



CommonwealthBank



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## Housing Affordability Suffers Heavy Fall over Year to September

A modest cooling in dwelling prices improved housing affordability slightly during the September 2010 quarter, although housing is still far less affordable than it was 12 months ago said the Housing Industry Association, the voice of Australia's residential building industry.

The HIA-Commonwealth Bank Housing Affordability Index rose by 3.6 per cent in the September 2010 quarter due to a modest decline in home prices. However, this improvement is a mere blip in a year which has seen affordability across the country slide by 18.3 per cent.

"The three interest rate rises in the first half of 2010 have really hit home and housing affordability is once again on a clear downward trajectory," said HIA's Chief Economist, Dr Harley Dale.

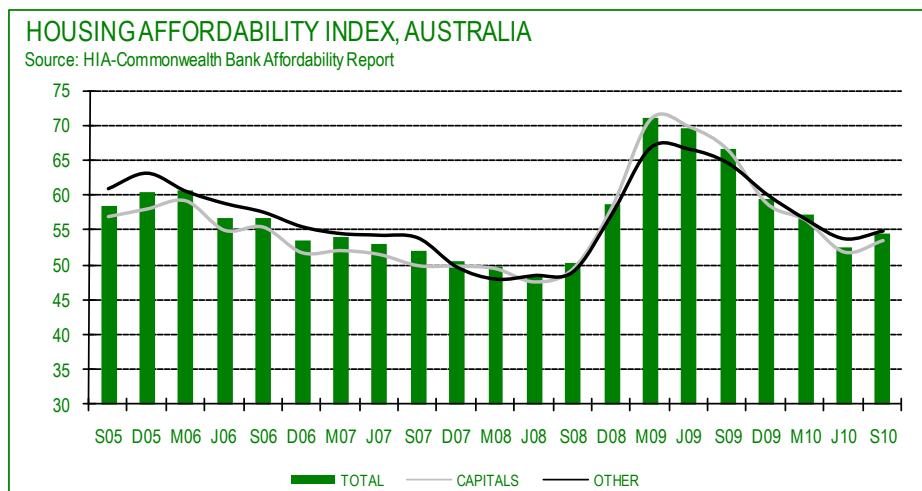
"A further rate hike in November will see affordability drop in the December quarter, an outcome obviously not aided by trading banks adding fuel to the mortgage rate fire," Harley Dale said.

"For aspiring home owners trying to break into the housing market the short term outlook is a challenging one. Interest rates look set to rise further in 2011 and progress on reducing Australia's considerable barriers to boosting new housing supply has slowed to a crawl. It now takes an income double the average to affordably service a mortgage on a median priced dwelling in Australia's two largest cities."

"Action is required at all levels of Government to generate an adequate and consistent supply of new housing so as to ease the affordability burden, particularly for those trying to enter the market for the first time," added Harley Dale.

Across Australia's capital cities the temporary improvement in housing affordability in the September 2010 quarter was most evident in Adelaide (6.3 per cent), followed by Perth (5.9 per cent), and Brisbane (5.4 per cent). Elsewhere, Hobart improved by 1.2 per cent, Melbourne by 1.7 per cent, and Sydney by 1.9 per cent. Contrary to the findings for all other capital cities, affordability in Canberra deteriorated by 8.6 per cent.

Outside of the capital cities, affordability improved the most in regional Western Australia (5.4 per cent), followed by regional Tasmania (4.6 per cent) and regional Queensland (3.5 per cent). Elsewhere, regional New South Wales and regional South Australia improved by 1.9 and 0.1 per cent, respectively, while affordability deteriorated in regional Victoria by 1.2 per cent.



## Housing Affordability Index, Australia

	Median Dwelling Price \$	Interest Rate %pa	Monthly Mortgage Repayment \$	Average Weekly Earnings* \$	Qualifying Income \$	Affordability Multiple	Affordability Index
Mar Qtr 09	387,600	5.53%	2,149	61,064	85,965	1.5	71.0
Jun Qtr 09	418,200	5.12%	2,226	61,864	89,038	1.5	69.5
Sep Qtr 09	439,800	5.15%	2,349	62,530	93,946	1.6	66.6
Dec Qtr 09	476,600	5.68%	2,681	63,851	107,249	1.7	59.5
Mar Qtr 10	483,100	6.08%	2,824	64,610	112,942	1.8	57.2
Jun Qtr 10	502,700	6.67%	3,102	65,114	124,085	2.0	52.5
Sep Qtr 10	483,400	6.75%	3,006	65,374	120,235	1.9	54.4

\* Annualised

## Housing Affordability Index by Region

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melb	Rest of State	Bris	Rest of State	Perth	Rest of State	Adel	Rest of State	Hobart	Rest of State	All
Sep Qtr 09	65.0	62.0	66.3	72.5	68.8	61.9	62.9	61.9	71.2	61.2	80.8	82.9	68.4
Dec Qtr 09	56.6	56.1	59.5	68.4	60.8	57.8	57.9	60.6	64.0	57.0	62.5	74.2	59.9
Mar Qtr 10	55.9	52.2	54.0	61.9	60.5	56.3	55.2	53.4	61.6	58.9	74.5	76.9	60.9
Jun Qtr 10	50.5	49.5	50.0	57.0	55.1	52.7	51.8	56.8	55.9	57.8	70.9	70.9	63.3
Sep Qtr 10	51.5	50.4	50.8	56.3	58.1	54.5	54.8	59.8	59.4	57.9	71.8	74.2	57.8

## Affordability Multiple\*

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melb	Rest of State	Bris	Rest of State	Perth	Rest of State	Adel	Rest of State	Hobart	Rest of State	All
Sep Qtr 09	1.6	1.7	1.6	1.4	1.5	1.7	1.6	1.7	1.5	1.7	1.3	1.3	1.5
Dec Qtr 09	1.8	1.8	1.7	1.5	1.7	1.8	1.8	1.7	1.6	1.8	1.6	1.4	1.7
Mar Qtr 10	1.8	2.0	1.9	1.7	1.7	1.8	1.9	1.9	1.7	1.7	1.4	1.4	1.7
Jun Qtr 10	2.0	2.1	2.0	1.8	1.9	1.9	2.0	1.8	1.8	1.8	1.5	1.5	1.6
Sep Qtr 10	2.0	2.0	2.0	1.8	1.8	1.9	1.9	1.7	1.7	1.8	1.4	1.4	1.8

## Required Loan Repayments by Region (\$ per month)

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melb	Rest of State	Bris	Rest of State	Perth	Rest of State	Adel	Rest of State	Hobart	Rest of State	All
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sep Qtr 09	2,860	1,884	2,441	1,756	2,612	2,157	2,806	2,409	2,162	2,002	1,850	1,512	2,591
Dec Qtr 09	3,357	2,127	2,762	1,894	3,026	2,368	3,121	2,520	2,405	2,146	2,417	1,709	3,056
Mar Qtr 10	3,442	2,315	3,087	2,123	3,076	2,459	3,306	2,888	2,537	2,110	2,046	1,663	3,093
Jun Qtr 10	3,831	2,458	3,376	2,331	3,377	2,627	3,558	2,742	2,797	2,149	2,209	1,854	3,002
Sep Qtr 10	3,769	2,419	3,334	2,370	3,232	2,560	3,398	2,633	2,645	2,160	2,194	1,782	3,282

\* Number of average full time adult wages required to affordably service a mortgage on median priced dwelling.

NOTE: HIA Economics have implemented a number of modifications to the HIA-Commonwealth Bank Housing affordability Index to enable more accurate evaluation of housing affordability in Australia. As a result of the amended methods the Index has been rebased, therefore values in this report are not directly comparable with earlier editions. Further information about the index methodology can be obtained from the HIA Economics website at [economics.hia.com.au](http://economics.hia.com.au).

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