

18 October 2007

ACTION ON HOUSING AFFORDABILITY NOW URGENT

A seven-year decline in housing affordability to its lowest level on record has prompted the Housing Industry Association to call on the major political parties to commit to a national affordable housing policy.

The latest report from the Commonwealth Bank and Housing Industry Association shows that housing affordability fell by more than 2 per cent in the September quarter under the weight of the August increase in interest rates and surging established house prices. Housing affordability conditions in the September quarter were the lowest since the series commenced in 1984.

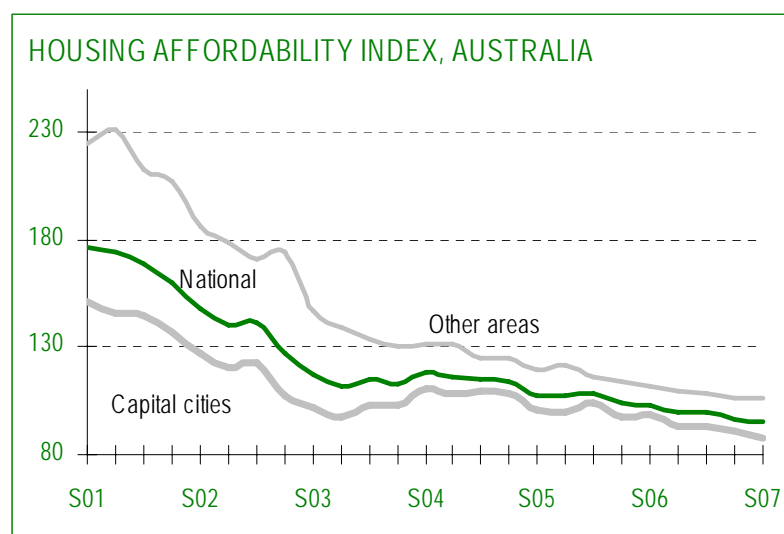
Established house prices soared by 11.4 per cent over the past year and were a major contributor to a further increase in loan payment burdens for entry-level home buyers. A first home buyer on the average household income of \$98,000 would have to commit 31.7 per cent of their income to purchase the typical first home, the highest on record. "It is unacceptable that a typical first home buyer would have to place themselves in mortgage stress to purchase a home," said Ron Silberberg, Managing Director of HIA.

"Australians deserve to have a national housing policy which has as a core commitment to partner with state and local government in delivering solutions to the housing affordability crisis. No amount of finger pointing and blame shift will yield any worthwhile outcomes.

"We are not calling for a free kick. This is about each level of government pulling its weight to provide affordable housing solutions." Dr Silberberg said.

The key planks of a national housing policy ought to address the lack of affordable land due to the heavy cost burden placed on new home buyers in meeting the community's need for essential services, such as major roads as well as social facilities. The second plank should help first home buyers to avoid the debt trap.

HIA has called on both sides of politics to establish Home Super Saver Accounts that would assist first home buyers save for a deposit. The Home Super Saver is a pro savings initiative that would reduce excessive reliance on debt and the potential danger of mortgage stress.

**Further Information**

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

September QUARTER 2007

MEDIA RELEASE

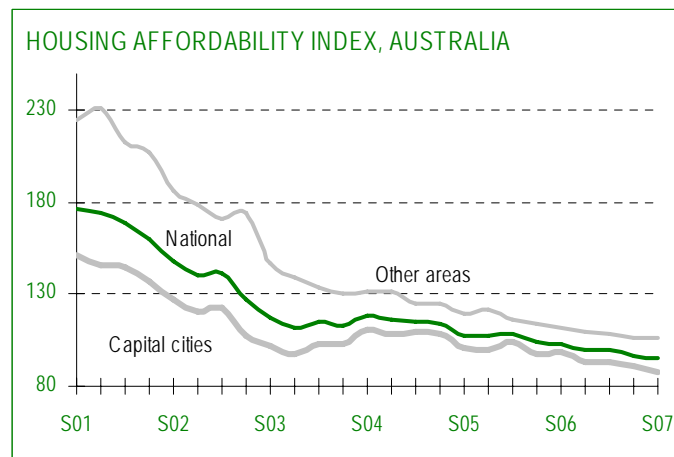
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HOUSING AFFORDABILITY HITS NEW LOW

The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 2.1 per cent in the September 2007 quarter and was 8.3 per cent lower than a year earlier.

This latest fall was a result of a 1.7 per cent rise in the median first home price, and a 0.25 per cent increase in interest rates over the quarter, both of which offset relatively strong household income growth.

The monthly loan repayment needed on a typical first-home mortgage rose from \$2,506 to \$2,606, an increase of 4 per cent. Mortgage repayments account for 31.7 per cent of total first home buyer income, up 0.7 percentage points on the June 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	83,900	72,600	72,800	63,000	115.2
Jun	337,000	6.75	1,863	85,300	73,700	74,500	64,400	114.4
Sep	365,100	6.75	2,018	86,600	74,700	80,700	69,600	107.3
Dec	368,700	6.75	2,038	87,900	75,500	81,500	70,000	107.9
2006 Mar	370,500	6.75	2,048	89,200	76,300	81,900	70,100	108.8
Jun	388,200	6.92	2,178	90,400	77,300	87,100	74,500	103.8
Sep	387,300	7.17	2,223	91,900	78,400	88,900	75,800	103.4
Dec	397,800	7.50	2,352	93,600	79,600	94,100	80,000	99.5
2007 Mar	403,800	7.50	2,387	95,300	80,800	95,500	81,000	99.8
Jun	423,900	7.50	2,506	97,100	81,900	100,200	84,500	96.9
Sep	431,300	7.75	2,606	98,800	83,000	104,200	87,500	94.9

- 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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