	\$140.00	55.1%	(\$108.44)
Single - Newstart	1 BR Flat	\$79.00	56.4%	\$140.00	46.2%	(\$59.39)
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$79.00	87.8%	\$90.00	33.2%	(\$41.42)
Single - Aged Pension	1 BR Flat	\$130.00	92.9%	\$140.00	32.3%	\$71.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	86.7%	\$180.00	34.3%	\$6.88
Couple (2 children) – Newstart	3 BR House	\$217.00	90.4%	\$240.00	33.2%	(\$99.09)
Couple (2 children) – AWE	3 BR House	\$439.00	182.9%	\$240.00	16.4%	\$555.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	112.1%	\$240.00	26.7%	(\$11.07)

Shepparton

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$60.00	46.2%	\$130.00	51.6%	(\$100.47)
Single - Newstart	1 BR Flat	\$79.00	60.8%	\$130.00	43.2%	(\$51.42)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	79.0%	\$100.00	35.9%	(\$43.92)
Single - Aged Pension	1 BR Flat	\$130.00	100.0%	\$130.00	30.1%	\$79.59
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	78.0%	\$200.00	38.1%	(\$13.12)
Couple (2 children) – Newstart	3 BR House	\$217.00	83.5%	\$260.00	36.0%	(\$119.09)
Couple (2 children) - AWE	3 BR House	\$439.00	168.8%	\$260.00	17.8%	\$535.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	103.5%	\$260.00	29.0%	(\$31.07)

Swan Hill

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$60.00	48.0%	\$125.00	50.3%	(\$99.22)
Single - Newstart	1 BR Flat	\$79.00	63.2%	\$125.00	42.0%	(\$50.17)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	75.2%	\$105.00	37.2%	(\$45.17)
Single - Aged Pension	1 BR Flat	\$130.00	104.0%	\$125.00	29.2%	\$80.84
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	74.3%	\$210.00	40.0%	(\$23.12)
Couple (2 children) – Newstart	3 BR House	\$217.00	90.4%	\$240.00	33.2%	(\$99.09)
Couple (2 children) - AWE	3 BR House	\$439.00	182.9%	\$240.00	16.4%	\$555.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	112.1%	\$240.00	26.7%	(\$11.07)

Traralgon

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single - Austudy	1 BR Flat	\$60.00	40.0%	\$150.00	59.0%	(\$118.44)
Single - Newstart	1 BR Flat	\$79.00	52.7%	\$150.00	49.5%	(\$69.39)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	83.2%	\$95.00	34.6%	(\$42.67)
Single - Aged Pension	1 BR Flat	\$130.00	86.7%	\$150.00	34.6%	\$61.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	82.1%	\$190.00	36.2%	(\$3.12)

Couple (2 children) - Newstart	3 BR House	\$217.00	86.8%	\$250.00	34.6%	(\$109.09)
Couple (2 children) - AWE	3 BR House	\$439.00	175.6%	\$250.00	17.1%	\$545.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	107.6%	\$250.00	27.9%	(\$21.07)

Warrnambool

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$60.00	38.7%	\$155.00	61.0%	(\$123.44)
Single - Newstart	1 BR Flat	\$79.00	51.0%	\$155.00	51.1%	(\$74.39)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	65.8%	\$120.00	42.4%	(\$59.29)
Single - Aged Pension	1 BR Flat	\$130.00	83.9%	\$155.00	35.7%	\$56.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	65.0%	\$240.00	45.7%	(\$53.12)
Couple (2 children) - Newstart	3 BR House	\$217.00	67.8%	\$320.00	44.3%	(\$179.09)
Couple (2 children) - AWE	3 BR House	\$439.00	137.2%	\$320.00	21.9%	\$475.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	84.1%	\$320.00	35.7%	(\$91.07)

Wodonga

Household Type	Property Type	Affordable Rent		Median Rent		Difference from AHPL
		Rent (30%TI ¹)	% of MR	Rent	% of Income	
Single – Austudy	1 BR Flat	\$60.00	42.9%	\$140.00	55.1%	(\$108.44)
Single - Newstart	1 BR Flat	\$79.00	56.4%	\$140.00	46.2%	(\$59.39)
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$79.00	81.0%	\$97.50	35.2%	(\$43.79)
Single - Aged Pension	1 BR Flat	\$130.00	92.9%	\$140.00	32.3%	\$71.61
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	80.0%	\$195.00	37.1%	(\$8.12)
Couple (2 children) - Newstart	3 BR House	\$217.00	80.4%	\$270.00	37.4%	(\$129.09)
Couple (2 children) - AWE	3 BR House	\$439.00	162.6%	\$270.00	18.4%	\$525.44
Couple (2 children) - Min Wage	3 BR House	\$269.00	99.6%	\$270.00	30.1%	(\$41.07)

Household Type	Income Components	Maximum Total Weekly Income*
Single - Austudy	Austudy CRA	\$254.05
Single (>21 yrs) - Newstart	Newstart CRA	\$254.05
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)	\$722.52

	Family Tax Benefit A (Child 2) 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	\$1,464.02
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	\$897.51

* Total weekly income may be less than the maximum where households are not eligible for maximum CRA 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 the Office of Housing available at www.housing.vic.gov.au. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.