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MEDIA RELEASE

CommonwealthBank 

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Low Interest Rates Continue to Drive Improved Housing Affordability

The good news on housing affordability continued in the September 2013 quarter with improvements driven by further interest rate reductions, said the Housing Industry Association, the voice of Australia's residential building industry.

The HIA-Commonwealth Bank Housing Affordability Index increased by 3.2 per cent in the September 2013 quarter to a level of 75.1. The aggregate capital city affordability index increased by 2.6 per cent over the September 2013 quarter to reach 72.2, a level that is 15.2 per cent higher than in the September 2012 quarter. The increases were stronger across regional Australia, with the affordability index rising by 3.4 per cent over the quarter to reach 78.2. This level is 17.4 per cent higher than in the same quarter in 2012.

"Despite widely-publicised dwelling price increases in some markets in recent months, affordability has continued to improve as a result of reduced interest rates," commented HIA Senior Economist, Shane Garrett.

"Since late 2011, the RBA has cut rates by a total of 225 basis points, including reductions in both May and August of this year. As a result, the discounted variable interest rate for mortgages has declined from 7.05 per cent to 5.18 per cent over the same period," pointed out Shane Garrett.

"Affordability has been further enhanced by continued increases in weekly earnings over the past year," added Mr Garrett.

In the September 2013 quarter, the HIA-CBA Housing Affordability Index improved in every one of the seven capital cities covered. The strongest quarterly affordability improvement occurred in Hobart with a rise of 10.1 per cent, followed by Canberra (6.3 per cent), Perth (3.2 per cent), Melbourne (2.6 per cent), Adelaide (2.4 per cent), Brisbane (1.5 per cent) and Sydney (0.5 per cent).

Outside of the capital cities, affordability improved in the September 2013 quarter in four out of six non-metro regions reported. The strongest quarterly improvement was for regional Victoria with a rise of 5.1 per cent, followed by the non-metro areas of Queensland (4.4 per cent), New South Wales (2.8 per cent) and Western Australia (2.5 per cent). Affordability declined by 1.2 per cent in regional Tasmania and by 2.2 per cent in regional South Australia.

"Obviously longer term structural improvements to housing affordability will be realised through an appropriate supply of housing commensurate to the needs of a growing population," noted Shane Garrett.

The Affordability Report's recent addition of an index tracking new house prices relative to established house prices provides an indication of the affordability advantage to be found among new houses. In the September 2013 quarter, a new house affordability advantage was apparent in a number of markets. However, only in Sydney and Western Australia does this latest result represent a continuation of a trend of new housing affordability advantage that has been in place for a number of quarters.

"This new house affordability advantage provides a signal for further growth in new construction activity in those markets," commented Shane Garrett. "This necessary growth nonetheless faces constraints that require attention as a matter of priority."

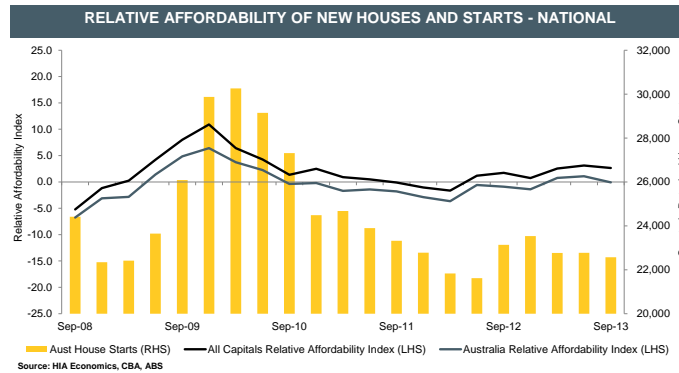
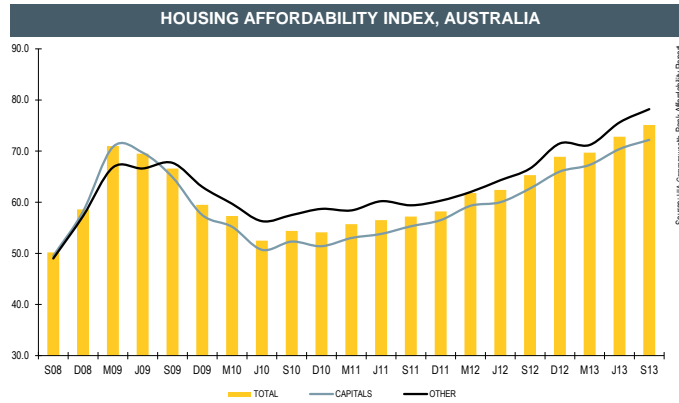
"High taxation on new housing has adverse effects on affordability right across the market. The less than expedient release of shovel-ready land supply for new housing and inefficiencies in the planning process also need to be tackled. It is also important that infrastructure funding models are reviewed by policy makers so as to ensure that the affordability improvements of recent years prevail over the long term," concluded Shane Garrett.

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HOUSING AFFORDABILITY INDEX AUSTRALIA

	Median Dwelling Price	Interest Rate	Monthly Mortgage Repayment	Average Weekly Earnings*	Qualifying Income	Affordability Multiple	Affordability Index
	\$	%pa	\$	\$	\$		
Sep Qtr 11	470,600	7.05%	3,007	68,832	120,281	1.75	57.2
Dec Qtr 11	475,800	6.80%	2,972	69,217	118,886	1.72	58.2
Mar Qtr 12	459,100	6.67%	2,834	70,008	113,358	1.62	61.8
Jun Qtr 12	467,000	6.40%	2,812	70,158	112,468	1.60	62.4
Sep Qtr 12	461,900	6.03%	2,686	70,158	107,442	1.53	65.3
Dec Qtr 12	461,900	5.82%	2,633	72,592	105,315	1.45	68.9
Mar Qtr 13	463,400	5.67%	2,604	72,592	104,145	1.43	69.7
Jun Qtr 13	465,700	5.35%	2,536	73,887	101,457	1.37	72.8
Sep Qtr 13	459,000	5.18%	2,458	73,887	98,338	1.33	75.1

* Annualised

HOUSING AFFORDABILITY INDEX BY REGION

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adelaide	Rest of State	Hobart	Rest of State	All
Mar Qtr 12	52.5	59.0	60.4	57.8	63.5	64.4	61.4	67.4	65.6	66.0	78.1	73.0	65.4
Jun Qtr 12	54.4	61.3	59.5	60.1	62.3	66.5	64.3	67.4	69.5	64.7	78.1	78.1	67.7
Sep Qtr 12	56.9	63.7	61.6	61.2	65.9	69.1	65.9	71.1	70.6	68.4	83.6	82.3	71.2
Dec Qtr 12	59.9	69.5	64.2	63.9	70.1	74.7	70.1	75.4	75.6	73.4	89.3	84.3	74.1
Mar Qtr 13	60.7	69.7	67.1	63.0	74.4	74.2	68.2	75.5	72.6	70.6	85.9	86.6	76.0
Jun Qtr 13	62.7	71.7	68.7	66.4	82.2	81.4	71.0	78.9	78.1	76.0	94.4	93.6	79.1
Sep Qtr 13	63.0	73.7	70.5	69.8	83.4	85.0	73.3	80.9	80.0	74.3	103.9	92.5	84.1

REQUIRED LOAN REPAYMENTS BY REGION (\$PER MONTH)

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adelaide	Rest of State	Hobart	Rest of State	All
Dec Qtr 11	3,728	2,332	3,260	2,239	3,078	2,541	3,288	2,815	2,651	2,158	2,280	1,898	3,288
Mar Qtr 12	3,794	2,296	3,078	2,271	2,965	2,491	3,331	2,577	2,555	2,036	2,235	1,906	3,095
Jun Qtr 12	3,703	2,238	3,090	2,160	3,008	2,399	3,184	2,582	2,428	2,092	2,260	1,801	3,074
Sep Qtr 12	3,543	2,152	2,983	2,121	2,842	2,307	3,105	2,446	2,391	1,977	2,111	1,710	2,922
Dec Qtr 12	3,471	2,037	2,937	2,084	2,770	2,212	3,064	2,417	2,315	1,911	2,020	1,707	2,876
Mar Qtr 13	3,428	2,030	2,808	2,111	2,608	2,228	3,148	2,417	2,411	1,987	2,101	1,660	2,804
Jun Qtr 13	3,340	1,985	2,761	2,015	2,454	2,110	3,128	2,392	2,253	1,855	1,977	1,588	2,808
Sep Qtr 13	3,322	1,933	2,689	1,917	2,417	2,020	3,030	2,332	2,200	1,897	1,796	1,608	2,639

* Number of average full time adult wages required to affordably service a mortgage on median priced dwelling.

NOTE: In 2010 the HIA Economics Group implemented a number of modifications to the HIA-Commonwealth Bank Housing Affordability Index to enable more accurate evaluation of housing affordability in Australia. As a result of the amended methods the Index has been rebased, therefore values in this report are not directly comparable with editions prior to the September 2010 quarter report. Further information about the index methodology can be obtained from the HIA Economics Group website at http://economics.hia.com.au/publications/hia_cba_affordability_report.aspx