

**Media Release
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Housing loan affordability declines, rental affordability improves: report

Housing loan affordability has declined across Australia, however, it is good news for those who are renting with affordability generally improving in the second quarter of 2017, according to the Real Estate Institute of Australia (REIA).

The latest *Adelaide Bank/REIA Housing Affordability Report* found the proportion of median family income required to meet average loan repayments increased by 0.2 percentage points to 31.4 per cent.

REIA President Malcolm Gunning said at the same time, the total number of loans and the number of loans to first home buyers increased by 9.6 per cent and 14.0 per cent respectively, with increases in all states and territories except Tasmania.

“First home buyers now make up 14.3 per cent of total owner occupied housing. This rate has been dropping steadily over the past 5 years but seems to have stabilised over the past 18 months,” Mr Gunning said.

“Over the quarter, the proportion of median family income required to meet rent payments reduced by 0.6 percentage points to 24.3 per cent.

Mr Gunning said this improvement was recorded across all states and territories except in Tasmania and the Australian Capital Territory.

“Historically, rental affordability declined markedly from the June quarter 2007 reaching its lowest point in the March quarter 2010. Since then rental affordability has been showing a trend improvement reflecting the pickup in investment in housing from the end of 2011,” Mr Gunning said.

State by State

New South Wales

NSW had the largest percentage increase in loan repayments and continues to be the least affordable state or territory in which to buy a home. The proportion of income required to meet loan repayments increased to 38.0 per cent, an increase of 1.9 percentage points over the quarter and 0.5 percentage points compared with the corresponding quarter 2016. The proportion of income required to meet loan repayments is 6.6 percentage points higher than the nation’s average.

New South Wales recorded an improvement in rental affordability with the proportion of income required to meet median rent payments decreasing to 28.6 per cent, a decrease of 0.4 percentage points over the June quarter and a decrease of 0.3 percentage points compared to the same quarter last year.

First home buyers make up only 13.0 per cent of the State’s owner-occupier market – the lowest level across the nation. The average loan to first home buyers increased to \$365,600, an increase of 1.2% over the quarter and an increase of 1.3% compared to the same quarter last year.

Victoria

Victoria showed a decline in housing affordability, with the proportion of income required to meet loan repayments increasing to 33.4 per cent, an increase of 0.9 percentage points over the quarter and an increase of 0.6 percentage points compared to the same quarter of the previous year.

Rental affordability in Victoria has improved over the quarter with the proportion of income required to meet median rents decreasing to 23.1 per cent, a decrease of 0.7 percentage points over the quarter and a decrease of 0.6 percentage points compared to the June quarter 2016.

The number of new home loans to first home buyers increased by 10.1 per cent.

Queensland

Housing affordability in Queensland declined over the June quarter with the proportion of income required to meet home loan repayments increasing to 27.2 per cent, an increase of 0.5 percentage points over the quarter but a decrease of 0.5 percentage points compared to the same time last year.

Rental affordability in Queensland improved over the quarter with the proportion of the median family income required to meet the median rent decreasing to 23.0 per cent, a decrease of 0.7 percentage points over the quarter and a decrease of 0.6 percentage points compared to the same quarter 2016.

Over the June quarter, the number of loans to first home buyers in Queensland increased to 6,003, an increase of 11.8 per cent over the quarter and an increase of 19.7 per cent compared to the same quarter of 2016. Of all Australian first home buyers over the quarter, 25.4 per cent were from Queensland while the proportion of first home buyers of the State's owner-occupier market was 25.3 per cent.

South Australia

South Australia recorded a decline in housing affordability with the proportion of income required to meet monthly loan repayments increasing to 26.8 per cent, an increase of 0.6 percentage points over the quarter but a decrease 0.1 percentage points compared to the June quarter 2016.

Rental affordability in South Australia improved over the quarter with the proportion of income required to meet rent payments decreasing to 21.9 per cent, a decrease of 0.7 percentage points over the quarter and a decrease of 0.1 percentage points compared to the June quarter 2016.

Over the June quarter, the number of loans to first home buyers in South Australia increased to 1,358, an increase of 12.6 per cent over the quarter and a decrease of 5.0 per cent compared to the June quarter 2016. Of all Australian first home buyers over the quarter, 5.8 per cent were from South Australia while the proportion of first home buyers in the state's owner-occupier market was 18.0 per cent.

Western Australia

Western Australia saw a decline in housing affordability over the quarter with the proportion of income required to meet loan repayments increasing to 23.6 per cent, an increase of 0.2 percentage points over the quarter but a decrease of 0.3 percentage points compared to the June quarter 2016.

Rental affordability in Western Australia increased during the June quarter with the proportion of family income required to meet the median rent decreasing to 18.1 per cent, a decrease of 0.5 percentage points over the quarter and a decrease of 1.6 percentage points compared to the year before.

The number of first home buyers in Western Australia increased to 4,128 in the June quarter, an increase of 16.0 per cent over the quarter and an increase of 3.8 per cent compared to the same time last year. Of all Australian first home buyers over the quarter, 17.5 per cent were from Western Australia while the proportion of first home buyers in the state's owner-occupier market was 33.7 per cent.

Tasmania

Housing affordability in Tasmania declined with the proportion of income required to meet home loan repayments increasing to 23.9 per cent, an increase of 0.3 percentage points over the quarter and an increase of 0.2 percentage points from the June quarter 2016.

Rental affordability in Tasmania improved with the proportion of income required to meet median rents decreasing to 25.8 per cent, a decrease of 0.8 percentage points over the quarter but an increase of 0.8 percentage from the same quarter 2016.

The number of first home buyers in Tasmania decreased to 380, a decrease of 3.3 per cent over the quarter and a decrease of 17.6 per cent compared to the same quarter of the previous year. Of all Australian first home buyers over the quarter, 1.6 per cent were from Tasmania while the proportion of first home buyers in the state's owner-occupier market was 16.8 per cent.

Northern Territory

Housing affordability in the Northern Territory improved with the proportion of income required to meet loan repayments decreasing to 20.3 per cent in the June quarter, a decrease of 0.8 percentage points over the quarter and a decrease of 1.8 percentage points when compared to the June quarter 2016.

Rental affordability in the Northern Territory also improved with the proportion of income required to meet the median rent decreasing to 23.1 per cent, a decrease of 0.6 percentage points over the quarter and a decrease of 2.0 percentage points compared to the June quarter 2016.

The number of loans to first home buyers in the Northern Territory increased to 175, an increase of 36.7 per cent over the June quarter and an increase of 40.0 per cent compared to the June quarter 2016. Of all Australian first home buyers over the quarter, 0.7 per cent were from the Northern Territory while the proportion of first home buyers in the Territory's owner-occupier market was 25.6 per cent.

Australian Capital Territory

Housing affordability in the Australian Capital Territory improved with the proportion of income required to meet home loan repayments decreasing to 19.8 per cent, a decrease of 0.3 percentage points over the quarter and a decrease of 0.7 percentage points compared to the same quarter last year.

Rental affordability remained stable over the June quarter with the proportion of income required to meet the median rent remaining at 17.9 per cent and with a marginal increase of 0.1 percentage points compared to the June quarter 2016.

The number of loans to first home buyers in the Australian Capital Territory increased to 570, an increase of 49.6 per cent over the quarter and an increase of 21.8 per cent compared to the June quarter 2016. Of all Australian first home buyers over the quarter, 2.4 per cent were from the Australian Capital Territory while the proportion of first home buyers in the Territory's owner-occupier market was 23.0 per cent.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia.

For further information or to speak with REIA President Malcolm Gunning please contact Helen Hull via media@reia.com.au or 0419 642 961. A copy of the *Adelaide Bank/REIA Housing Affordability Report* is available on request.