



**QUARTERLY REVIEW OF HOUSING AFFORDABILITY
JUNE QUARTER 2006**

MEDIA RELEASE

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HIGHER RATES HURT HOUSING AFFORDABILITY

Higher interest rates and resilient house prices have dampened housing affordability for first-home buyers.

Figures released today from the HIA/Commonwealth Bank Affordability Report show that affordability deteriorated again in the June 2006 quarter, dropping by 5.3 per cent to be 6.1 per cent lower than Christmas last year. With the latest increase in interest rates, affordability would have taken a further hit.

First-home buyers entering the market would have to commit 27.9 per cent of their income towards mortgage payments which is getting even closer to the 'no-go zone.'

Australia's peak building industry body, HIA, said that with house prices holding up, the first of two rate rises this year did little more than push home-ownership further out of reach for many families locked into the tightening rental market.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent, said that the long awaited and much needed improvement in housing affordability looks to be some time off.

"The long held relationship between higher interest rates and falling house prices is unlikely to hold true in this coming cycle," Mr Tennent said.

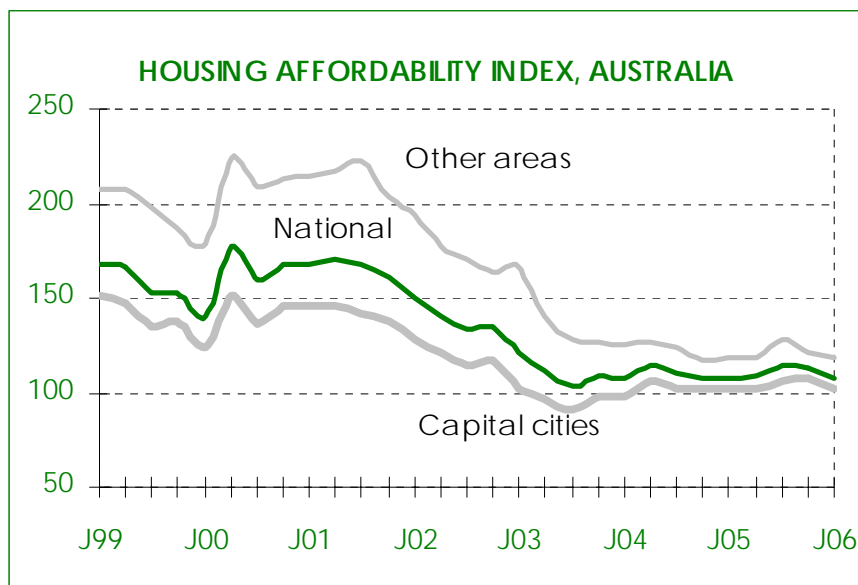
"With the need for new housing sitting at close to 160,000 homes per annum, spiralling land costs, crippling fees and charges, and planning red tape have made it impossible for the industry to get close to underlying demand in each of the past three years."

"It therefore comes as no surprise that house prices and rents keep rising, with the real irony being that both factors were significant contributors to measured inflation in the June quarter," Mr Tennent added.

"With every likelihood that affordability will decline further in coming quarters, the need for an urgent and radical re-think on new housing supply has never been greater," Mr Tennent said.

Housing Affordability Index, Australia

Year	Quarter	Median	Interest Rate	Monthly Payment	Average Annual Household Income		Qualifying Annual Income		Housing Affordability Index
		First Home Price			Total	Disposable	Total	Disposable	
		\$	%	\$	\$	\$	\$	\$	
2004	Jun	330,500	7.05	1,877	81,200	72,500	75,100	67,100	108.0
	Sep	316,900	7.05	1,800	82,200	71,500	72,000	62,600	114.2
	Dec	328,700	7.05	1,867	82,300	71,400	74,700	64,800	110.2
	Mar	334,100	7.30	1,941	83,600	72,200	77,600	67,000	107.8
2005	Jun	337,000	7.30	1,957	84,700	72,700	78,300	67,200	108.2
	Sep	341,900	7.30	1,986	86,100	74,300	79,400	68,500	108.5
	Dec	327,400	7.30	1,902	87,100	74,900	76,100	65,400	114.5
	Mar	334,200	7.30	1,941	88,200	75,300	77,600	66,300	113.6
2006	Jun	350,000	7.55	2,078	89,300	75,800	83,100	70,500	107.5



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Note to Editors

- 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>.
- For a full copy of the HIA/Commonwealth Bank Affordability Report (media only), please visit <http://economics.hia.asn.au>
- The Commonwealth Bank is Australia's biggest home lender with over 1.1 million home loan customers.

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