

Media release

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Affordability Continues to Improve With Interest Rate Cuts

The latest Adelaide Bank/REIA Housing Affordability Report shows that housing affordability has now been improving for the past two years, with the proportion of income required to meet repayments at 28.7% - its lowest in a decade.

Real Estate Institute of Australia President, Peter Bushby says, "With the exception of the Northern Territory, all states and territories recorded improvements over the quarter, the largest in Queensland where the proportion of income required in order to meet loan repayments dropped by 1.9 percentage points to 26%."

"Due largely to a higher average income, the ACT is still the most affordable state or territory in which to buy a home and NSW remains the least affordable with the proportion of income required to meet loan repayments 5.6 percentage points higher than the nation's average."

"Despite relatively low average loan size and rents, South Australia is one of the least affordable states or territories in which to buy or rent."

"Affordability is improved in all states and territories when compared to the same time last year and no doubt, the seven interest rate cuts since November 2011 have played a role."

"The variable interest rate declined 0.2 percentage points, from 6.1% to 5.9% in the June quarter, which is a decrease of 0.7 percentage points compared to the same time last year and the three year fixed rate fell by 0.3 percentage points over the quarter and 0.9 percentage points compared to the June quarter 2012, to 5.1%."

"More is required to entice first home buyers back though, through stamp duty reforms, access to superannuation and first home buyers' assistance. They made up just 14.6% of the owner-occupier market, a persistently low number compared to the long-run average proportion of 20%."

"Victoria had the largest jump in the number of loans to first home buyers over the quarter and Western Australia the largest over the year."

Rental affordability improved with the proportion of income required to meet rent payments decreasing slightly to 23.7% and the quarter showed it is now more affordable to buy than rent in Tasmania.

Adelaide Bank/REIA Housing Affordability Report is available at www.reia.com.au

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