

Where do low-income private renters live?

LOW-INCOME PRIVATE RENTERS ARE INCREASINGLY TO BE FOUND IN THE MIDDLE AND OUTER SUBURBS OF SYDNEY, MELBOURNE AND ADELAIDE

KEY POINTS

- Between 1991 and 2001, private rental households on low incomes were increasingly likely to be found in outer suburban locations, including some that already had high numbers of such households, such as Wyong and Fairfield-Liverpool in Sydney, Greater Dandenong in Melbourne, and Playford in Adelaide.
- Overall, spatial concentrations of low-income private renters have declined in Melbourne and Adelaide, reflecting the shift of private renters towards the outer suburbs. The exception is Sydney, where overall concentrations have remained constant, because outward shifts have been towards locations with already high concentrations such as the western suburbs.
- The concentration of low-income private renters in any one location is relatively low: no suburbs have more than 27 per cent of households that are low-income private rental.
- The concentration of low-rent dwelling stock is more pronounced than that of low-income private-renter households. This means that in some suburbs, such as those in the inner city, there is not enough low-cost private rental stock to meet demand, while in outer areas (such as Blacktown and Campbelltown in Sydney), low-rent stock is occupied by higher-income earners.

Based on research by Professor Bill Randolph and Darren Holloway at the AHURI UNSW-UWS Research Centre. The project used Census and administrative source data for 1991 and 2001 to investigate whether Commonwealth Rent Assistance was shaping concentrations of low-income private rental households in disadvantaged locations.



Australian Housing and Urban Research Institute

www.ahuri.edu.au

CONTEXT

In the context of rising concerns about the affordability of housing for private renters, the key purpose of the study was to examine the location of low-income private renters, to see whether private renters have moved to more affordable but less advantageous locations over time.

METHODOLOGY

The study examined the locations of low-income private rental households in three major metropolitan cities in Australia – Sydney, Melbourne and Adelaide. Low-income households were defined as those with incomes below the bottom quintile of all working household incomes for each city: \$773.30 in Sydney, \$706.55 in Melbourne and \$625.05 in Adelaide. These cut-off points permitted spatial analysis of low-income working households as well as those not working. There were 117,500 private rental low-income households in Sydney, 93,000 in Melbourne and 32,600 in Adelaide.¹

Low-rent dwellings were defined as the cheapest 40 per cent of all private rental housing stock available in each of the three cities. This method was chosen so that the number of low cost private rental dwellings (260,100) in the three cities examined was roughly equal to the number of low-income private rental households (243,100) in those cities.

The analysis used Census data to examine the locations of low-income private renters at local government area (LGA) and suburb levels. Comparisons were made with Centrelink data sets recording private renters receiving Commonwealth Rent Assistance (CRA) or on public housing waiting lists, to see if private renters receiving or seeking assistance were located differently than those not receiving assistance.

To analyse journey-to-work patterns, six case study areas were selected, each with a high number of

private-rental low-income households where a reference person was working: Wyong and Canterbury in Sydney, Darebin and Moreland in Melbourne, and West Torrens (east) and West Torrens (west) in Adelaide.

FINDINGS

Who are private rental low-income households?

- Private rental low-income households are over-represented in flats and apartments, and around two-thirds are single-person households.² They are younger than the general population and are over-represented in lower-paying occupations. In Sydney and Melbourne there is an over-representation of overseas-born residents in private rental low-income households.

Where are low-income private rental households located?

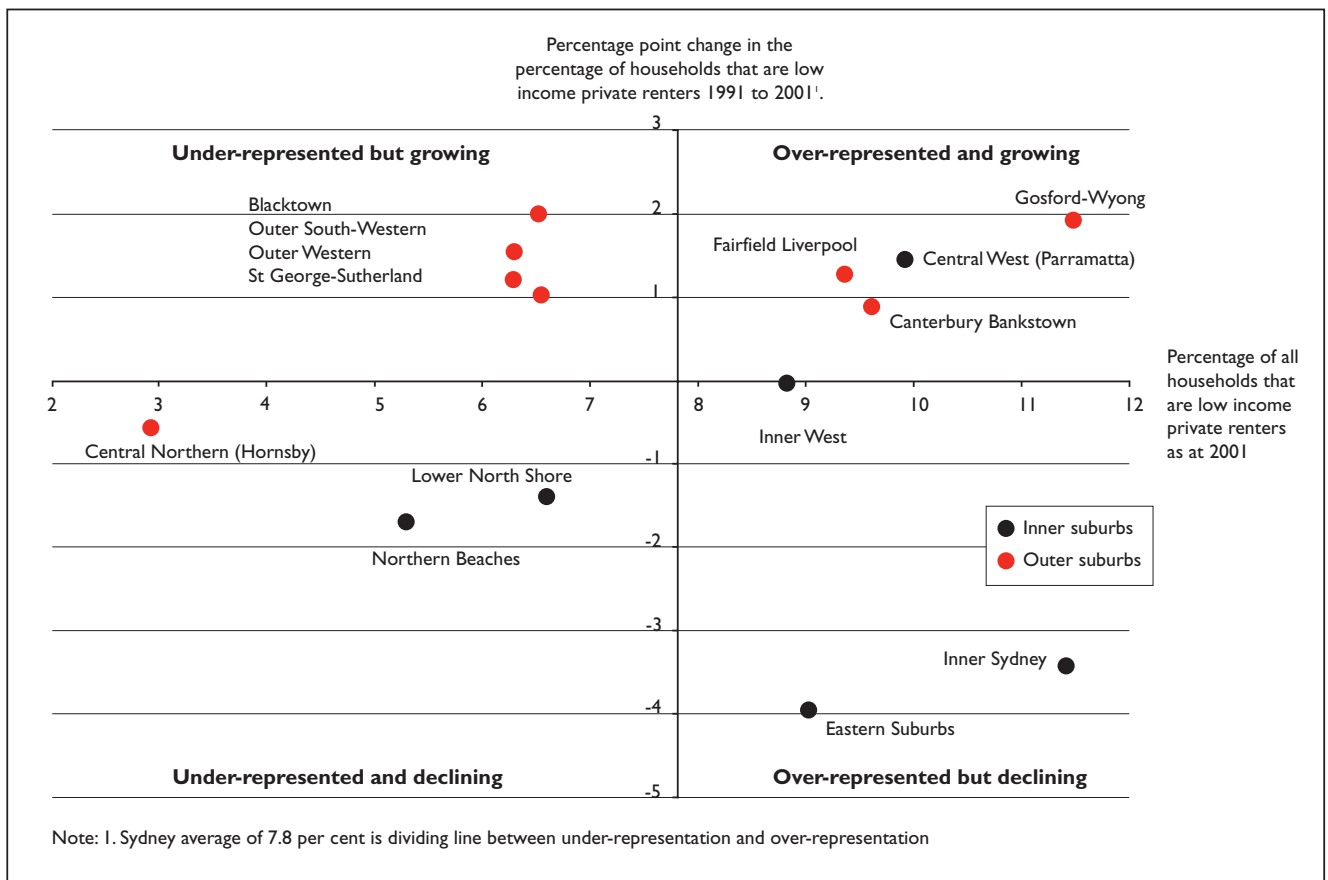
- Private rental low-income households tend to be concentrated in particular locations. For example, in 2001, 49 per cent of all low-income private renters in Melbourne were in 10 local government areas (LGAs).³ Similar concentrations were apparent in Sydney (the top 10 LGAs constituted 46 per cent of all private rental low-income households) and slightly lesser concentrations were in Adelaide (32 per cent of all of such households).
- In Melbourne, high concentrations were apparent in the northern suburbs (e.g. Reservoir and Thornbury) and outer south-east (e.g. Frankston and Dandenong). In Sydney, they tended to be concentrated in the far northern suburbs (e.g. Wyong), western suburbs (e.g. Fairfield-Liverpool and Canterbury) and some parts of inner city or eastern suburbs (e.g. Cronulla and Randwick). There were almost no concentrations of private rental low-income households in the northern suburbs (exceptions were Hornsby and Dee Why). In Adelaide, concentrations were found in far northern suburbs (Port Adelaide, Elizabeth and Salisbury) and the inner city (Adelaide and West Torrens).

¹ Across Australia there were 577,000 low-income households in the private rental market (21 per cent of all low income households) using a cut off of \$655.00. This cut-off was higher than used by Yates et al (2003) to consider both working and non-working low income private rental households.

² Household incomes were not equalised according to household type so that single person households are necessarily over-represented as a proportion of all low income households.

³ These LGAs accounted for 38 per cent of all households and 34 per cent of all LGAs.

FIGURE 1: PRIVATE RENTAL LOW-INCOME HOUSEHOLDS AS A PERCENTAGE OF ALL HOUSEHOLDS, AND CHANGES IN THEIR CONCENTRATION – STATISTICAL DIVISIONS IN SYDNEY



- Nevertheless, within LGAs, private rental low-income households rarely constituted more than 15 per cent of all households. At a suburb level, the highest proportion was 27 per cent (Lakemba, Sydney).⁴

Is the location of private rental low-income households changing?

- Between 1991 and 2001 the spatial concentration of private rental low-income households in Sydney remained the same: the top 10 LGAs constituted 45 per cent of all private rental low-income households in 1991, and 46 per cent in 2001. However, declines were apparent in Melbourne (56 per cent of all households in 1991 and 49 percent in 2001) and Adelaide (40 per cent in 1991 and 32 per cent in 2001).

- In all cities, private rental low-income households are increasingly locating away from the city centre. In Sydney, this has been towards locations that already have significant numbers of low income households as well as those locations with low numbers, so the concentration overall has remained constant. By contrast, in Melbourne and Adelaide there has been a dispersion towards a number of locations (usually with low numbers), and so the overall concentration of low income private renters has diminished.
- Figure 1 shows that in Sydney, increases in the share of private rental low-income households occurred mainly in outer suburban locations. In Sydney, large increases occurred in a number of locations that are

⁴ By comparison, private rental low-income households are 8.2 per cent of all households in Sydney Melbourne and Adelaide, though it is lower in Sydney (7.8 per cent).

also over-represented in private rental low-income households: Gosford-Wyong, Fairfield-Liverpool, Canterbury-Bankstown and Central-west (Parramatta). In Melbourne this occurred in Greater Dandenong City, and to a lesser extent West Melbourne and Northern Middle Melbourne. In Adelaide it was not as pronounced but occurred in Playford, Gawler and Port-Adelaide.

Where is low-rent housing stock located?

- Low-rent housing is relatively concentrated in certain suburbs in Sydney, Melbourne and Adelaide. For example, 55 per cent of the low-rent housing stock in Sydney was located in 10 LGAs. Almost 90 per cent of all private rental stock in Campbelltown is low-rent (compared to 40 per cent across the city in general).
- Perhaps unsurprisingly, many private rental low-income households live in suburbs with high numbers of low-rent dwellings. Locations with the highest incidence of low-rent stock in Sydney – in the north (e.g. Gosford, Wyong), west (Penrith, Blacktown, Parramatta and Fairfield), and south-west (Campbelltown) – also had high numbers of private rental low-income households. Similar patterns existed for Melbourne (inner north and south-east suburbs) and Adelaide (Playford, Salisbury and West Torrens).
- The concentration of low-rent stock is more pronounced than that for low-income households. For example, in Blacktown, (where 74 per cent of the private rental stock is low-cost), there are only 5,200 private rental low-income households, compared to 9,800 low-rent dwellings (ratio of 53 per cent).
- By the same token, significant numbers of low-income private rental households are located in more expensive suburbs, such as the inner cities of Melbourne and Sydney. For example, in inner Melbourne there are over 3,100 private rental low-income households, but less than 1,350 low-rent properties, meaning that many low-income households are paying rents above the low-rent threshold.

Where are CRA recipients and households on the public housing waiting list?

- In Sydney, the location of Commonwealth Rent Assistance (CRA) recipients is highly correlated with the locations of private rental low-income households and low-rent stock (correlation coefficients of 0.93 and 0.94 respectively). This means that CRA recipients generally locate with other low-income private rental households. Similar correlations were recorded in other states.⁵
- The location of private renters on public housing waiting lists is also correlated with the location of low-income private rental households and low-rent stock, although the correlation (especially in Sydney, with coefficients of 0.78 and 0.79 respectively) is less strong. This means that those seeking to enter public housing are most likely to be found in many of the same locations as low-income private renters, but not all. For example, relatively few are seeking public housing in Wyong, where affordable private rental accommodation is more plentiful. Private renters seeking public housing might also dwell in high-cost areas.
- In Sydney and Adelaide there has been a very slight increase in the spatial concentration of CRA recipients between 2000 and 2005, but in Melbourne there has been no significant change. Table 1 shows how CRA recipients have moved away from inner city areas (such as St Kilda) and towards outer suburbs (such as Werribee).

Where do private rental low-income households with workers live?

- Of all low-income private rental households in Sydney, 56 per cent have at least one person in paid work. The percentages for Melbourne and Adelaide were 47 per cent and 38 per cent respectively.
- Workers in private rental low-income households mostly worked close to home, but often commuted to neighbouring areas if they were in a metropolitan

⁵ The correlation coefficients are all highly correlated at the 1 per cent significance level.

TABLE 1: PERCENTAGE CHANGE IN NUMBER OF COMMONWEALTH RENT ASSISTANCE RECIPIENTS, 2000–2005

Postcode region	Number of CRA recipients 2000	Number of CRA recipients 2005	Change	Percentage change
Inner city				
St Kilda (Melb)	2,919	2,293	-626	-21.4
Brunswick (Melb)	2,162	1,834	-328	-15.2
Glenelg (Adelaide)	1,159	1,040	-119	-10.3
Middle suburbs				
Cabramatta and surrounds (Sydney)	6,091	5,057	-1,034	-16.9
Outer suburbs				
Tuggerah (Central Coast NSW)	3,537	4,339	802	22.6
Blacktown (Syd)	2,625	3,037	412	15.7
Frankston (Melb)	3,285	3,540	255	7.8
Werribee (Melb)	1,802	2,374	572	31.7
Elizabeth North (Adel)	1,240	1,675	435	35.1

location. For example, 47 per cent of those living in Canterbury either worked in Canterbury itself or commuted to neighbouring local areas. 21 per cent commuted to the inner city or South Sydney. The high rate of self-containment was more pronounced in places such as Wyong, which is further from the centre of Sydney.

POLICY IMPLICATIONS

The evidence from this study suggests that the private rental market is generally not congregating low-income households in ways that adversely affect social mix. Low-income private rental households constitute a relatively small proportion of their suburb. Nevertheless, increasing concentrations of low-income private rental households are emerging in some areas, especially in the outer and western suburbs of Sydney.

The trend for low income private renters to be located away from the inner suburbs has also occurred more recently for CRA recipients. A number of factors might help explain this trend including a reduced supply of affordable private rental housing in the inner suburbs, and increased access by families to CRA (who are more likely to live in the suburbs). Supply of affordable private rental housing is particularly constrained in inner suburbs, with the number of low-income renters exceeding the number of low-rent properties available.

On the other hand, even in other locations where low-rent housing is relatively abundant, higher-income households occupy a high proportion of that dwelling stock. That public housing applicants are often found in middle and outer suburbs (and less in the more affordable outer regions) suggests that affordability remains a key concern for those in these locations as well.

The trend towards low-income private renters locating in the middle and outer suburbs is not necessarily resulting in these households facing higher transport costs, because when they work, they tend to take up jobs close to home. (This is consistent with other evidence - see AHURI Research and Policy Bulletin Issue 74 - that many low income jobs were moving to the suburbs.) However, the inner city job market is also a significant job source, and so an unresolved issue is whether private rental low-income households (especially those not currently in employment) are disadvantaged by locating further away from this job market.

References

Yates, J., Wulff, M. and Reynolds, M. (2003) *Changes in the Supply of and Need for Low Rent Dwellings in the Private Rental Market*, Australian Housing and Urban Research Institute, Melbourne.

Australian Housing and Urban Research Institute (2004) *Issue 74: Are housing affordability problems creating labour shortages?*, AHURI Research and Policy Bulletin, Australian Housing and Urban Research Institute, Melbourne.

FURTHER INFORMATION

This bulletin is based on AHURI project 70217, *Rent assistance and the spatial concentration of low income households in metropolitan Australia*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au

The following documents are available:

- Positioning Paper
- Final Report

Or contact the AHURI National Office on +61 3 9660 2300.



Australian Housing and Urban Research Institute

www.ahuri.edu.au

HEAD OFFICE Level 1, 114 Flinders Street Melbourne Victoria 3000 TELEPHONE +61 3 9660 2300
FACSIMILE +61 3 9663 5488 EMAIL information@ahuri.edu.au WEB www.ahuri.edu.au

ACKNOWLEDGMENTS This material was produced with funding from Australian Government and the Australian States and Territories, AHURI Ltd acknowledges the financial and other support it has received from the Australian, State and Territory Governments, without which this work would not have been possible.

DISCLAIMER The opinions in this publication reflect the results of a research study and do not necessarily reflect the views of AHURI Ltd, its Board or its funding organisations. No responsibility is accepted by AHURI Ltd or its Board or its funders for the accuracy or omission of any statement, opinion, advice or information in this publication.