

Housing Affordability for First Home Buyers

1984-2010

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 107.2, 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 | 207.1 | 14.5 | 1998 | Mar | 164,400 | 855 | 224.0 | 13.4 |
| 1985 | Mar | 63,100 | 513 | 205.0 | 14.7 | | Jun | 175,500 | 913 | 209.3 | 14.3 |
| | Jun | 64,400 | 538 | 200.0 | 15.0 | | Sep | 168,800 | 878 | 223.5 | 13.4 |
| | Sep | 65,900 | 575 | 191.0 | 15.7 | | Dec | 174,900 | 904 | 213.8 | 14.0 |
| | Dec | 67,800 | 627 | 179.4 | 16.7 | 1999 | Mar | 177,800 | 908 | 214.4 | 14.0 |
| 1986 | Mar | 69,100 | 644 | 178.8 | 16.7 | | Jun | 185,300 | 946 | 209.0 | 14.4 |
| | Jun | 67,400 | 691 | 169.5 | 17.8 | | Sep | 189,100 | 970 | 206.0 | 14.6 |
| | Sep | 66,800 | 705 | 169.6 | 17.7 | | Dec | 202,700 | 1,056 | 191.1 | 15.7 |
| | Dec | 66,900 | 706 | 172.8 | 17.4 | 2000 | Mar | 195,700 | 1,060 | 192.1 | 15.6 |
| 1987 | Mar | 67,700 | 715 | 170.2 | 17.6 | | Jun | 205,600 | 1,175 | 176.4 | 17.0 |
| | Jun | 68,400 | 722 | 173.3 | 17.3 | | Sep | 161,900 | 950 | 220.3 | 13.6 |
| | Sep | 71,100 | 740 | 172.1 | 17.4 | | Dec | 179,500 | 1,061 | 197.2 | 15.2 |
| | Dec | 76,000 | 761 | 169.7 | 17.7 | 2001 | Mar | 182,900 | 1,044 | 203.5 | 14.7 |
| 1988 | Mar | 81,800 | 775 | 170.1 | 17.6 | | Jun | 194,300 | 1,025 | 211.2 | 14.2 |
| | Jun | 87,000 | 811 | 165.2 | 18.2 | | Sep | 197,100 | 1,032 | 208.7 | 14.3 |
| | Sep | 93,100 | 911 | 152.4 | 19.7 | | Dec | 210,100 | 1,049 | 209.1 | 14.3 |
| | Dec | 100,200 | 1,003 | 141.4 | 21.2 | 2002 | Mar | 222,700 | 1,094 | 203.5 | 14.7 |
| 1989 | Mar | 103,100 | 1,080 | 135.9 | 22.1 | | Jun | 229,400 | 1,155 | 194.8 | 15.4 |
| | Jun | 107,400 | 1,184 | 127.2 | 23.5 | | Sep | 244,800 | 1,262 | 177.7 | 16.9 |
| | Sep | 109,100 | 1,255 | 124.0 | 24.2 | | Dec | 259,400 | 1,337 | 170.2 | 17.6 |
| | Dec | 110,000 | 1,234 | 128.2 | 23.4 | 2003 | Mar | 259,100 | 1,336 | 171.7 | 17.5 |
| 1990 | Mar | 110,600 | 1,234 | 129.3 | 23.2 | | Jun | 291,300 | 1,501 | 153.3 | 19.6 |
| | Jun | 112,400 | 1,243 | 130.5 | 23.0 | | Sep | 320,700 | 1,653 | 140.7 | 21.3 |
| | Sep | 111,500 | 1,230 | 132.0 | 22.7 | | Dec | 336,300 | 1,775 | 133.5 | 22.5 |
| | Dec | 113,400 | 1,208 | 132.9 | 22.6 | 2004 | Mar | 323,400 | 1,747 | 138.0 | 21.7 |
| 1991 | Mar | 112,600 | 1,126 | 141.2 | 21.3 | | Jun | 330,600 | 1,786 | 137.0 | 21.9 |
| | Jun | 115,200 | 1,109 | 142.1 | 21.1 | | Sep | 318,500 | 1,720 | 142.0 | 21.1 |
| | Sep | 117,100 | 1,048 | 149.7 | 20.0 | | Dec | 328,700 | 1,776 | 138.5 | 21.7 |
| | Dec | 118,600 | 975 | 160.6 | 18.7 | 2005 | Mar | 334,100 | 1,819 | 137.6 | 21.8 |
| 1992 | Mar | 114,400 | 874 | 180.6 | 16.6 | | Jun | 337,000 | 1,863 | 135.4 | 22.2 |
| | Jun | 117,200 | 862 | 181.9 | 16.5 | | Sep | 365,100 | 2,018 | 127.8 | 23.5 |
| | Sep | 117,200 | 821 | 193.0 | 15.6 | | Dec | 368,700 | 2,038 | 127.2 | 23.6 |
| | Dec | 119,300 | 827 | 191.2 | 15.7 | 2006 | Mar | 370,500 | 2,048 | 128.1 | 23.4 |
| 1993 | Mar | 116,300 | 806 | 197.2 | 15.3 | | Jun | 388,200 | 2,178 | 122.5 | 24.5 |
| | Jun | 119,400 | 803 | 198.0 | 15.2 | | Sep | 387,300 | 2,223 | 121.5 | 24.7 |
| | Sep | 118,400 | 776 | 204.9 | 14.6 | | Dec | 397,800 | 2,352 | 118.1 | 25.4 |
| | Dec | 121,800 | 762 | 211.2 | 14.2 | 2007 | Mar | 403,800 | 2,387 | 118.7 | 25.3 |
| 1994 | Mar | 124,600 | 779 | 208.8 | 14.3 | | Jun | 423,900 | 2,495 | 115.5 | 26.0 |
| | Jun | 127,900 | 800 | 207.1 | 14.5 | | Sep | 431,300 | 2,595 | 112.5 | 26.7 |
| | Sep | 129,400 | 862 | 191.9 | 15.6 | | Dec | 436,000 | 2,681 | 109.8 | 27.3 |
| | Dec | 133,400 | 962 | 175.1 | 17.2 | 2008 | Mar | 425,600 | 2,799 | 107.2 | 28.0 |
| 1995 | Mar | 132,000 | 952 | 179.8 | 16.7 | | Jun | 417,100 | 2,777 | 110.5 | 27.2 |
| | Jun | 134,800 | 972 | 176.8 | 17.0 | | Sep | 418,300 | 2,797 | 108.7 | 27.6 |
| | Sep | 133,100 | 960 | 183.9 | 16.3 | | Dec | 391,400 | 2,056 | 154.5 | 19.4 |
| | Dec | 136,500 | 913 | 196.5 | 15.3 | 2009 | Mar | 386,400 | 1,843 | 166.5 | 18.0 |
| 1996 | Mar | 135,600 | 907 | 199.6 | 15.0 | | Jun | 419,900 | 1,983 | 158.3 | 19.0 |
| | Jun | 141,600 | 944 | 192.8 | 15.5 | | Sep | 441,800 | 2,097 | 146.6 | 20.5 |
| | Sep | 138,700 | 897 | 203.6 | 14.7 | | Dec | 485,550 | 2,503 | 123.8 | 24.2 |
| | Dec | 143,200 | 872 | 211.9 | 14.1 | 2010 | Mar | 498,100 | 2,629 | 118.8 | 25.3 |
| 1997 | Mar | 145,000 | 825 | 225.6 | 13.3 | | | | | | |
| | Jun | 154,500 | 857 | 219.7 | 13.6 | | | | | | |
| | Sep | 155,100 | 815 | 231.6 | 13.0 | | | | | | |
| | Dec | 164,700 | 857 | 222.2 | 13.5 | | | | | | |

Source: HIA Commonwealth Bank Affordability Report