



Affordability Report

A quarterly update on the affordability of housing

SEPTEMBER QUARTER 2010

Temporary Improvement in Housing Affordability

Despite no official interest rate rise during the September 2010 quarter, it seems the RBA vocalised its intent loudly enough to make would-be home buyers think twice before entering the housing market. Expectations of rate rises put the brakes on house price growth and improved affordability.

The HIA-Commonwealth Bank Housing Affordability Index rose by 3.6 per cent (1.9 points) over the September 2010 quarter. There was no change in the official cash rate during the September quarter although lending rates were up slightly over the quarter due to low rates being on offer early in the June 2010 quarter.

A modest decline in median dwelling prices may not be welcomed by existing home owners, but for those struggling to enter the housing market it provides a rare piece of good news. However, despite the decline in the median dwelling price, housing affordability remains at critically low levels, 18.3 per cent down on the September quarter last year.

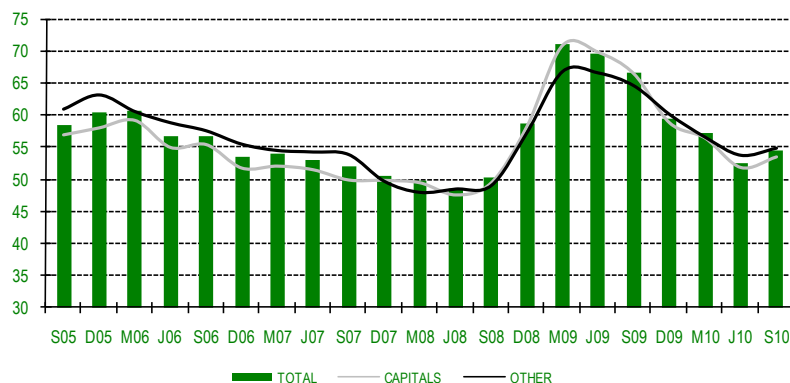
The *Affordability Multiple* (new to the report) indicates that the level of income required to service mortgage repayments on a median priced dwelling is equivalent to 1.9 times the earnings of the average person employed on a full time basis.

HIGHLIGHTS

- **Housing affordability improved in the September 2010 quarter** due to an easing in median dwelling prices.
- Despite the uptick in the September quarter, **housing affordability across the nation remains 18.3 per cent lower than in the September 2009 quarter.**
- Canberra moved in the opposite direction to all other capital cities posting a quarterly decline in affordability of 8.6 per cent to be down by 15.4 per cent for the year.
- **Tasmania has the most affordable housing in the country** by a significant margin.
- **Regional NSW has the least affordable housing outside of capital cities.** The affordability level is roughly comparable to the levels in Sydney and Melbourne.

HOUSING AFFORDABILITY INDEX, AUSTRALIA

Source: HIA-Commonwealth Bank Affordability Report



Housing Affordability Index, Australia

| | Median Dwelling Price | Interest Rate | Monthly Mortgage Repayment | Average Weekly Earnings* | Qualifying Income | Affordability Multiple | Affordability Index |
|------------|-----------------------|---------------|----------------------------|--------------------------|-------------------|------------------------|---------------------|
| | \$ | %pa | \$ | \$ | \$ | | |
| 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

Commonwealth Bank

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