

Private Rental Affordability Bulletin

Capital Cities (June 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.¹
- **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.² 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.³ 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.

ANALYSIS⁴

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			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$239	84.8%	(\$212)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$239	72.7%	(\$165)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$138	44.9%	(\$86)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$380	50.0%	(\$285)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$239	48.4%	(\$0)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$275	46.5%	(\$74)
AWE - Single	1 BR Flat	\$327	\$1,089	\$239	21.9%	\$495
AWE - Couple (2 children)	3 BR House	\$361	\$1,202	\$380	31.6%	\$57
Min Wage - Single	1 BR Flat	\$180	\$599	\$239	39.9%	\$4
Min Wage - Couple (2 children)	3 BR House	\$281	\$935	\$380	40.6%	(\$210)

Adelaide remains comparatively more affordable than most other capitals. In Adelaide, median rental prices were largely stable in the June quarter; however, the median rent for one bedroom flats increased \$19 (8.7 per cent). Despite the city's comparative affordability, housing stress remains an issue for all low income households profiled. In addition, all 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 85 per cent of their income on median rent for a one bedroom flat. Students are the worst affected, leaving them \$212 per week below the AHPL.

Brisbane			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$280	99.4%	(\$253)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$280	85.1%	(\$206)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$183	59.6%	(\$131)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$410	54.0%	(\$315)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$280	56.7%	(\$41)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$365	61.7%	(\$164)
AWE - Single	1 BR Flat	\$336	\$1,119	\$280	25.0%	\$484
AWE - Couple (2 children)	3 BR House	\$369	\$1,230	\$410	33.3%	\$55
Min Wage - Single	1 BR Flat	\$180	\$599	\$280	46.8%	(\$36)
Min Wage - Couple (2 children)	3 BR House	\$281	\$935	\$410	43.8%	(\$240)

In Brisbane, median rents increased in the June quarter. One and three bedroom dwellings decreased \$10 (3.4 per cent and 2.4 per cent respectively), while the median rent for two bedroom flats decreased \$15 (3.9 per cent). Unaffordability continues to affect all households other than singles earning an average wage. Students remain disproportionately worse off; median rent for a one bedroom flat would consume almost 100 per cent of their weekly income (down 3.5 per cent from March 2016). Couples with children receiving Newstart allowance would be furthest below the AHPL (\$315 below).

Canberra			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$325	115.3%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$325	98.8%	(\$251)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$185	60.2%	(\$133)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$430	56.6%	(\$335)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$325	65.8%	(\$86)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$370	62.6%	(\$169)
AWE - Single	1 BR Flat	\$388	\$1,293	\$325	25.1%	\$613
AWE - Couple (2 children)	3 BR House	\$421	\$1,404	\$430	30.6%	\$209
Min Wage - Single	1 BR Flat	\$180	\$599	\$325	54.3%	(\$81)
Min Wage - Couple (2 children)	3 BR House	\$281	\$935	\$430	46.0%	(\$260)

In Canberra, median rental prices for one bedroom flats increased \$15 (4.8 per cent) while the median rent for two and three bedroom dwellings were unchanged in the quarter. 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 99 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 54 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			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$284	100.7%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$284	86.3%	(\$210)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$175	57.0%	(\$123)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$460	60.5%	(\$365)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$284	57.5%	(\$45)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$350	59.2%	(\$149)
AWE - Single	1 BR Flat	\$357	\$1,191	\$284	23.8%	\$552
AWE - Couple (2 children)	3 BR House	\$391	\$1,302	\$460	35.3%	\$77
Min Wage - Single	1 BR Flat	\$180	\$599	\$284	47.4%	(\$40)
Couple (2 children) - Min Wage	3 BR House	\$281	\$935	\$460	49.2%	(\$290)

In Darwin the median rent for all dwellings declined in the June quarter, with the largest movements in two bedroom flats (\$20, 5.4 per cent) and three bedroom houses (\$15, 3.2 per cent). Overall, Darwin continues to be 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			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$200	71.0%	(\$173)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$200	60.8%	(\$126)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$130	42.3%	(\$78)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$320	42.1%	(\$225)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$200	40.5%	\$39
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$260	44.0%	(\$59)
AWE - Single	1 BR Flat	\$311	\$1,037	\$200	19.3%	\$482
AWE - Couple (2 children)	3 BR House	\$350	\$1,165	\$320	27.5%	\$80
Min Wage - Single	1 BR Flat	\$180	\$599	\$200	33.4%	\$44
Min Wage - Couple (2 children)	3 BR House	\$281	\$935	\$320	34.2%	(\$150)

Median rents for one and two bedroom flats increased \$10 (5.3 per cent and 4 per cent respectively), while the median rent for three bedroom houses fell \$10 (3 per cent) in the 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 71 per cent of their income on median rent for a one bedroom flat (up around 4 per cent from March 2016).

Melbourne			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$295	104.7%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$295	89.7%	(\$221)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$190	61.8%	(\$138)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$470	61.9%	(\$375)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$295	59.7%	(\$56)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$380	64.2%	(\$179)
AWE - Single	1 BR Flat	\$335	\$1,115	\$295	26.5%	\$465
AWE - Couple (2 children)	3 BR House	\$368	\$1,226	\$470	38.3%	(\$9)
Min Wage - Single	1 BR Flat	\$180	\$599	\$295	49.3%	(\$51)
Min Wage - Couple (2 children)	3 BR House	\$281	\$935	\$470	50.2%	(\$300)

The rental market in Melbourne saw the median rent for one bedroom flats increase \$20 (7.3 per cent) while two bedroom flats and three bedroom houses decreased \$5 (1.3 per cent) and \$10 (2.1 per cent) in the June 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 105 per cent of their income for median rent for a one bedroom flat (up 7 per cent from the previous quarter), while a single person receiving Newstart would pay 62 per cent of their income to share a two bedroom flat (relatively unchanged from March 2016). Couples with children receiving Newstart allowance would also spend around 62 per cent of their income on median rent for an appropriate three bedroom house, leaving them \$375 per week below the AHPL.

Perth			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$282	\$298	105.7%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$329	\$298	90.6%	(\$224)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$307	\$175	57.0%	(\$123)
Newstart - Couple (2 children)	3 BR House	\$228	\$760	\$400	52.6%	(\$305)
Aged Pension - Single	1 BR Flat	\$148	\$494	\$298	60.3%	(\$59)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$591	\$350	59.2%	(\$149)
AWE - Single	1 BR Flat	\$383	\$1,275	\$298	23.4%	\$622
AWE - Couple (2 children)	3 BR House	\$416	\$1,386	\$400	28.9%	\$221
Min Wage - Single	1 BR Flat	\$180	\$599	\$298	49.8%	(\$54)
Min Wage - Couple (2 children)	3 BR House	\$281	\$935	\$400	42.8%	(\$230)

Median rents in Perth one and two bedroom flats and three bedroom houses declined during the June quarter; the largest fall was for three bedroom houses which fell \$20 (4.8 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 91 per cent and 106 per cent of their income respectively. Single parents would spend around 59 per cent of their income on median rent for a two bedroom flat (relatively unchanged since March 2016), leaving them \$149 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 (relatively unchanged from the previous quarter).

Sydney			Median Rent			
Household Type	Property Type	Affordable Rent	Weekly Income	Rent	% of Income	Difference from AHPL
Austudy - Single	1 BR Flat	\$67	\$85	\$470	166.8%	(\$255)
Newstart - Single (>21yrs)	1 BR Flat	\$85	\$99	\$470	142.9%	(\$255)
Newstart - Single (>21yrs) Sharing	2 BR Flat	\$85	\$92	\$250	81.4%	(\$198)
Newstart - Couple (2 children)	3 BR House	\$228	\$228	\$580	76.3%	(\$485)
Aged Pension - Single	1 BR Flat	\$148	\$148	\$470	95.1%	(\$231)
Parenting - Single Parent (1 child)	2 BR Flat	\$177	\$177	\$500	84.5%	(\$299)
AWE - Single	1 BR Flat	\$383	\$352	\$470	40.1%	\$347
AWE - Couple (2 children)	3 BR House	\$416	\$408	\$580	42.7%	\$15
Min Wage - Single	1 BR Flat	\$180	\$180	\$470	78.5%	(\$226)
Min Wage - Couple (2 children)	3 BR House	\$281	\$281	\$580	62.0%	(\$410)

In the June quarter median rents in Sydney increased around \$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 76 per cent and 167 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

- 1 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.
- 2 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.
- 3 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	\$329.00	
Newstart - Single (>21yrs) [Sharing]	Newstart CRA	\$307.27	
Newstart - Couple (2 children)	Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$759.76	
Aged Pension - Single	Aged Pension Pharmaceutical Allowance CRA	\$494.09	
Parenting - Single Parent (1 child)	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$591.45	
AWE - Single	Average Weekly Income	Adelaide:	\$1,089.32
		Brisbane:	\$1,119.05
		Canberra:	\$1,292.69
		Darwin:	\$1,190.71
		Hobart:	\$1,036.79
		Melbourne:	\$1,115.26
		Perth:	\$1,275.14
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)	Sydney:	\$1,171.91
		Adelaide:	\$1,201.81
		Brisbane:	\$1,230.14
		Canberra:	\$1,403.78
		Darwin:	\$1,301.80
		Hobart:	\$1,165.32
		Melbourne:	\$1,226.35
Perth:	\$1,386.23		
Min Wage - Single	Weekly Minimum Wage	Sydney:	\$1,283.00
		\$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.

4 Each table includes the affordable rent for each household type, which is based on its income, as well as a number of calculations relating to each household type having to pay the median rent. This 'affordable rent' is not 30 per cent of the 'Weekly Income' because the latter figure will, given the median rent is so high, more often than not include the maximum CRA payment. Because statutory incomes are so low, an 'affordable rent' will not necessarily include the maximum CRA payment this subsidy is paid proportionally for the amount of rent paid over a minimum rent threshold.