

12 February 2008

SUPPLY MEASURES WILL IMPROVE AFFORDABILITY

Housing affordability sunk to yet another record low at the end of 2007 in a telling sign that the acute shortage of housing stock in Australia continued to worsen.

The latest report from the Commonwealth Bank and Housing Industry Association shows that housing affordability fell by 1.7 per cent in the December 2007 quarter, reflecting an interest rate rise in November and strong growth in established house prices over the quarter. Housing affordability conditions in the December quarter were the lowest since the series commenced in 1984.

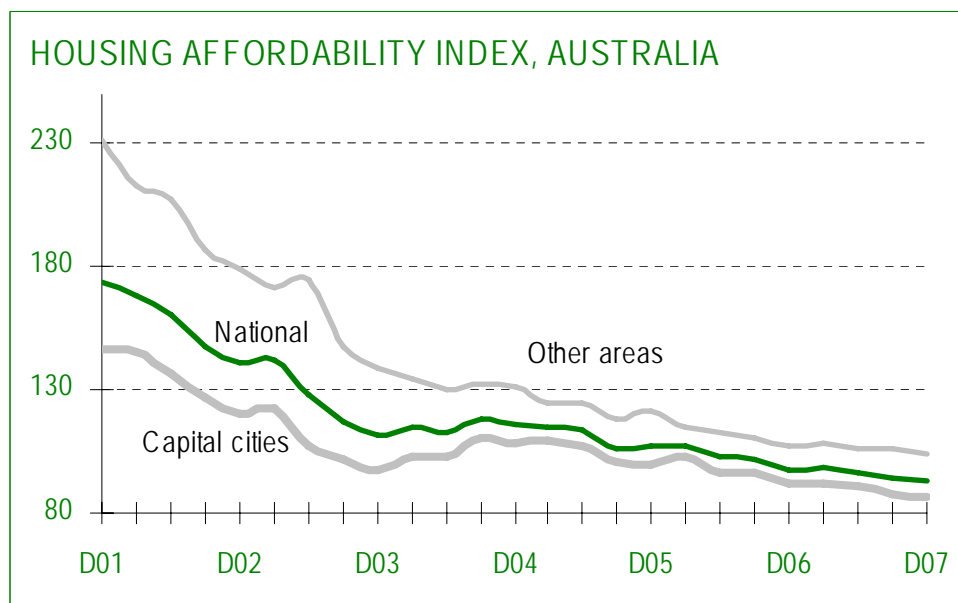
HIA Chief Economist, Harley Dale said that while higher interest rates would see affordability decline further in early 2008, national housing policies to boost the supply of new dwelling stock had a vital role to play in restoring housing affordability to acceptable levels.

"The growing shortage of housing stock is placing significant upward pressure on established house prices and is generating a further tightening in rental markets. However, the Federal Government has a number of policies on the table that will ensure a greater supply of new housing, which in turn will relieve this pressure," Mr Dale said.

"The recently announced First Home Super Saver accounts provide an important platform to promote and reward saving among aspiring first home buyers while also reducing inflationary pressure," Mr Dale said.

"The speedy implementation of measures to complement this policy by way of boosting housing supply will counter the downward spiral in home affordability," Mr Dale said.

"The Housing Affordability Fund to reduce the cost of infrastructure borne by final buyers and the National Rental Affordability Scheme to generate affordable housing stock for lower income renters are examples of positive policies to address the crisis," added Mr Dale.



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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

December QUARTER 2007

MEDIA RELEASE

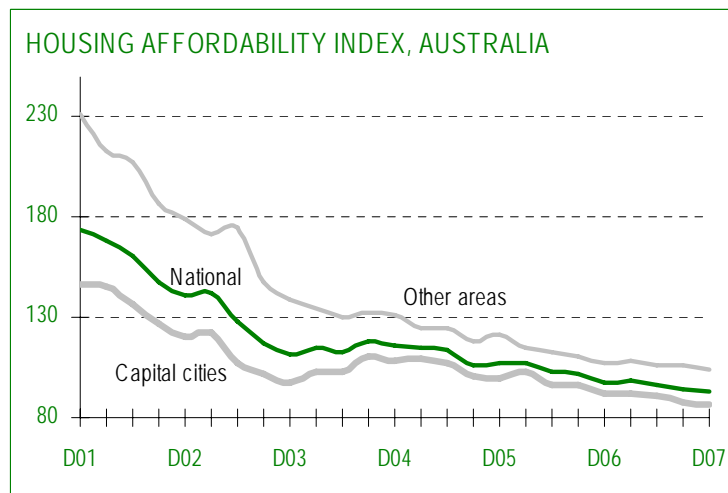
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HOUSING AFFORDABILITY ENDS 2007 ON FRESH LOW

The HIA/Commonwealth Bank First Home Buyer Affordability Index fell by 1.7 per cent in the December 2007 quarter and was 5.2 per cent lower than a year earlier.

This latest fall was a result of a 1.4 per cent increase in the median first home price, and a 0.25 percentage point increase in interest rates in November, both of which offset strong household income growth for the quarter.

The monthly loan repayment needed on a typical first-home mortgage rose from \$2,595 to \$2,689, an increase of 3.6 per cent. Mortgage repayments account for 32.3 per cent of total first home buyer income, up 0.4 percentage points on the September 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	83,500	72,200	72,800	62,900	114.8
Jun	337,000	6.75	1,863	84,700	73,200	74,500	64,400	113.7
Sep	365,100	6.75	2,018	85,900	74,000	80,700	69,500	106.5
Dec	368,700	6.75	2,038	87,100	74,700	81,500	69,900	106.9
2006 Mar	370,500	6.75	2,048	88,200	75,400	81,900	70,000	107.7
Jun	388,200	6.92	2,178	89,300	76,300	87,100	74,400	102.6
Sep	387,300	7.17	2,223	90,600	77,300	88,900	75,800	102.0
Dec	397,800	7.50	2,352	92,100	78,300	94,100	80,000	97.9
2007 Mar	403,800	7.50	2,387	94,200	80,100	95,500	81,200	98.6
Jun	423,900	7.45	2,495	95,900	82,200	99,800	85,500	96.1
Sep	431,300	7.70	2,595	98,000	84,000	103,800	89,000	94.4
Dec	437,400	7.95	2,689	99,800	86,200	107,600	92,900	92.8

- 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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