

# Private Rental Affordability Bulletin

## Capital Cities (September Quarter 2015)



### METHODOLOGY

Housing affordability can be measured in several ways.

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

- **30% of Total Income:** 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.<sup>i</sup>
- **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.<sup>ii</sup> 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 data.<sup>iii</sup> 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. The AWE households used in this analysis are not considered to be low income households. They have been included as comparators of affordability.

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. From September 2015, single person households earning a minimum wage and average weekly earnings have been added to the analysis.

### ANALYSIS

It is worth noting at the outset that households on average weekly earnings serve as useful comparators to illustrate the stark difference between low income households receiving income support or earning the minimum wage, and those earning an average wage. Even if households earning an average wage are paying close to- or more than 30 per cent of their income on housing, they remain above the poverty line – particularly single person households, which have significant disposable income after paying for housing.

Adelaide		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$278	\$83	\$232	83.6%	(\$207)
Newstart - Single (>21yrs)	1 BR Flat	\$324	\$97	\$232	71.6%	(\$161)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$302	\$91	\$140	46.3%	(\$90)
Newstart - Couple (2 children)	3 BR House	\$751	\$225	\$370	49.3%	(\$280)
Aged Pension - Single	1 BR Flat	\$487	\$146	\$232	47.6%	\$3
Parenting - Single Parent (1 child)	2 BR Flat	\$584	\$175	\$280	47.9%	(\$80)
AWE - Single	1 BR Flat	\$1,046	\$314	\$232	22.2%	\$462
AWE - Couple (2 children)	3 BR House	\$1,247	\$374	\$370	29.7%	\$117
Min Wage - Single	1 BR Flat	\$599	\$180	\$232	38.8%	\$15
Min Wage - Couple (2 children)	3 BR House	\$934	\$280	\$370	39.6%	(\$195)

Adelaide remains comparatively more affordable than most other capitals. In Adelaide, median rental prices for three bedroom houses decreased \$5 (1.3 per cent) while other dwellings remained stable. Despite the city's comparative affordability, housing stress remains an issue for all low income households profiled. With the exception of households on average income, all other household types would either be situated at, or fall below, the AHPL line if paying median rent. Singles receiving income support would be required to pay between 48 per cent and 84 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$207 per week below the AHPL.

<b>Brisbane</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
<b>Austudy - Single</b>	1 BR Flat	\$278	\$83	\$275	99.1%	(\$250)
<b>Newstart - Single (&gt;21yrs)</b>	1 BR Flat	\$324	\$97	\$275	84.9%	(\$204)
<b>Newstart - Single (&gt;21yrs) Sharing</b>	2 BR Flat	\$302	\$91	\$180	59.5%	(\$130)
<b>Newstart - Couple (2 children)</b>	3 BR House	\$751	\$225	\$410	54.6%	(\$320)
<b>Aged Pension - Single</b>	1 BR Flat	\$487	\$146	\$275	56.4%	(\$40)
<b>Parenting - Single Parent (1 child)</b>	2 BR Flat	\$584	\$175	\$360	61.6%	(\$160)
<b>AWE - Single</b>	1 BR Flat	\$1,106	\$332	\$275	24.9%	\$480
<b>AWE - Couple (2 children)</b>	3 BR House	\$1,293	\$388	\$410	31.7%	\$123
<b>Min Wage - Single</b>	1 BR Flat	\$599	\$180	\$275	45.9%	(\$28)
<b>Min Wage - Couple (2 children)</b>	3 BR House	\$934	\$280	\$410	43.9%	(\$235)

In Brisbane, median rents remain unchanged in the September quarter and unaffordability continues to affect all households other than singles earning an average wage. Students remain disproportionately worse off; median rent for one bedroom flat would consume close to 100 per cent of their weekly income (unchanged from June 2015). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$320 below).

<b>Canberra</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
<b>Austudy - Single</b>	1 BR Flat	\$278	\$83	\$305	109.9%	(\$253)
<b>Newstart - Single (&gt;21yrs)</b>	1 BR Flat	\$324	\$97	\$305	94.2%	(\$234)
<b>Newstart - Single (&gt;21yrs) Sharing</b>	2 BR Flat	\$302	\$91	\$190	62.8%	(\$140)
<b>Newstart - Couple (2 children)</b>	3 BR House	\$751	\$225	\$415	55.3%	(\$325)
<b>Aged Pension - Single</b>	1 BR Flat	\$487	\$146	\$305	62.6%	(\$70)
<b>Parenting - Single Parent (1 child)</b>	2 BR Flat	\$584	\$175	\$380	65.0%	(\$180)
<b>AWE - Single</b>	1 BR Flat	\$1,281	\$384	\$305	23.8%	\$624
<b>AWE - Couple (2 children)</b>	3 BR House	\$1,467	\$440	\$415	28.3%	\$293
<b>Min Wage - Single</b>	1 BR Flat	\$599	\$180	\$305	51.0%	(\$58)
<b>Min Wage - Couple (2 children)</b>	3 BR House	\$934	\$280	\$415	44.4%	(\$240)

In Canberra, median rental prices for one bedroom flats and three bedroom houses decreased \$5 and two bedroom flats increased \$10, in September 2015. Unaffordability remains acute with eight of ten household types profiled facing significant housing stress in Canberra; households on Newstart would spend between 55 per cent and 94 per cent of their weekly income to pay the median rent. While households earning the minimum wage would have to spend between 44 per cent and 51 per cent of income on rent for appropriate housing. Couples with two children and on the minimum wage would be left \$240 per week below the AHPL.

<b>Darwin</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
Austudy - Single	1 BR Flat	\$278	\$83	\$322	116.1%	(\$253)
Newstart - Single (>21yrs)	1 BR Flat	\$324	\$97	\$322	99.5%	(\$251)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$302	\$91	\$195	64.5%	(\$145)
Newstart - Couple (2 children)	3 BR House	\$751	\$225	\$500	66.6%	(\$410)
Aged Pension - Single	1 BR Flat	\$487	\$146	\$322	66.1%	(\$88)
Parenting - Single Parent (1 child)	2 BR Flat	\$584	\$175	\$390	66.7%	(\$190)
AWE - Single	1 BR Flat	\$1,154	\$346	\$322	27.9%	\$480
AWE - Couple (2 children)	3 BR House	\$1,340	\$402	\$500	37.3%	\$81
Min Wage - Single	1 BR Flat	\$599	\$180	\$322	53.8%	(\$75)
Couple (2 children) - Min Wage	3 BR House	\$934	\$280	\$500	53.5%	(\$325)

In Darwin median rents for one and three bedroom dwellings decreased \$20 (5.8 per cent and 3.8 per cent, respectively), while two bedroom flats decreased \$10 (2.5 per cent). Overall, Darwin remains one of the least affordable of the capital cities. With the exception of singles earning an average income, all household types profiled continue to face significant housing stress and larger households are particularly disadvantaged.

<b>Hobart</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
Austudy - Single	1 BR Flat	\$278	\$83	\$175	63.0%	(\$150)
Newstart - Single (>21yrs)	1 BR Flat	\$324	\$97	\$175	54.0%	(\$104)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$302	\$91	\$125	41.3%	(\$75)
Newstart - Couple (2 children)	3 BR House	\$751	\$225	\$300	40.0%	(\$210)
Aged Pension - Single	1 BR Flat	\$487	\$146	\$175	35.9%	\$60
Parenting - Single Parent (1 child)	2 BR Flat	\$584	\$175	\$250	42.8%	(\$50)
AWE - Single	1 BR Flat	\$1,007	\$302	\$175	17.4%	\$480
AWE - Couple (2 children)	3 BR House	\$1,220	\$366	\$300	24.6%	\$160
Min Wage - Single	1 BR Flat	\$599	\$180	\$175	29.2%	\$72
Min Wage - Couple (2 children)	3 BR House	\$934	\$280	\$300	32.1%	(\$125)

Median rents for two and three bedroom dwellings increased \$5 and decreased \$10, respectively. Rents for one bedroom dwellings, decreased significantly by \$23 (11.6 per cent) from the previous quarter. Hobart remains the most affordable of the capital cities; however, seven out of eight low income household types profiled still face housing stress and, of these, only singles receiving the aged pension or minimum wage sit above the AHPL (\$60 and \$72, respectively). Students receiving Austudy allowance remain worst off spending 63 per cent of their income on median rent for a one bedroom flat (down 8 per cent from June 2015).

<b>Melbourne</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
Austudy - Single	1 BR Flat	\$278	\$83	\$290	104.5%	(\$253)
Newstart - Single (>21yrs)	1 BR Flat	\$324	\$97	\$290	89.6%	(\$219)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$302	\$91	\$188	62.2%	(\$138)
Newstart - Couple (2 children)	3 BR House	\$751	\$225	\$450	59.9%	(\$360)
Aged Pension - Single	1 BR Flat	\$487	\$146	\$290	59.5%	(\$55)
Parenting - Single Parent (1 child)	2 BR Flat	\$584	\$175	\$375	64.2%	(\$175)
AWE - Single	1 BR Flat	\$1,153	\$346	\$290	25.2%	\$512
AWE - Couple (2 children)	3 BR House	\$1,269	\$381	\$450	35.5%	\$59
Min Wage - Single	1 BR Flat	\$599	\$180	\$290	48.4%	(\$43)
Min Wage - Couple (2 children)	3 BR House	\$934	\$280	\$450	48.2%	(\$275)

The rental market in Melbourne saw rents for one and two bedroom flats increase \$10 and \$5, respectively, and median rents remain particularly unaffordable. As in most other capital cities, a student receiving Austudy allowance in Melbourne would pay over 104 per cent of their income for median rent for a one bedroom flat (an increase of 3.6 per cent on the previous quarter), while a single person receiving Newstart would pay 62 per cent of their income to share a two bedroom flat (up 1 per cent from June 2015). Couples with children receiving Newstart allowance would also spend around 60 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$360 per week below the AHPL.

<b>Perth</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
<b>Austudy - Single</b>	1 BR Flat	\$278	\$83	\$325	<b>117.1%</b>	<b>(\$253)</b>
<b>Newstart - Single (&gt;21yrs)</b>	1 BR Flat	\$324	\$97	\$325	<b>100.4%</b>	<b>(\$253)</b>
<b>Newstart - Single (&gt;21yrs) Sharing</b>	2 BR Flat	\$302	\$91	\$188	<b>62.2%</b>	<b>(\$138)</b>
<b>Newstart - Couple (2 children)</b>	3 BR House	\$751	\$225	\$430	<b>57.3%</b>	<b>(\$340)</b>
<b>Aged Pension - Single</b>	1 BR Flat	\$487	\$146	\$325	<b>66.7%</b>	<b>(\$90)</b>
<b>Parenting - Single Parent (1 child)</b>	2 BR Flat	\$584	\$175	\$375	<b>64.2%</b>	<b>(\$175)</b>
<b>AWE - Single</b>	1 BR Flat	\$1,270	\$381	\$325	<b>25.6%</b>	<b>\$594</b>
<b>AWE - Couple (2 children)</b>	3 BR House	\$1,457	\$437	\$430	<b>29.5%</b>	<b>\$267</b>
<b>Min Wage - Single</b>	1 BR Flat	\$599	\$180	\$325	<b>54.3%</b>	<b>(\$78)</b>
<b>Min Wage - Couple (2 children)</b>	3 BR House	\$934	\$280	\$430	<b>46.0%</b>	<b>(\$255)</b>

Median rents in Perth have eased since June 2015 with the largest decrease found two bedroom flats (\$20, 5.1 per cent). Unaffordability for low-income renters continues to be severe. Again, singles receiving Austudy and Newstart are the worst affected, needing to pay between 100 per cent and 117 per cent of their income, respectively, to meet median rent. Single parents would spend around 64 per cent of their income on median rent for a two bedroom flat (down 3.7 per cent since June 2015), leaving them \$175 per week below the AHPL. Single aged pensioners, a particularly vulnerable subgroup, would spend around 67 per cent of their income on median rent for a one bedroom unit.

<b>Sydney</b>		<b>Income</b>		<b>Median Rent</b>		
<b>Household Type</b>	<b>Property Type</b>	<b>Weekly Income</b>	<b>Affordable Rent (30%)</b>	<b>Rent</b>	<b>% of Income</b>	<b>Difference from AHPL</b>
<b>Austudy - Single</b>	1 BR Flat	\$278	\$83	\$450	<b>162.1%</b>	<b>(\$253)</b>
<b>Newstart - Single (&gt;21yrs)</b>	1 BR Flat	\$324	\$97	\$450	<b>139.0%</b>	<b>(\$253)</b>
<b>Newstart - Single (&gt;21yrs) Sharing</b>	2 BR Flat	\$302	\$91	\$240	<b>79.4%</b>	<b>(\$190)</b>
<b>Newstart - Couple (2 children)</b>	3 BR House	\$751	\$225	\$560	<b>74.6%</b>	<b>(\$470)</b>
<b>Aged Pension - Single</b>	1 BR Flat	\$487	\$146	\$450	<b>92.4%</b>	<b>(\$215)</b>
<b>Parenting - Single Parent (1 child)</b>	2 BR Flat	\$584	\$175	\$480	<b>82.1%</b>	<b>(\$280)</b>
<b>AWE - Single</b>	1 BR Flat	\$1,077	\$323	\$450	<b>41.8%</b>	<b>\$276</b>
<b>AWE - Couple (2 children)</b>	3 BR House	\$1,339	\$402	\$560	<b>41.8%</b>	<b>\$20</b>
<b>Min Wage - Single</b>	1 BR Flat	\$599	\$180	\$450	<b>75.2%</b>	<b>(\$203)</b>
<b>Min Wage - Couple (2 children)</b>	3 BR House	\$934	\$280	\$560	<b>60.0%</b>	<b>(\$385)</b>

In the September quarter median rent for one bedroom flats decreased \$10, while rents for three bedroom houses increased \$10. The rental market in Sydney continues to be the least affordable of the capital cities. Rents are high for all housing types, particularly for singles living alone – even for those earning an average wage. Median rents consume between 75 per cent and 162 per cent of income for those receiving income support. In Sydney, even family households on average income would need to spend close to 42 per cent of their income on median rent for a three bedroom house, leaving them only slightly above the AHPL.

## 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 median rental prices for 'middle' suburbs/zones of each city, obtained from REIA *Real Estate Market Facts*. 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*	
<b>Austudy - Single</b>	Austudy CRA	\$277.60	
<b>Newstart - Single (&gt;21 yrs)</b>	Newstart CRA	\$323.80	
<b>Newstart - Single (&gt;21yrs) [Sharing]</b>	Newstart CRA	\$302.40	
<b>Newstart - Couple (2 children)</b>	Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$750.90	
<b>Aged Pension - Single</b>	Aged Pension Pharmaceutical Allowance CRA	\$487.25	
<b>Parenting - Single Parent (1 child)</b>	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$584.34	
<b>AWE - Single</b>	Average Weekly Income	Adelaide:	\$1,045.63
		Brisbane:	\$1,106.35
		Canberra:	\$1,280.64
		Darwin:	\$1,153.90
		Hobart:	\$1,006.85
		Melbourne:	\$1,077.33
		Perth:	\$1,270.29
<b>AWE - Couple (2 children)</b>	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	Sydney:	\$1,152.98
		Adelaide:	\$1,246.72
		Brisbane:	\$1,292.69
		Canberra:	\$1,466.98
		Darwin:	\$1,340.24
		Hobart:	\$1,219.78
		Melbourne:	\$1,268.74
		Perth:	\$1,456.63
<b>Min Wage - Single</b>	Weekly Minimum Wage	\$598.59	

<b>Min Wage - Couple (2 children)</b>	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	\$934.10
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\* Total weekly income for households in the tables above is less than the maximum where households are not eligible for maximum CRA payments.