

Pushed to the Edge

Private Rental (Un)Affordability in Melbourne



This special issue complements the Tenants Union of Victoria's Rental Affordability Bulletin for Metropolitan Melbourne and presents a snapshot of the availability of appropriate and affordable housing for low income households.¹

Data represent actual advertised properties in the Melbourne metropolitan area using realestate.com.au which meet tests for both affordability and appropriateness based on the selected household types in our Quarterly Rental Affordability Bulletins. As such this snapshot, though not without limitations, is an informative representation of the conditions experienced by low income households in the private rental market.

AFFORDABILITY SNAPSHOT

TUV's Melbourne Rental Affordability Bulletin² illustrates the parlous nature of renting in Melbourne for low-income households and it is abundantly clear that there remains a situation of critical unaffordability across much of metropolitan region. To supplement this, TUV set out to sketch a clearer picture of the actual conditions faced by low-income households looking for housing by trawling through the 16 331 advertised properties on realestate.com.au on 23 June, 2015. The research found a severe lack of affordable and appropriate housing available to low-income households.

The table below depicts a rather stark scenario. It not only illustrates the dire level of income support payments in a general sense. It also emphasises the inadequacy of current policies like Commonwealth Rent Assistance to address the issue of housing affordability in the private rental market. A total of seven advertised dwellings which were considered affordable and appropriate for at least one of the six profiled household types receiving income support. For singles reliant on Austudy and Newstart the situation is particularly grim. There was simply an absence of suitable and available housing options. Four advertised properties met the affordability test; however, three were car parks in the CBD and the other was for a storage shed in Seaford. Singles receiving the Aged Pension did not fare much better, with the only two available properties being backyard bungalows.

Total number of available dwellings which are both affordable and appropriate, Melbourne, June 2015				
Selected Household Types	Affordable		Appropriate	Availability
	Income (p.w.)	Aff. Rent (30%)	No. of Beds	Aff. & App.
Single - Austudy	\$271	\$81	1 BR	0
Single (>21yrs) - Newstart	\$322	\$96	1 BR	0
Single (>21yrs) Sharing - Newstart	\$300	\$90	2 BR	0
Single - Aged Pension	\$484	\$145	1 BR	2
Single Parent (1 child) - Parenting Payment	\$579	\$174	2 BR	1
Couple (2 children) - Newstart	\$744	\$223	3 BR	4
Total				7
Couple (2 children) - Min Wage	\$916	\$275	3 BR	95
Couple (2 children) - AWE	\$1,262	\$378	3 BR	2643

Families with children face a similar story. A single parent on the parenting payment, requiring at least a two bedroom flat, would have found one available dwelling. While a couple on Newstart raising two children could choose between four affordable three bedroom houses. One of these dwellings was located in Brooklyn, more than 10km

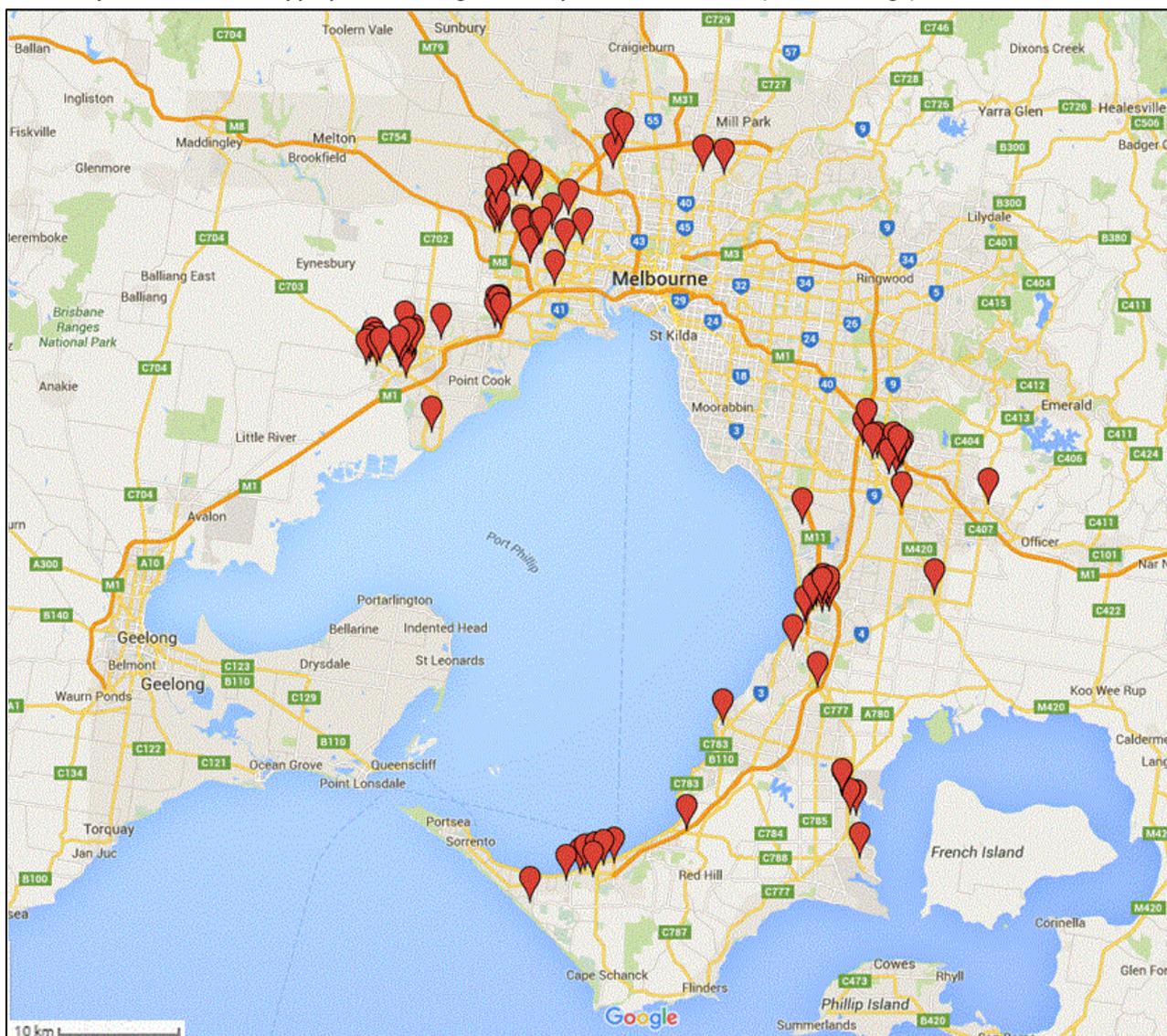
¹ Please see methodology section for a definition of what constitutes affordable and appropriate housing

² Quarterly Rental Affordability Bulletins can be found at <http://www.tuv.org.au/policy-research/research/>

from the CBD. The other three dwellings available were much further away on Melbourne's south eastern limits: in Cranbourne, Dromana and Tootgarook. As the table above indicates there is considerable improvement for families earning the minimum or an average wage. The significant chasm between the properties available to households on income support – and even those earning the minimum wage – and the available properties for households on average incomes highlights the continuing pressures faced by low-income households in a tight, overheated private rental market like Melbourne.

Indeed the lack of affordable and appropriate housing means that low-income households are pushed out of Melbourne's inner and middle ring suburbs and towards the urban fringe, if there is any housing available at all. A couple with two children earning the minimum wage would have had a choice of 95 properties, significantly higher than that available to households on income support. Nonetheless, as the map below shows, this household type would be confined to areas a significant distance from Melbourne's inner core and often without access to services, jobs and adequate transport infrastructure.

Availability of affordable and appropriate dwellings for a couple with two children (minimum wage)



Source: Map data ©2015 Google

METHODOLOGY

This rental affordability snapshot was carried out on 23 June, 2015, using the website realestate.com.au. The aim was to collect data on the number of advertised dwellings which were both affordable and appropriate for the selected household types. Addresses of the properties available to a couple with two children (minimum wage) were subsequently entered into Google Maps in order to map availability in the Melbourne metropolitan area.

Calculating household income:

Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. 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 following table summarises the components of total weekly income for the various household types. For more information on how household incomes have been calculated, see TUV's Quarterly Rental Affordability Bulletins.

Household Type	Income Components	Maximum Total Weekly Income*
Single - Austudy	Austudy CRA	\$277.60
Single (>21 yrs) - Newstart	Newstart CRA	\$323.80
Single (>21yrs) - Newstart [Sharing]	Newstart CRA	\$302.40
Single - Aged Pension	Aged Pension Pharmaceutical Allowance CRA	\$487.25
Single Parent (1 child) - Parenting	Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA	\$581.96
Couple (2 children) - Newstart	Parenting Payment Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA	\$747.47
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	\$1,262.01
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	\$916.80

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

Appropriateness of dwelling:

The table below sets out what is considered an appropriate housing for each of the household types analysed. Rooms in share houses, whilst suitable for a single person, have been ignored for ease of data collection.

Household types:	Appropriate housing:
<ul style="list-style-type: none">• Single person, Austudy• Single person, Newstart• Single person, Aged Pension	1 bedroom unit/flat
<ul style="list-style-type: none">• Single person, Newstart allowance - sharing• Single parent, 1 child, Parenting Payment	2 bedroom unit/flat
<ul style="list-style-type: none">• Couple, 2 children, Newstart allowance• Couple, 2 children, Average Weekly Earnings (AWE)• Couple, 2 children, Weekly Minimum Wage (WMW)	3 bedroom house

Affordability of dwelling:

Defining housing stress: 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.

For the purposes of this research, advertised dwellings were included if an appropriate dwelling was advertised at a price below 30 per cent of the household's total weekly income, including CRA. If advertised rents were banded, we used the highest rent value. Similarly, if the rent was advertised as 'from' a specific rent, or if it was negotiable, we took the rent value as stated. For properties that were advertised without a stating a rent figure, or if there are conditions attached, these have been excluded.