

23 October 2008

HIA Index Reveals Slight Improvement in Affordability

The HIA-CBA First Home Buyer Affordability Index improved by 3 per cent in the September 2008 quarter with a 1.9 per cent easing in house prices offsetting a net increase in borrowing costs over the quarter. The index nevertheless remained at near record lows at a level 1.1 per cent below that of the September 2007 quarter.

Over the September 2008 quarter the average home loan repayment fell by 1.5 per cent to \$2,785 per month. The result does not take into account the recent reductions in mortgage interest rates. These are expected to provide a further improvement in housing affordability in the next report.

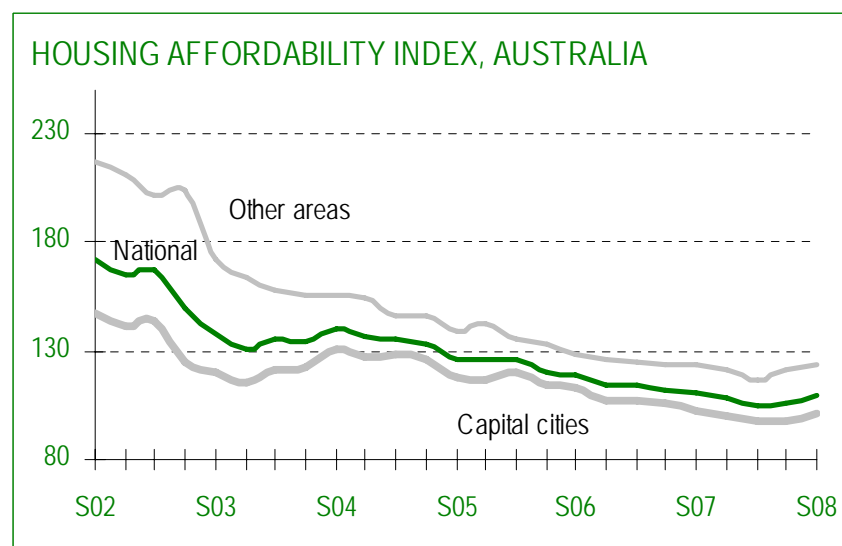
HIA Chief Executive – Policy, Mr Chris Lamont, said that the new interest rate cycle will provide over the next few months some reasons to be cautiously optimistic about an improvement in housing affordability.

“First home buyer affordability has been languishing at or near record lows for a long time now, but aggressive interest rate cuts and the additions to the first home owners grant, particularly for new housing, provide some welcome relief,” said Chris Lamont.

“The recently announced tripling of the First Home Owners Grant for new dwellings will also be a boost to confidence and to the ability of aspiring buyers to break into the housing market,” said Chris Lamont.

HIA is calling for local and state governments to ensure that administrative bottlenecks in processing applications for new residential development are avoided so as to ensure that all new aspiring first home buyers will have the opportunity to take up the federal government's initiative.

The HIA-CBA First Home Buyer Affordability Report showed that affordability improved over the September quarter in Sydney, Melbourne, Adelaide, Hobart, Regional Queensland, Regional South Australia, and Regional Tasmania.



Further Information

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QUARTERLY REVIEW OF HOUSING AFFORDABILITY

September QUARTER 2008

MEDIA RELEASE

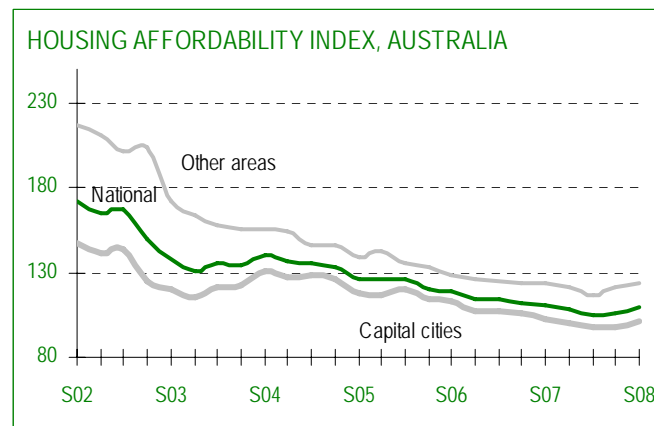
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HOUSING AFFORDABILITY IMPROVES IN SEPTEMBER QUARTER

The HIA/Commonwealth Bank First Home Buyer Affordability Index improved by 3 per cent in the September 2008 quarter. The index was nevertheless still at a level 1.1 per cent lower than in the September quarter of last year.

The moderate improvement over the quarter was a result of lower house prices offsetting higher borrowing costs.

The monthly loan repayment needed on a typical first-home mortgage fell from \$2,828 to \$2,785, a decline of 1.5 per cent. Mortgage repayments accounted for 27.5 per cent of total first home buyer income, down on the previous quarter but still the fourth highest proportion on record. The ratio also fell as a proportion of household disposable income in the September quarter.



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	
	\$	%	\$	\$	\$	\$	\$	
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	424,700	8.90	2,827	119,100	85,400	113,100	81,100	105.3
Sep	416,600	8.95	2,785	121,600	86,300	111,400	79,100	109.1

- 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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