Media Release

REIA
REAL ESTATE INSTITUTE OF AUSTRALIA

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FIRST HOME BUYERS HIT HARDEST BY WORSENING AFFORDABILITY

Housing affordability declined over the September quarter of 2021, with the proportion of income required to meet loan repayments increasing to 36.2% nationally, the latest Real Estate Institute of Australia (REIA) *Housing Affordability Report* has found.

REIA President, Adrian Kelly said housing affordability shows a worsening situation, particularly for first home buyers.

"While housing affordability declined across many states over the September quarter, it has improved in Western Australia and the Australian Capital Territory.

"The Northern Territory remained stable and is still the most affordable state or territory to meet home loan repayments.

"The number of first home buyers decreased to 37,782, a fall of 12.6% during the quarter and just a 1.0% more over the past 12 months. First home buyers now make up 35.0% of owner occupier dwelling commitments.

"The number of first home buyers decreased over the September quarter in all states and territories. South Australia had the largest decrease of 21.6% and the Australian Capital Territory had the smallest decrease of 0.7%.

"Over the past 12 months, the number of first home buyers increased in New South Wales, Victoria, Western Australia and the Australian Capital Territory but declined in Queensland, South Australia, Tasmania and the Northern Territory," he said.

Mr Kelly said those hardest hits by the rising market were first home buyers which shows the need for successful government programs like the First Home Loan Deposit Scheme and the First Home Super Saver Program to be supported and expanded.

"As we attempt to start adjusting to the new COVID normal, buyer and investor interest shows little signs of being satiated.

"This competition means the average loan size to first home buyers has increased to $459,256. This was an increase of 2.0% over the quarter and an increase of 14.0% over the past twelve months."

Mr Kelly said the total number of owner-occupied dwelling loans decreased to 107,875, a drop of 7.2% over the September quarter, but an increase of 19.7% over the past 12 months. The total number of loans for owner occupied dwellings decreased over the quarter in all states and territories.

The report found that over the September quarter, the average loan size increased to $570,412 which is a rise of 4.0% over the quarter and an increase of 17.4% over the past 12 months.

"While nationally the average loan size increased for first home buyers by 14.0% over the year these increases impacted differently throughout the nation with Tasmania rising by 21.3% while the Northern Territory rose by 5.8%.

"The average loan size increased in all states and territories with Tasmania having the highest rise of 5.8%. The average loan size increased in all states and territories over the past 12 months, with New South Wales recording the highest annual increase 21.4%," the report found.

Mr Kelly added that it was pleasing that rental affordability had largely remained stable in September quarter of 2021.

"Nationally, there was a marginal increase of 0.2 percentage points over the quarter and an increase of 0.4 percentage points over the past 12 months.

"Over the quarter, rental affordability improved in Victoria and Tasmania, remained stable in the Australian Capital Territory, but declined in all other states and territories.

"The least affordable state or territory in which to rent a property was Tasmania, where the proportion of income required to meet median rent was 29.7%. This was 6.8 percentage points higher than the national average.

"Victoria became the most affordable, where the proportion of income required to meet median rent was 19.7%," he said.

Mr Kelly said the complexity of housing affordability requires bipartisan support, commitment and leadership from both State and Federal Governments to ensure the right balance of regulation, supply and policy levers.

The REIA *Housing Affordability Report – the past 20 years,* showed that housing affordability peaked around 20 years ago with the proportion of family income devoted to meeting the average loan repayment at 27.2%.

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