



Housing Affordability for First Home Buyers

1984-2008

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Key Points:

- First home buyer affordability is determined by household income, interest rates and house prices.
- The affordability index has fallen significantly since 1984.
- Over the March 2008 quarter, the affordability index sat at 103.1, the lowest level on record.

The HIA-Commonwealth Bank Housing Affordability Index measures accessibility to home ownership for an average first home buyer. It is measured by the ratio of average income per household to the income necessary to be able to meet repayments on an average established dwelling purchased by first home buyers (qualifying income). Thus an increase in the ratio represents an improvement in affordability while a decline represents a deterioration in affordability.

In calculating the index, only the major costs of ownership are considered, namely the house price and monthly mortgage payments. Costs such as rates, repairs and maintenance and acquisition costs (stamp duty, real estate agents fees etc) are not included. Similarly, as the index measures accessibility, it does not include capital gains.

For each capital city and rest of state region, the median price of established dwellings is obtained from home loans financed by the Commonwealth Bank of Australia during the quarter. As such, they cannot and do not take account of changes in the mix of size, location and quality of dwellings financed. Variations from one quarter to the next therefore reflect any changes in the composition of housing financed as well as changes in the price of a house of given size, location and quality.

The median price reflects the relative contribution of houses and dwelling units to CBA's total loan approval figures for each region. Housing loan rates are those quoted for loans to owner-occupiers; in some cases, the same rates apply to investment housing loans from the same lenders. The series used is taken from the Indicator lending rates published in the Reserve Bank Bulletin.

Aggregate household income and household disposable income is taken from Quarterly Estimates of National Income and Expenditure, ABS Catalogue Number 5206.0. The seasonally adjusted series is used, on a one quarter lag reflecting the timing of the release of the data. The National Accounts estimates are subject to frequent revision, reflecting the availability of more up-to-date information and re-estimation of seasonal factors. An estimate of the number of households is used to convert household income to a per household basis. Estimates of the number of households have been derived by applying estimates of headship ratios by five year age groups to ABS estimated resident population at June each year, with quarterly estimates obtained by interpolation.

HIA First Home Buyer Housing Affordability Index

		Median Dwelling	Monthly	Affordability	Repayment to			Median Dwelling	Monthly	Affordability	Repayment to
		Price	Repayment	Index	Income			Price	Repayment	Index	Income
		\$	\$		%			\$	\$		%
1984	Dec	61,000	496	203.9	14.7	1997	Mar	145,000	825	219.4	13.7
1985	Mar	63,100	513	200.0	15.0		Jun	154,500	857	214.9	14.0
	Jun	64,400	538	196.3	15.3		Sep	155,100	815	226.0	13.3
	Sep	65,900	575	188.1	15.9		Dec	164,700	857	216.8	13.8
	Dec	67,800	627	176.4	17.0	1998	Mar	164,400	855	217.4	13.8
1986	Mar	69,100	644	175.9	17.0		Jun	175,500	913	205.5	14.6
	Jun	67,400	691	165.7	18.1		Sep	168,800	878	217.8	13.8
	Sep	66,800	705	166.8	18.0		Dec	174,900	904	209.9	14.3
	Dec	66,900	706	169.0	17.8	1999	Mar	177,800	908	211.3	14.2
1987	Mar	67,700	715	169.3	17.7		Jun	185,300	946	206.3	14.6
	Jun	68,400	722	170.6	17.5		Sep	189,100	970	202.7	14.8
	Sep	71,100	740	170.5	17.6		Dec	202,700	1,056	187.2	16.0
	Dec	76,000	761	167.6	17.9	2000	Mar	195,700	1,060	190.1	15.8
1988	Mar	81,800	775	168.4	17.8		Jun	205,600	1,175	174.3	17.2
	Jun	87,000	811	162.6	18.5		Sep	161,900	950	218.9	13.7
	Sep	93,100	911	150.2	20.0		Dec	179,500	1,061	196.0	15.3
	Dec	100,200	1,003	140.1	21.4	2001	Mar	182,900	1,044	200.6	14.9
1989	Mar	103,100	1,080	134.7	22.3		Jun	194,300	1,025	208.2	14.4
	Jun	107,400	1,184	125.6	23.8		Sep	197,100	1,032	205.7	14.6
	Sep	109,100	1,255	121.6	24.6		Dec	210,100	1,049	205.2	14.6
	Dec	110,000	1,234	125.1	24.0	2002	Mar	222,700	1,094	197.9	15.1
1990	Mar	110,600	1,234	127.0	23.6		Jun	229,400	1,155	189.1	15.9
	Jun	112,400	1,243	129.3	23.2		Sep	244,800	1,262	172.2	17.4
	Sep	111,500	1,230	129.5	23.2		Dec	259,400	1,337	164.9	18.2
	Dec	113,400	1,208	131.7	22.8	2003	Mar	259,100	1,336	166.8	18.0
1991	Mar	112,600	1,126	138.2	21.7		Jun	291,300	1,501	149.4	20.1
	Jun	115,200	1,109	139.7	21.4		Sep	320,700	1,653	137.8	21.8
	Sep	117,100	1,048	146.9	20.4		Dec	336,300	1,775	131.0	22.9
	Dec	118,600	975	158.6	18.9	2004	Mar	323,400	1,747	135.2	22.2
1992	Mar	114,400	874	177.2	16.9		Jun	330,600	1,786	134.2	22.4
	Jun	117,200	862	178.1	16.8		Sep	318,500	1,720	139.9	21.4
	Sep	117,200	821	189.9	15.8		Dec	328,700	1,776	136.9	21.9
	Dec	119,300	827	187.7	16.0	2005	Mar	334,100	1,819	135.1	22.2
1993	Mar	116,300	806	195.3	15.4		Jun	337,000	1,863	133.6	22.4
	Jun	119,400	803	194.5	15.4		Sep	365,100	2,018	125.6	23.9
	Sep	118,400	776	201.2	14.9		Dec	368,700	2,038	125.6	23.9
	Dec	121,800	762	206.2	14.5	2006	Mar	370,500	2,048	125.9	23.8
1994	Mar	124,600	779	205.6	14.6		Jun	388,200	2,178	120.3	24.9
	Jun	127,900	800	204.7	14.7		Sep	387,300	2,223	119.0	25.2
	Sep	129,400	862	188.9	15.8		Dec	397,800	2,352	114.1	26.3
	Dec	133,400	962	173.3	17.3	2007	Mar	403,800	2,387	114.6	26.2
1995	Mar	132,000	952	178.4	16.8		Jun	423,900	2,495	112.0	26.8
	Jun	134,800	972	176.4	17.0		Sep	431,300	2,595	109.3	27.4
	Sep	133,100	960	182.4	16.5		Dec	436,000	2,681	106.9	28.1
	Dec	136,500	913	194.0	15.5	2008	Mar	425,600	2,799	103.1	29.1
1996	Mar	135,600	907	197.1	15.2		Jun	424,700	2,828	106.6	28.2
	Jun	141,600	944	190.0	15.8		Sep	418,100	2,796	110.3	27.2
	Sep	138,700	897	201.8	14.8		Dec	391,400	2,056	153.6	19.5
	Dec	143,200	872	209.7	14.3						

Source: HIA Commonwealth Bank Affordability Report