

15 August 2008

AFFORDABILITY REMAINS AT 24 YEAR LOW

First home buyer housing affordability barely improved in June, languishing at a 24 year low. The HIA-CBA First Home Buyer Affordability Index inched up by just 0.3 per cent during the June 2008 quarter to still be 6 per cent lower than a year earlier.

In the June quarter of 2008 financial institutions lifted interest rates independently of the Reserve Bank. The average home loan repayment (over this period) increased by 1 per cent to \$2,827 per month.

HIA's Chief Economist, Mr Harley Dale said that even a modest reduction in mortgage rates in the second half of the year would do little to improve affordability in the short term.

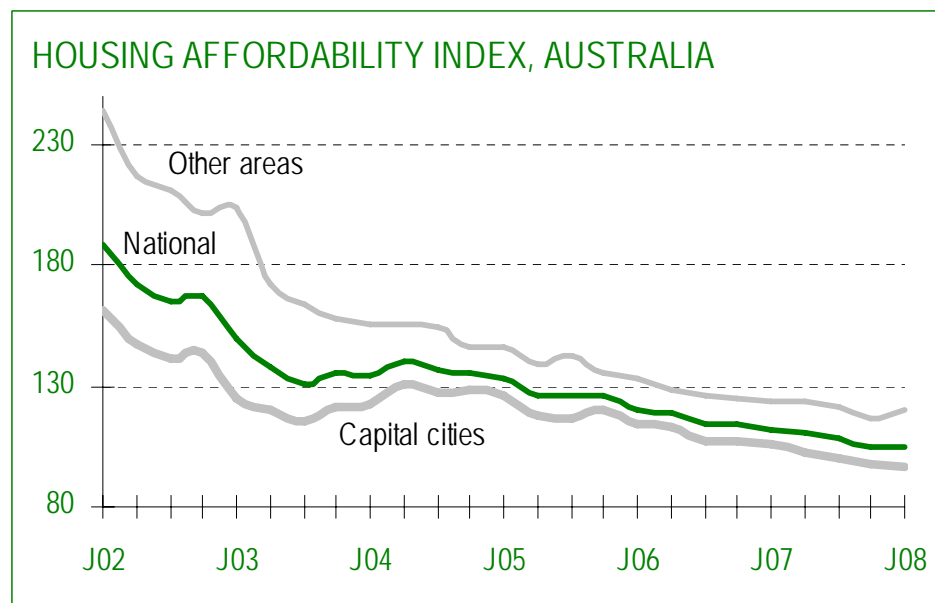
"High interest rates and an extremely onerous set of local, state and federal government taxes and charges on new housing continue to slug new home buyers," said Harley Dale.

HIA is concerned that the full effect of skills shortages is also yet to be felt and that these shortages will pose a further threat to housing affordability.

"It is clear that unless there is action in removing the layered taxation and other imposts on new housing that affordability and availability will continue to decline. Affordability will only improve if all governments work together to remove the onerous tax burden and regulatory imposts on new residential construction," Mr Dale added.

HIA is concerned that the Treasury Tax paper released last week, has given scant regard to the decline in housing affordability. The paper makes no mention of the impact of increased development charges or the impact of the 'tax on tax on tax' situation that occurs when GST, development charges and stamp duty are calculated on top of each other.

The report showed that affordability deteriorated in Sydney, Melbourne, Adelaide, Hobart, Regional Queensland and Regional South Australia over the June quarter.



Further Information

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

June QUARTER 2008

MEDIA RELEASE

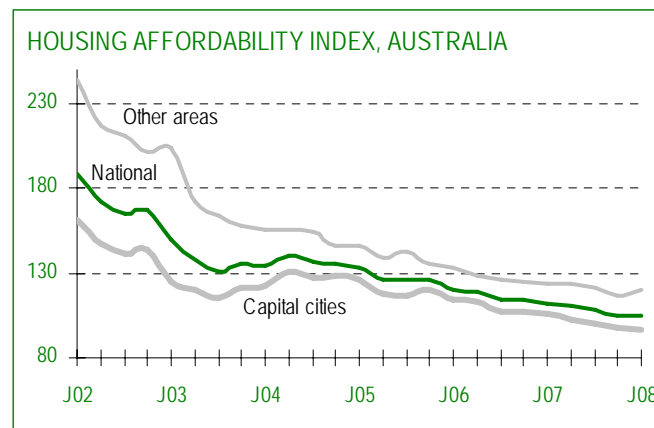
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HOUSING AFFORDABILITY FAILS TO RECOVER IN JUNE QUARTER

The HIA/Commonwealth Bank First Home Buyer Affordability Index was effectively flat in the June 2008 quarter. The index rose by 0.3 per cent and was 6 per cent lower than a year earlier.

This steady outcome was a result of flat house prices offsetting the higher costs of borrowing.

The monthly loan repayment needed on a typical first-home mortgage rose from \$2,799 to \$2,827, an increase of 1 per cent. Mortgage repayments account for 28.5 per cent of total first home buyer income, the second highest proportion on record. 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	
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	114,600	84,300	103,800	76,400	110.3
Dec	436,000	7.95	2,681	115,900	84,400	107,200	78,100	108.1
2008 Mar	425,600	8.75	2,799	117,500	84,900	112,000	80,900	104.9
Jun	424,600	8.90	2,827	119,100	85,400	113,100	81,100	105.3

- 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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