

Private Rental Affordability Bulletin

Melbourne (December Quarter 2014)



METHODOLOGY

Housing affordability can be measured in several ways.

The TUV *Private Rental Affordability Bulletin* draws on two standards:

- **30% of Total Income (30%TI):** For low-income households (defined as being in the lowest 40 per cent of income distribution), spending 30 per cent 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.

The TUV Private Rental Affordability Bulletin draws on a range of sources for median rent levels and national income dataⁱⁱⁱ. The Weekly Minimum Wage (WMW) is reviewed annually by Fair Work Australia and represents the minimum wage applicable to employees who aren't covered by an award or agreement, for example in industries such as retail and hospitality. Average Weekly Earnings (AWE) is reported quarterly by the Australian Bureau of Statistics and is based on all occupations and industries.

From September 2013, additional calculations have been applied to income data to provide a more accurate estimate of net income, which limits comparability with previous bulletins.

ANALYSIS

Balwyn		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$289.00	106.6%	-\$247.58
Single - Newstart	1 BR Flat	\$322.00	\$96.00	\$289.00	89.9%	-\$214.98
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$190.00	63.3%	-\$137.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$289.00	59.7%	-\$52.68
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$380.00	65.6%	-\$177.26
Couple (2 children) - Newstart	3 BR House	\$744.00	\$223.00	\$504.00	67.8%	-\$407.53
Couple (2 children) - AWE	3 BR House	\$1,262.00	\$378.00	\$504.00	40.0%	\$13.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$504.00	55.0%	-\$331.68

In Balwyn, rental prices for all housing types are relatively unchanged from the previous quarter and remain critically unaffordable for low-income households, particularly for singles. A single student receiving Austudy allowance would continue to spend more than 100 per cent of their income on median rent for a one bedroom flat and would be \$247.58 per week below the AHPL. An aged pensioner living alone would spend 59.7 per cent of their income on rent (down 3 per cent September 2014). Even a couple with children earning an average weekly wage, the only household type not to fall below the AHPL would still need to spend 40 per cent of their income on rent for a three bedroom house.

Broadmeadows		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$220.00	81.2%	-\$196.58
Single - Newstart	1 BR Flat	\$322.00	\$96.00	\$220.00	68.4%	-\$145.98
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$150.00	49.9%	-\$97.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$220.00	45.5%	\$16.32
Single Parent (1 child) – Parenting	2 BR Flat	\$579.00	\$174.00	\$300.00	51.8%	-\$97.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$320.00	43.0%	-\$223.53
Couple (2 children) - AWE	3 BR House	\$1,262.00	\$378.00	\$320.00	25.4%	\$197.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$320.00	34.9%	-\$147.68

Broadmeadows median rents for all housing types are unchanged since the June quarter. Even so, seven out of eight household types would remain in housing stress if paying median rent, while only two household types profiled would remain above the AHPL. Singles living alone would spend between 45.5 and 81.2 per cent of their income on median rent for a one bedroom flat (little changed from September 2014), or 49.9 per cent of their income to share a two bedroom flat (little changed from September 2014).

Brunswick		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$271.00	\$81.00	\$300.00	110.7%	-\$247.58
Single - Newstart	1 BR Flat	\$322.00	\$96.00	\$300.00	93.3%	-\$225.98
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$195.00	64.9%	-\$142.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$300.00	62.0%	-\$63.68
Single Parent (1 child) – Parenting	2 BR Flat	\$579.00	\$174.00	\$390.00	67.4%	-\$187.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$581.00	78.1%	-\$484.53
Couple (2 children) – AWE	3 BR House	\$1,262.00	\$378.00	\$581.00	46.1%	-\$63.47
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$581.00	63.4%	-\$408.68

Although rents remained stable over the quarter, Brunswick remains among the least affordable suburbs for low-income renters. All eight household types would face housing stress if paying median rent and all households analysed fall well short of the AHPL. Singles receiving Austudy and Newstart and living alone would spend more than 93 per cent of their income on median rent for a one bedroom flat (down slightly from September 2014), while single parents would spend over 67 per cent of their income on median rent for a two bedroom flat (down 1.3 per cent from September 2014). Couples with children receiving Newstart allowance would spend 78.1 per cent of their income on median rent for a three bedroom house, leaving them \$484.53 below the AHPL (relatively unchanged over the quarter).

Dandenong		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$271.00	\$81.00	\$235.00	86.7%	-\$211.58
Single - Newstart	1 BR Flat	\$322.00	\$96.00	\$235.00	73.1%	-\$160.98
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$300.00	\$90.00	\$135.00	44.9%	-\$82.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$235.00	48.6%	\$1.32
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$270.00	46.6%	-\$67.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$350.00	47.1%	-\$253.53
Couple (2 children) – AWE	3 BR House	\$1,262.00	\$378.00	\$350.00	27.7%	\$167.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$350.00	38.2%	-\$177.68

Rental prices in Dandenong for one bedroom flats increased \$7 (3 per cent) from the previous quarter, while rents were stable. In Dandenong, a single student receiving Austudy would spend 86.7 per cent of their income on median rent for a one bedroom flat (up from 84.3 per cent in September 2014). A couple with two children relying on Newstart would spend close to half (47.1 per cent) of their incomes on median rent for an appropriate house (relatively unchanged from September 2014) and leave them \$253.53 below the AHPL.

Frankston		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$271.00	\$81.00	\$220.00	81.2%	-\$196.58
Single - Newstart	1 BR Flat	\$322.00	\$96.00	\$220.00	68.4%	-\$145.98
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$135.00	44.9%	-\$82.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$220.00	45.5%	\$16.32
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$270.00	46.6%	-\$67.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$330.00	44.4%	-\$233.53
Couple (2 children) - AWE	3 BR House	\$1,262.00	\$378.00	\$330.00	26.2%	\$187.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$330.00	36.0%	-\$157.68

Rental prices in Frankston were largely unchanged from September 2014 and remain unaffordable for all household types profiled other than those earning an average wage. Students living alone would now have to pay 81.2 per cent of their income for a one bedroom flat (relatively unchanged from September).

Preston		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$271.00	\$81.00	\$265.00	97.8%	-\$241.58
Single - Newstart	1 BR Flat	\$322.00	\$96.00	\$265.00	82.4%	-\$190.98
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$175.00	58.3%	-\$122.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$265.00	54.8%	-\$28.68
Single Parent (1 child) - Parenting	2 BR Flat	\$579.00	\$174.00	\$350.00	60.5%	-\$147.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$420.00	56.5%	-\$323.53
Couple (2 children) - AWE	3 BR House	\$1,262.00	\$378.00	\$420.00	33.3%	\$97.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$420.00	45.8%	-\$247.68

Preston remains among the least affordable suburbs for low-income renters. Median rental prices for one bedroom flats fell \$5 (1.9 per cent) over the quarter while rents for three bedroom houses increased \$10 (2.4 per cent). All household types continue to experience housing stress when paying the median rent. In December 2014, students receiving Austudy allowance would spend 97.8 per cent of their income on median rent for a one bedroom flat (down from 99.9 per cent in September 2014). Additionally, single parents would need to spend more than 60 per cent of their income on median rent for suitable accommodation (relatively unchanged since September 2014).

Ringwood		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$271.00	\$81.00	\$230.00	84.9%	-\$206.58
Single – Newstart	1 BR Flat	\$322.00	\$96.00	\$230.00	71.5%	-\$155.98
Single (>21yrs) Sharing - Newstart	2 BR Flat	\$300.00	\$90.00	\$160.00	53.3%	-\$107.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$230.00	47.5%	\$6.32
Single Parent (1 child) – Parenting	2 BR Flat	\$579.00	\$174.00	\$320.00	55.3%	-\$117.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$380.00	51.1%	-\$283.53
Couple (2 children) – AWE	3 BR House	\$1,262.00	\$378.00	\$380.00	30.1%	\$137.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$380.00	41.5%	-\$207.68

Rental prices in Ringwood are largely unchanged since September 2014 although one bedroom flats decreased \$10 (4.2 per cent). All housing options remain unaffordable with low-income students and singles again facing the greatest housing stress. A single student receiving Austudy allowance would spend 84.9 per cent of their income on median rent for a one bedroom flat (down from 88.8 per cent in September 2014). A couple with children receiving Newstart allowance would spend over 50 per cent of their income on median rent for a three bedroom house, leaving them \$283.53 per week below the AHPL.

St Kilda East		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$271.00	\$81.00	\$290.00	107.0%	-\$247.58
Single – Newstart	1 BR Flat	\$322.00	\$96.00	\$290.00	90.2%	-\$215.98
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$300.00	\$90.00	\$190.00	63.3%	-\$137.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$290.00	59.9%	-\$53.68
Single Parent (1 child) – Parenting	2 BR Flat	\$579.00	\$174.00	\$380.00	65.6%	-\$177.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$675.00	90.8%	-\$578.53
Couple (2 children) – AWE	3 BR House	\$1,262.00	\$378.00	\$675.00	53.5%	-\$157.47
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$675.00	73.7%	-\$502.68

Rental prices in St Kilda East were unchanged over the previous quarter; however, rents for three bedroom houses increased \$10 (1.5 per cent). The suburb remains among the least affordable for low-income renters with all eight household types profiled here experiencing significant housing stress. Couples with children receiving Newstart allowance would spend 90.8 per cent of their income on median rent for a three bedroom house (down from 90.1 per cent in September 2014), leaving them \$578.53 per week below the AHPL. Even a couple with children on average weekly income would experience significant housing stress, spending over 53 per cent of their income on median rent for a similar house.

Sunshine		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$271.00	\$81.00	\$205.00	75.6%	-\$181.58
Single – Newstart	1 BR Flat	\$322.00	\$96.00	\$205.00	63.7%	-\$130.98
Single (>21yrs) Sharing – Newstart	2 BR Flat	\$300.00	\$90.00	\$130.00	43.3%	-\$77.25
Single - Aged Pension	1 BR Flat	\$484.00	\$145.00	\$205.00	42.4%	\$31.32
Single Parent (1 child) – Parenting	2 BR Flat	\$579.00	\$174.00	\$260.00	44.9%	-\$57.26
Couple (2 children) – Newstart	3 BR House	\$744.00	\$223.00	\$310.00	41.7%	-\$213.53
Couple (2 children) – AWE	3 BR House	\$1,262.00	\$378.00	\$310.00	24.6%	\$207.53
Couple (2 children) - Min Wage	3 BR House	\$916.00	\$275.00	\$310.00	33.8%	-\$137.68

Rental prices in Sunshine remained stable from the previous quarter, although median rent for a one bedroom flat increased \$5 (2.5 per cent). Seven out of eight household types would still experience housing stress if paying median rent and, once again, substantially so for students and singles.

NOTES

- 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 are based on quarterly rental bond payments obtained from the Office of Housing. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.

This table summarises the components of total weekly income for the various household types:

Household Type	Income Components	Maximum Total Weekly Income*
Single - Austudy	Austudy CRA	\$271.00
Single (>21 yrs) - Newstart	Newstart CRA	\$321.60
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$300.34
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$483.90
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$578.92
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$743.68
Couple (2 children) - AWE	Average Weekly Income (1 partner) Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$1,261.52
Couple (2 children) - Min Wage	Weekly Minimum Wage (1 partner) Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA	\$916.31

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