

## Home Affordability Crashes

Housing affordability nose-dived at the end of 2009 due to the perfect storm of higher house prices, increased interest rates, and the winding-down of the first home buyers' boost according to the latest HIA-CBA First Home Buyer Affordability Report.

Housing affordability tanked in the December 2009 quarter dropping by 18.4 per cent to be 22.3 per cent lower than 12 months ago.

HIA Senior Economist, Mr Ben Phillips, said prior to the December quarter, first home buyers had a small window of favourable affordability conditions to enter the market. That window is now closing with affordability retreating to 2008 levels when interest rates were significantly higher.

"Australia's fast growing population is pushing new dwelling requirements to record high levels. Without the required new home building to keep up with underlying requirements house prices and rents are expected to continue pushing upwards through 2010," said Ben Phillips.

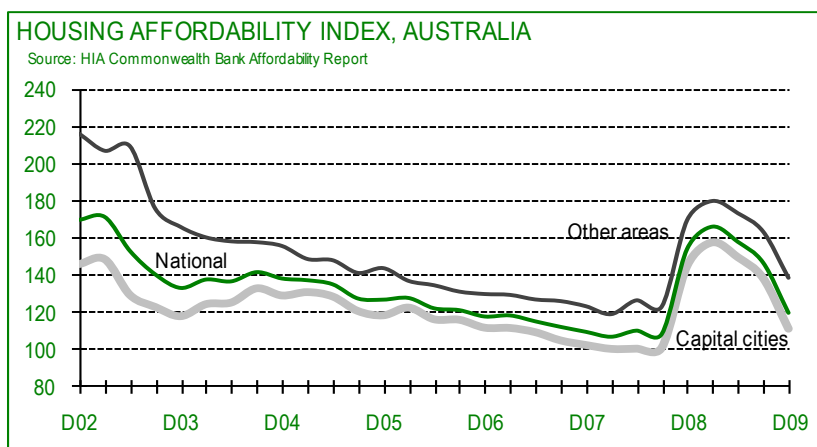
"With housing affordability heading backwards, housing policy must be front and centre of the policy debate as Australia heads towards a federal election later in the year," said Ben Phillips.

HIA is forecasting a moderate housing recovery through 2010 with around 152,000 dwelling commencements, still well down on the 190,000 required by increases in the level of Australia's population.

"The necessary boost to housing supply is being held back by 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 supply-sapping factors, which put new housing at a cost disadvantage to the existing stock, 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.

Affordability deteriorated in all capital cities and regional areas in the December quarter. The largest falls were recorded in Sydney, Brisbane, Hobart, and Canberra.



### Further Information

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## QUARTERLY REVIEW OF HOUSING AFFORDABILITY

### December QUARTER 2009

MEDIA RELEASE

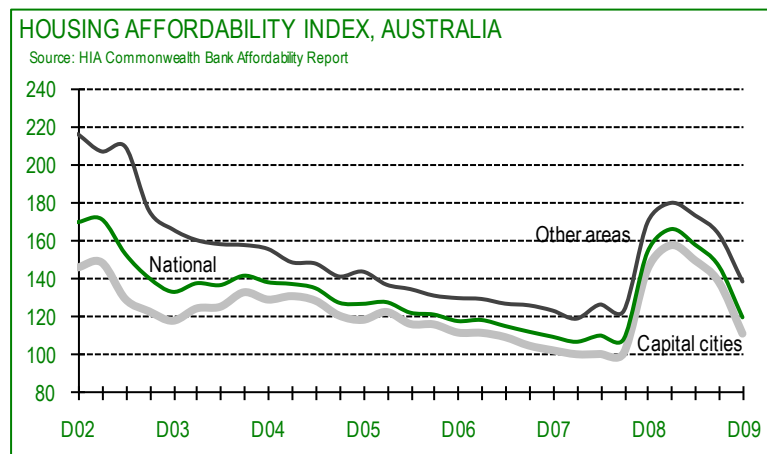
22 February 2010

## HOUSING AFFORDABILITY DECLINES IN DECEMBER

The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 18.4 per cent in the December 2009 quarter. The index was at a level 22.3 per cent lower than in the December 2008 quarter.

The deterioration over the December 2009 quarter resulted from continued growth in house prices and higher interest rates.

The monthly loan repayment needed on a typical first-home mortgage increased from \$2,087 to \$2,505, a rise of 20 per cent. Monthly mortgage repayments accounted for 25 per cent of total first home buyer income, still 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	113,300	85,200	95,500	71,800	118.7
	Jun	423,900	7.45	2,495	115,300	86,500	99,800	74,900	115.5
	Sep	431,300	7.70	2,595	116,700	86,400	103,800	76,800	112.5
	Dec	436,000	7.95	2,681	117,800	87,100	107,200	79,300	109.8
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	5.10	2,087	122,900	95,900	83,500	65,200	147.1
	Dec	485,950	6.00	2,505	120,300	94,600	100,200	78,800	120.1

- 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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