

18 May 2010



MEDIA RELEASE

## Housing Affordability Drops in March Quarter

The decline in Housing affordability continued early in 2010 with higher house prices, increased interest rates, and the removal of the first home buyers' boost according to the latest HIA-CBA First Home Buyer Affordability Report.

Housing affordability fell in the March 2010 quarter dropping by 4 per cent to be 28.7 per cent lower than 12 months ago. Through the quarter, affordability fell by 4.2 per cent in the capitals and 5.3 per cent in regional areas to be lower by 30.5 per cent and 24.8 per cent respectively compared to March 2009.

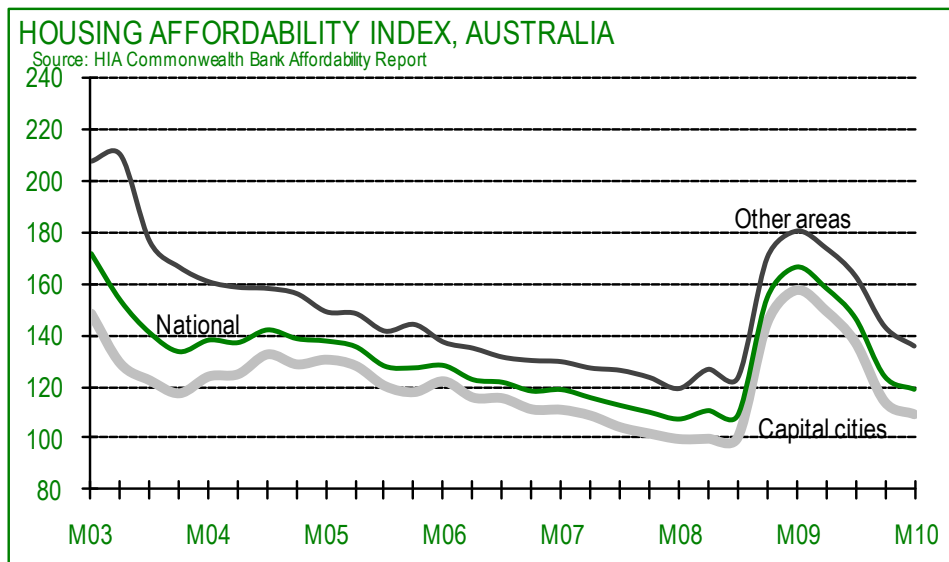
HIA Senior Economist, Mr Ben Phillips, said that further interest rate rises in April and May of 2010 will likely mean that the June quarter result will see affordability crash to the record lows experienced when interest rates were above 9 per cent in 2007.

"With the Reserve Bank insistent on further rate rises, housing affordability will once again be a key issue in the mortgage belt regions of Australia," said Ben Phillips.

"We are yet to see the required level of co-operation between all levels of government to deliver critical housing infrastructure without hitting new home buyers," said Ben Phillips.

"Higher interest rates, exorbitant infrastructure charges, an overly restrictive and time consuming planning system continue to fuel Australia's affordability crisis. Overcoming these issues will go a long way towards restoring housing affordability in Australia," said Ben Phillips.

Affordability deteriorated in most capital cities and regional areas in the March quarter. The largest falls were recorded across Victoria (-10 per cent and -15.9 per cent for Melbourne and Regional Victoria respectively), Western Australia (-6.6 per cent and -14.2 per cent in Perth and regional WA respectively) and regional New South Wales (-12 per cent).



### Further Information

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

MARCH QUARTER 2010

MEDIA RELEASE

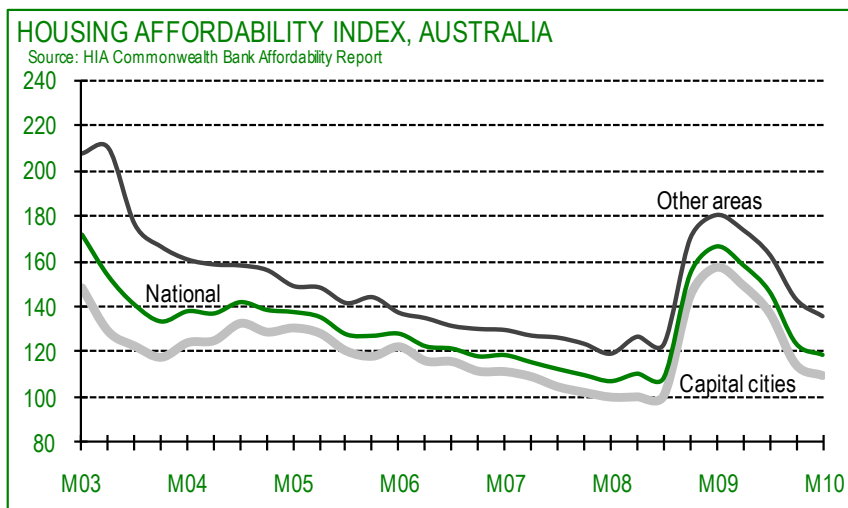
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HOUSING AFFORDABILITY DECLINES IN MARCH

The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 4 per cent in the March 2010 quarter. The index was at a level 28.7 per cent lower than in the March 2010 quarter.

The deterioration over the March 2010 quarter resulted from continued growth in house prices, higher interest rates and the full removal of the Federal Government's First Home Owner Boost.

The monthly loan repayment needed on a typical first-home mortgage increased from \$2,503 to \$2,629, a rise of 5 per cent. Monthly mortgage repayments accounted for 25.3 per cent of total first home buyer income, still lower than the peak of 28 per cent reached in the March 2008 quarter.



Housing Affordability Index, Australia

Year	Quarter	Median First Home Price	Interest Rate	Monthly Payment	Average Annual		Qualifying Annual		Housing Affordability Index
					Total	Disposable	Total	Disposable	
2008	Mar	\$425,600	8.75%	\$2,799	\$120,100	\$88,000	\$112,000	\$82,100	107.2
	Jun	\$417,100	8.90%	\$2,777	\$122,700	\$89,600	\$111,100	\$81,100	110.5
	Sep	\$418,300	8.95%	\$2,797	\$121,600	\$88,600	\$111,900	\$81,500	108.7
	Dec	\$391,400	6.20%	\$2,056	\$127,000	\$95,800	\$82,200	\$62,000	154.5
2009	Mar	\$386,400	5.20%	\$1,843	\$122,700	\$94,400	\$73,700	\$56,700	166.5
	Jun	\$419,900	5.10%	\$1,983	\$125,500	\$97,200	\$79,300	\$61,400	158.3
	Sep	\$441,800	5.15%	\$2,097	\$122,900	\$95,700	\$83,900	\$65,300	146.6
	Dec	\$485,550	6.00%	\$2,503	\$123,900	\$95,300	\$100,100	\$77,000	123.8
2010	Mar	\$498,100	6.25%	\$2,629	\$124,900	\$94,900	\$105,200	\$79,900	118.8

- 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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