

Affordability Outlook Deteriorates

Housing affordability deteriorated for the second straight quarter as house prices recovered from their modest falls over the previous 18 months, according to the latest HIA-CBA First Home Buyer Affordability Report.

Housing affordability slipped by 3.3 per cent in the September 2009 quarter, ahead of the Reserve Bank raising interest rates, but was still at a level 35.7 per cent ahead of the corresponding period of last year.

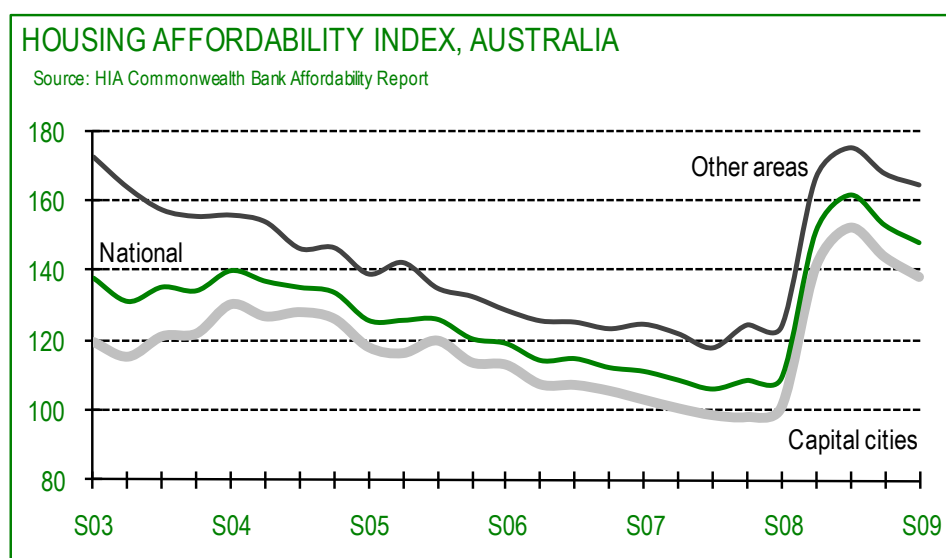
HIA Senior Economist, Mr Ben Phillips, said that the demand for homes had picked up during the quarter in a climate of record low interest rates, the first home buyers boost, and improving news on domestic and global economic prospects.

“Housing remains more affordable in 2009 than it was through most of the rest of the decade. However, the outlook for affordability is not a good one. Interest rates are on the way up, the first home buyers boost is being wound back, and progress in reducing the structural barriers to increasing new housing supply is slow,” Ben Phillips said.

“If we don’t succeed in significantly lifting the level of new home building over the next few years then there is a very real risk that we will return to the woeful affordability levels of 2007 and 2008,” said Ben Phillips.

“The necessary boost to the economy provided by a strengthening housing construction sector is under threat from increased regulation, a slow and increasingly restricted building approvals process, and the same debilitating problems related to land supply, new home taxation, and skilled labour shortages that afflicted the industry last cycle,” said Ben Phillips.

“These are all factors that can be rectified but right now it is looking like they are going to be responsible for an unnecessary deterioration in affordability over the next few years for first home buyers and renters alike,” added Ben Phillips.



Further Information

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

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MEDIA RELEASE

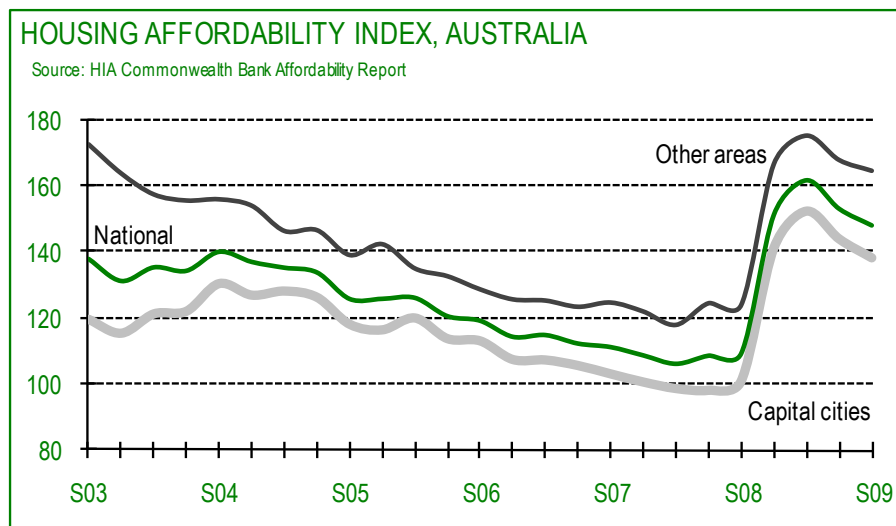
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HOUSING AFFORDABILITY DECLINES IN SEPTEMBER

The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 3.3 per cent in the September 2009 quarter. The index was at a level 35.7 per cent higher than in the September 2008 quarter.

The deterioration over the September 2009 quarter resulted from continued growth in house prices, following on from the growth witnessed in the June 2009 quarter.

The monthly loan repayment needed on a typical first-home mortgage increased from \$1,983 to \$2,087, a rise of 5.2 per cent. Monthly mortgage repayments accounted for 20.3 per cent of total first home buyer income, substantially lower than the peak of 28.3 per cent reached in the March 2008 quarter.



Housing Affordability Index, Australia

Quarter	Median First Home Price	Interest Rate	Monthly Payment	Average Annual		Qualifying Annual		Housing Affordability Index	
				Total	Disposable	Total	Disposable		
	\$	%	\$	\$	\$	\$	\$		
2007	Mar	403,800	7.50	2,387	109,400	80,000	95,500	69,800	114.6
	Jun	423,900	7.45	2,495	111,800	82,000	99,800	73,200	112.0
	Sep	431,300	7.70	2,595	115,100	83,100	103,800	74,900	110.9
	Dec	436,000	7.95	2,681	116,200	83,600	107,200	77,100	108.4
2008	Mar	425,600	8.75	2,799	118,600	84,700	112,000	80,000	105.9
	Jun	417,100	8.90	2,777	120,400	85,700	111,100	79,100	108.3
	Sep	418,300	8.95	2,797	122,000	88,300	111,900	81,000	109.0
	Dec	391,400	6.20	2,056	124,300	91,000	82,200	60,200	151.2
2009	Mar	386,400	5.20	1,843	119,200	89,400	73,700	55,300	161.7
	Jun	419,900	5.10	1,983	121,300	91,500	79,300	59,800	153.0
	Sep	441,800	5.10	2,087	123,500	93,500	83,500	63,200	147.9

- Ends -

Note to Editors:

1. The HIA / Commonwealth Bank Affordability Report uses Commonwealth Bank house price data to measure the ratio of average household disposable income to the qualifying income required to meet payments on a typical dwelling.

For more detailed information on house prices, please refer to the Commonwealth Bank's online Property Value Guide at <http://www.commbank.com.au/propertyvalueguide>.

2. For a full copy of the HIA/Commonwealth Bank Affordability Report (media only), please visit <http://economics.hia.com.au>

3. The Commonwealth Bank is Australia's biggest home lender with over 1.1 million home loan customers.

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