



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

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**MEDIA RELEASE**

**21 May 2006**

**HOUSING AFFORDABILITY SLIPS BACK IN EARLY 2006**

Even before the interest rate rise of early May is factored into the equation, the dream of owning a home has slipped back marginally for many of Australia's first home buyers.

Figures released today from the HIA/Commonwealth Bank Affordability Report show that affordability deteriorated slightly in the March 2006 quarter, easing by 0.7 per cent, a level 5.5 per cent higher than a year earlier, but a level that is still historically low.

Australia's peak building industry body, HIA, said that the slight decline in affordability reflected higher first home buyer prices throughout Regional Australia.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent, said that according to Commonwealth Bank figures, prices increased by 6.2 per cent in regional Australia while holding largely steady (down by a bare 0.1 per cent) in the capital cities.

"While the increase in first home buyer prices only led to a very mild drop in affordability overall, this update does not paint a positive picture ahead of a certain more significant deterioration once a 0.25 percentage point rise in mortgage rates feeds through in the second quarter," Mr Tennent said.

"For all of Australia, the median first-home buyer price increased by 2.1 per cent to \$334,200 in the March quarter this year, with typical first-home buyer monthly loan repayments rising from \$1,902 to \$1,941," Mr Tennent said.

"While the decline in affordability is modest, it does serve to highlight the fragility of any recovery in housing affordability that is solely reliant on the level of house prices and interest rates," he added.

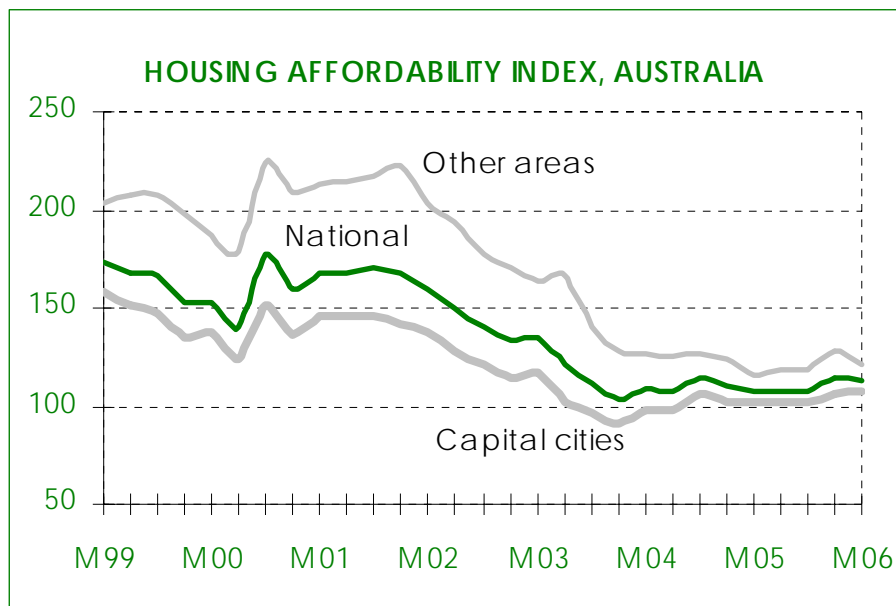
"The interest rate rise in May will exert a dampening effect on house price growth, but this effect will be more than offset by the increased cost of servicing a mortgage. This result serves as a stark reminder of the urgent need for governments to reduce the unnecessarily high costs they impose on home ownership."

"The chance that affordability will return to the favourable levels last seen in the late 1990's is moving further out of reach at the very time when it should be moving in the opposite direction."

"Home buyers entering the market needed to commit 18 per cent of their take home pay towards mortgage payments in the late 1990's. Currently, home buyers need to set aside 26.4 per cent of their disposable income," Mr Tennent said.

## Housing Affordability Index, Australia

Quarter		Median	Interest	Monthly	Average Annual		Qualifying Annual		Housing
		First Home			Household Income	Income	Income	Affordability	
		Price	Rate	Payment	Total	Disposable	Total	Disposable	Index
		\$	%	\$	\$	\$	\$	\$	
2004	Mar	323,400	7.05	1,837	80,000	69,500	73,500	63,900	108.8
	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	82,400	71,400	74,700	64,700	110.4
2005	Mar	334,100	7.30	1,941	83,500	72,200	77,600	67,100	107.6
	Jun	337,000	7.30	1,957	84,700	72,700	78,300	67,200	108.2
	Sep	341,900	7.30	1,986	85,900	74,200	79,400	68,600	108.2
	Dec	327,400	7.30	1,902	87,000	75,000	76,100	65,600	114.3
2006	Mar	334,200	7.30	1,941	88,100	75,800	77,600	66,800	113.5



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### 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.asn.au>
3. The Commonwealth Bank is Australia's biggest home lender with over 1.1 million home loan customers.

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