

Private Rental Affordability Bulletin

Capital Cities (March Quarter 2016)



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.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 data.ⁱⁱⁱ 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	\$282	\$85	\$220	78.1%	(\$193)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$220	67.3%	(\$148)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$140	45.9%	(\$90)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$375	49.6%	(\$284)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$220	43.8%	\$27
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$280	47.6%	(\$76)
AWE - Single	1 BR Flat	\$1,064	\$319	\$220	20.7%	\$489
AWE - Couple (2 children)	3 BR House	\$1,261	\$378	\$375	29.7%	\$121
Min Wage - Single	1 BR Flat	\$599	\$180	\$220	36.8%	\$24
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$375	40.1%	(\$205)

Adelaide remains comparatively more affordable than most other capitals. In Adelaide, median rental prices were largely stable in the March quarter. 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 close to, or fall well below, the AHPL line if paying median rent. Singles receiving income support would be required to pay between 44 per cent and 78 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$193 per week below the AHPL.

Brisbane		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$290	102.9%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$290	88.7%	(\$218)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$190	62.3%	(\$140)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$420	55.6%	(\$329)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$290	57.8%	(\$43)
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$380	64.6%	(\$176)
AWE - Single	1 BR Flat	\$1,110	\$333	\$290	26.1%	\$465
AWE - Couple (2 children)	3 BR House	\$1,298	\$389	\$420	32.4%	\$113
Min Wage - Single	1 BR Flat	\$599	\$180	\$290	48.4%	(\$46)
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$420	44.9%	(\$250)

In Brisbane, median rents increased in the March quarter. One and two bedroom flats increased \$15 (5.5 per cent) and \$20 (5.6 per cent) respectively, while median rent for three bedroom houses increased \$10 (2.4 per cent). 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 more than 100 per cent of their weekly income (up 4 per cent from December 2015). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$329 below).

Canberra		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$310	110.0%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$310	94.8%	(\$238)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$185	60.6%	(\$135)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$430	56.9%	(\$339)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$310	61.8%	(\$63)
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$370	62.9%	(\$166)
AWE - Single	1 BR Flat	\$1,286	\$386	\$310	24.1%	\$621
AWE - Couple (2 children)	3 BR House	\$1,474	\$442	\$430	29.2%	\$279
Min Wage - Single	1 BR Flat	\$599	\$180	\$310	51.8%	(\$66)
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$430	46.0%	(\$260)

In Canberra, median rental prices for one bedroom flats and three bedroom houses increased \$10 (3.3 per cent) and \$20 (4.9 per cent), in March 2016. Unaffordability remains acute with all eight low income households profiled facing significant housing stress in Canberra; households on Newstart would spend between 57 per cent and 95 per cent of their weekly income to pay the median rent. While households earning the minimum wage would have to spend between 46 per cent and 52 per cent of income on rent for appropriate housing. Couples with two children and on the minimum wage would be left \$260 per week below the AHPL.

Darwin		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$293	103.8%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$293	89.5%	(\$221)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$185	60.6%	(\$135)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$475	62.8%	(\$384)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$293	58.3%	(\$46)
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$370	62.9%	(\$166)
AWE - Single	1 BR Flat	\$1,180	\$354	\$293	24.8%	\$532
AWE - Couple (2 children)	3 BR House	\$1,367	\$410	\$475	34.7%	\$127
Min Wage - Single	1 BR Flat	\$599	\$180	\$293	48.9%	(\$49)
Couple (2 children) - Min Wage	3 BR House	\$935	\$281	\$475	50.8%	(\$305)

In Darwin the largest movement in median rents in the December quarter was for three bedroom houses which decreased \$20 (4 per cent). Median rent for one and two and bedroom flats increased and decreased slightly (\$8 and \$10, respectively). 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 pay more than 30 per cent of their income on median rent, with larger households particularly disadvantaged.

Hobart		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$190	67.4%	(\$163)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$190	58.1%	(\$118)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$125	41.0%	(\$75)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$330	43.7%	(\$239)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$190	37.9%	\$57
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$250	42.5%	(\$46)
AWE - Single	1 BR Flat	\$1,026	\$308	\$190	18.5%	\$481
AWE - Couple (2 children)	3 BR House	\$1,235	\$370	\$330	26.7%	\$140
Min Wage - Single	1 BR Flat	\$599	\$180	\$190	31.7%	\$54
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$330	35.3%	(\$160)

Median rents for one and three bedroom dwellings decreased \$5 and increased \$10 (3.1 per cent) respectively in the March quarter. Hobart remains the most affordable of the capital cities; however, all 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 (\$57 and \$54, respectively). Students receiving Austudy allowance remain worst off spending around 67 per cent of their income on median rent for a one bedroom flat (down around 3 per cent from December 2015).

Melbourne		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$275	97.6%	(\$248)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$275	84.1%	(\$203)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$193	63.2%	(\$143)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$480	63.5%	(\$389)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$275	54.8%	(\$28)
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$385	65.4%	(\$181)
AWE - Single	1 BR Flat	\$1,163	\$349	\$275	23.6%	\$533
AWE - Couple (2 children)	3 BR House	\$1,283	\$385	\$480	37.4%	\$38
Min Wage - Single	1 BR Flat	\$599	\$180	\$275	45.9%	(\$31)
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$480	51.3%	(\$310)

The rental market in Melbourne saw the median rent for one bedroom flats fall \$15 (5.2 per cent) while three bedroom houses increased \$20 (4.3 per cent) in the March quarter. Median rents across all dwellings remain particularly unaffordable for low income households. As in most other capital cities, a student receiving Austudy allowance would be one of the worst affected, and in Melbourne would pay close to 98 per cent of their income for median rent for a one bedroom flat (down 7 per cent from the previous quarter), while a single person receiving Newstart would pay 63 per cent of their income to share a two bedroom flat (relatively unchanged from December 2015). Couples with children receiving Newstart allowance would also spend more than 63 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$389 per week below the AHPL.

Perth		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$300	106.5%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$300	91.8%	(\$228)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$180	59.0%	(\$130)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$420	55.6%	(\$329)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$300	59.8%	(\$53)
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$360	61.2%	(\$156)
AWE - Single	1 BR Flat	\$1,282	\$385	\$300	23.4%	\$627
AWE - Couple (2 children)	3 BR House	\$1,469	\$441	\$420	28.6%	\$284
Min Wage - Single	1 BR Flat	\$599	\$180	\$300	50.1%	(\$56)
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$420	44.9%	(\$250)

Median rents in Perth for two and three bedroom dwellings remain unchanged from December 2015; however, the median rent for one bedroom flats significantly decreased \$30 (9.1 per cent). Unaffordability for low-income renters continues to be severe. Again, despite the significant fall in median rent, singles receiving Austudy and Newstart are the worst affected, needing to pay between 92 per cent and 106 per cent of their income respectively. Single parents would spend around 61 per cent of their income on median rent for a two bedroom flat (unchanged since December 2015), leaving them \$156 per week below the AHPL. While single aged pensioners, a particularly vulnerable subgroup, would spend around 60 per cent of their income on median rent for a one bedroom unit (down 7 per cent from December 2015).

Sydney		Income		Median Rent		
Household Type	Property Type	Weekly Income	Affordable Rent (30%)	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$282	\$85	\$460	163.2%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$327	\$98	\$460	140.7%	(\$255)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$305	\$92	\$245	80.3%	(\$195)
Newstart - Couple (2 children)	3 BR House	\$756	\$227	\$570	75.4%	(\$479)
Aged Pension - Single	1 BR Flat	\$502	\$151	\$460	91.7%	(\$213)
Parenting - Single Parent (1 child)	2 BR Flat	\$589	\$177	\$490	83.3%	(\$286)
AWE - Single	1 BR Flat	\$1,096	\$329	\$460	42.0%	\$281
AWE - Couple (2 children)	3 BR House	\$1,351	\$405	\$570	42.2%	\$16
Min Wage - Single	1 BR Flat	\$599	\$180	\$460	76.8%	(\$216)
Min Wage - Couple (2 children)	3 BR House	\$935	\$281	\$570	60.9%	(\$400)

In the March quarter median rents in Sydney were relatively unchanged. Yet 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 163 per cent of income for households receiving income support. In Sydney, even family households on average income would need to spend more than 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*	
Austudy - Single	Austudy CRA	\$281.80	
Newstart - Single (>21 yrs)	Newstart CRA	\$326.90	
Newstart - Single (>21yrs) [Sharing]	Newstart CRA	\$305.17	
Newstart - Couple (2 children)	Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$755.96	
Aged Pension - Single	Aged Pension Pharmaceutical Allowance CRA	\$501.80	
Parenting - Single Parent (1 child)	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$588.51	
AWE - Single	Average Weekly Income	Adelaide:	\$1,063.84
		Brisbane:	\$1,110.15
		Canberra:	\$1,286.28
		Darwin:	\$1,179.77
		Hobart:	\$1,026.31
		Melbourne:	\$1,095.80
		Perth:	\$1,281.76
AWE - Couple (2 children)	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:	\$1,162.94
		Adelaide:	\$1,260.63
		Brisbane:	\$1,297.75
		Canberra:	\$1,473.88
		Darwin:	\$1,367.37
		Hobart:	\$1,234.55
		Melbourne:	\$1,283.40
		Perth:	\$1,469.36
Sydney:	\$1,350.54		
Min Wage - Single	Weekly Minimum Wage	\$598.59	

Min Wage - Couple (2 children)	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	\$935.36
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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.