

21 May 2008

## DROP IN AFFORDABILITY, REFORM NOW URGENT

A surge in interest rates in the first quarter of 2008, combined with complex planning laws and exorbitant property charges and taxes have contributed to yet another record low for housing affordability. The HIA-CBA First Home Buyer Affordability Index fell by 3.5 per cent during the quarter to be more than 10 per cent lower than a year ago.

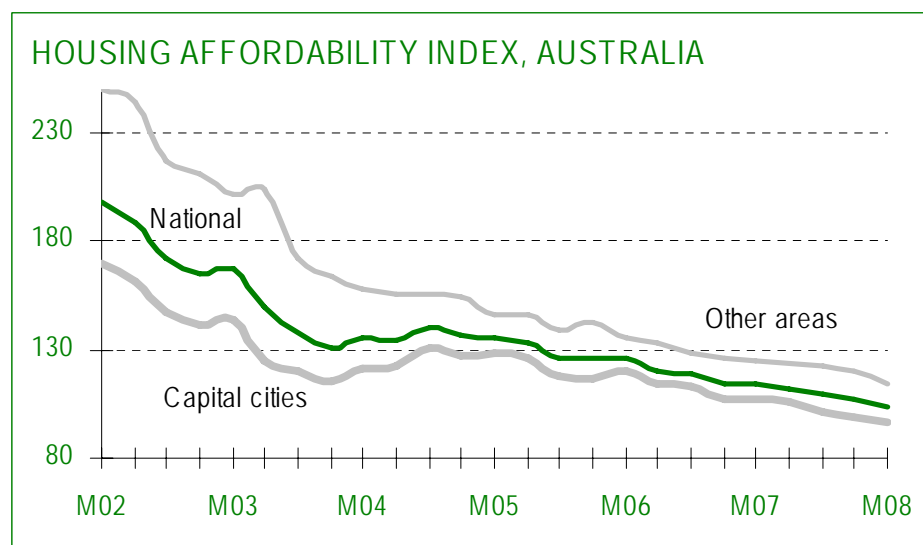
In the March quarter of 2008 interest rates increased by 0.8 of a percentage point on account of two official RBA rate rises and several retail rate increases. This led the average home loan payment to increase by 4.4 per cent to \$2,799 per month.

HIA's Chief Executive – Policy, Mr Chris Lamont said today's report highlighted the importance of the Federal Government's housing programs and the need for urgent planning and taxation reform across all levels of government. Mr Lamont said that without comprehensive reform affordability was unlikely to improve.

The report showed that affordability worsened in all capital cities with the exception of Sydney and a levelling out in Hobart. For the quarter, the greatest falls in affordability were recorded in Brisbane and Canberra. The result for Sydney was heavily influenced by a lack of new home sales, this in itself being a serious concern.

Up until the last five years, renting provided young families with an affordable alternative while a deposit was saved for a family home. Recent inflation figures confirm saving while renting is becoming increasingly difficult as rents are now eating not only into the family budget but making it impossible to save.

"The cost of planning and development charges is worthy of urgent attention as are chronic skill shortages which are adding to price and supply pressures. This should be the number one priority for Infrastructure Australia. Investment in infrastructure should be directed at where 80 per cent of Australians live, urban Australia," said Chris Lamont.



### Further Information

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

March QUARTER 2008

MEDIA RELEASE

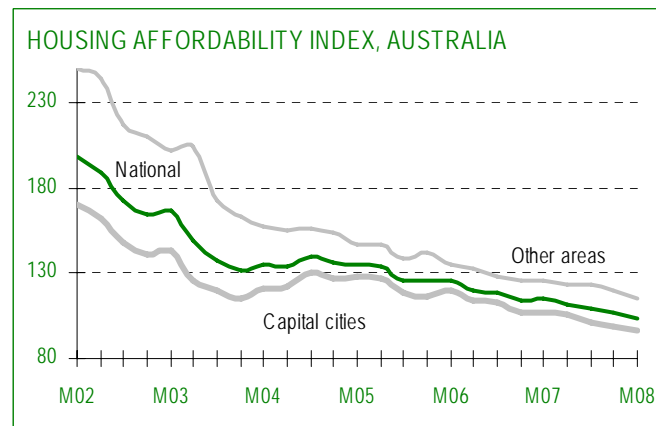
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HOUSING AFFORDABILITY SINKS FURTHER IN EARLY 2008

The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 3.5 per cent in the March 2008 quarter and was 10 per cent lower than a year earlier.

This latest fall was a result of higher interest rates over the first quarter of the year which offset what was still relatively strong household income growth.

The monthly loan repayment needed on a typical first-home mortgage rose from \$2,681 to \$2,799, an increase of 4.4 per cent. Mortgage repayments account for 29.1 per cent of total first home buyer income, a 1 percentage point increase on the December 2007 quarter. The ratio also increased as a proportion of household disposable income.



Housing Affordability Index, Australia

Quarter	Median First Home Price	Interest Rate	Monthly Payment	Average Annual Household Income		Qualifying Annual Income		Housing Affordability Index
				Total	Disposable	Total	Disposable	
	\$	%	\$	\$	\$	\$	\$	
2005 Mar	334,100	6.58	1,819	98,400	72,000	72,800	53,300	135.1
Jun	337,000	6.75	1,863	99,600	72,700	74,500	54,400	133.6
Sep	365,100	6.75	2,018	101,300	74,100	80,700	59,000	125.6
Dec	368,700	6.75	2,038	102,400	75,000	81,500	59,700	125.6
2006 Mar	370,500	6.75	2,048	103,200	75,300	81,900	59,800	125.9
Jun	388,200	6.92	2,178	104,900	76,900	87,100	63,900	120.3
Sep	387,300	7.17	2,223	105,700	77,800	88,900	65,400	119.0
Dec	397,800	7.50	2,352	107,400	78,600	94,100	68,900	114.1
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	113,500	84,400	103,800	77,200	109.3
Dec	436,000	7.95	2,681	114,500	84,000	107,200	78,600	106.9
2008 Mar	425,600	8.75	2,799	115,500	83,600	112,000	81,100	103.1

**- 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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