

13 August 2007

HOUSING AFFORDABILITY HITS NEW LOW

The HIA/Commonwealth Bank Housing Affordability Index hit yet another record low in the June 2007 quarter.

HIA's Managing Director, Dr Ron Silberberg, said that affordability was continuing to move in the wrong direction, and there was still no meaningful response from the Federal Government to address the issue.

The Affordability Index fell by 2.7 per cent in the June 2007 quarter to be 6.5 per cent lower than a year earlier.

June marked the second time the Affordability Index had fallen below 100 and reflected a 5 per cent increase in median house prices, reinforcing the structural impediments that are currently hampering a recovery in housing affordability levels.

"The deterioration in affordability will be exacerbated with last week's increase in interest rates devouring the increase in median income following the 1 July tax cuts," Dr Silberberg said.

"Clearly the crisis in housing affordability is primarily a structural problem on the supply side, not a cyclical phenomenon, otherwise a recovery would already be underway," Dr Silberberg said.

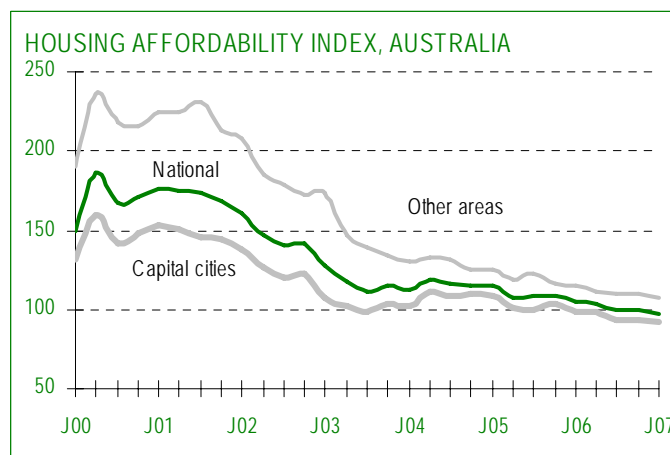
"The situation requires a response from the three tiers of government in implementing policies to address the erosion in affordability," Dr Silberberg said.

The monthly loan repayment needed on a typical first-home mortgage increased from \$2,387 to \$2,506. Mortgage repayments now account for 30.8 per cent of an average first homebuyer's income, up 0.8 percentage points on the March quarter.

"The Australian economy is performing well yet an increasing number of Australians are now being left behind as the degree of housing stress being felt by both mortgage holders and renters continues to intensify," Dr Silberberg said.

"The longer we go without tangible policy action, the worse the situation will become, and that's without higher mortgage rates."

HIA presents three policy proposals to address the crisis. 1). a Residential Infrastructure Fund which calls for Federal funding to offset taxes, charges, and development contributions on new housing. 2). a Home Super Saver scheme which allows employees to salary sacrifice for a home deposit and, 3). a doubling of the depreciation allowance for affordable housing in the private rental market.



Further Information

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

June QUARTER 2007

MEDIA RELEASE

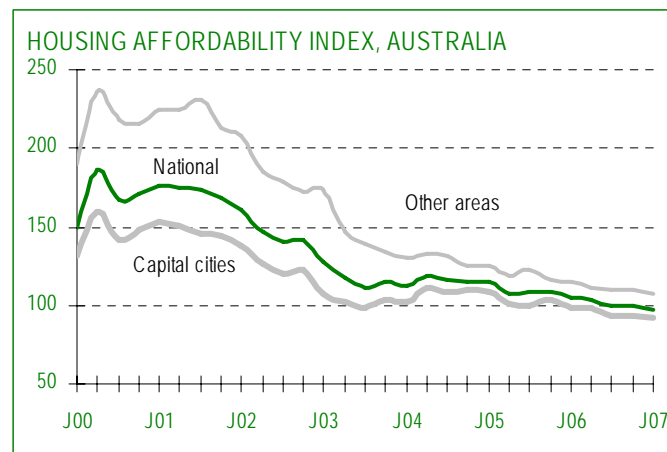
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The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 2.7 per cent in the June 2007 quarter and was 6.5 per cent lower than a year earlier.

This latest fall was a result of a 5 per cent rise in the median first home price which outweighed relatively strong household income growth and stable interest rates.

The monthly loan repayment needed on a typical first-home mortgage rose from \$2,387 to \$2,506, an increase of 5 per cent. Mortgage repayments account for 30.8 per cent of total first home buyer income, up 0.8 percentage points on the March 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	84,000	72,900	72,800	63,200	115.3
Jun	337,000	6.75	1,863	85,300	73,500	74,500	64,200	114.5
Sep	365,100	6.75	2,018	86,600	74,700	80,700	69,600	107.3
Dec	368,700	6.75	2,038	88,000	75,600	81,500	70,000	108.0
2006 Mar	370,500	6.75	2,048	89,000	76,000	81,900	69,900	108.7
Jun	388,200	6.92	2,178	90,700	77,300	87,100	74,200	104.2
Sep	387,300	7.17	2,223	91,600	78,500	88,900	76,200	103.0
Dec	397,800	7.50	2,352	93,400	79,100	94,100	79,700	99.2
2007 Mar	403,800	7.50	2,387	95,600	80,500	95,500	80,400	100.1
Jun	423,900	7.50	2,506	97,600	81,900	100,200	84,100	97.4

- 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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