

CommonwealthBank



QUARTERLY REVIEW OF HOUSING AFFORDABILITY

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PRICE SURGE TAKES HOUSING AFFORDABILITY TO NEW RECORD LOW

Housing affordability for first home buyers fell to a record low for the second quarter running, dropping by 9.4 per cent in the September quarter, according to the Commonwealth Bank/HIA Housing Report.

Australian housing affordability is now 22.5 per cent lower than it was in September last year, with the benefit of stable interest rates through July, August and September countered by a 10.1 per cent increase in house prices over the quarter.

Rising house prices resulted in a significant increase in the median monthly mortgage repayment of just under \$160 for the average first home buyer.

Only Hobart recorded improved affordability among the State capitals in the September quarter (up 1.8 per cent), with the affordability index declining most in Adelaide (down 13.7 per cent), followed by Brisbane (down 11.6 per cent).

Geoff Austin, Executive General Manager, Mortgages and Investments at the Commonwealth Bank, said buyers need to consider a range of factors when buying a home.

“Home buyers need to think about the amount of income they need to live on, future commitments, and whether the home being purchased will meet their needs now and in the future,” he said.

“Those who have more money saved need to borrow less – and it’s true that the cheapest money is your own.

“We’re encouraging people to be careful not to overcommit just to get into the market. Instead, save a sound deposit and apply everything you can to the purchase – including saving enough to cover legal costs and government charges.

“With one official interest rate rise in November and talk of further rises, potential home buyers should think carefully and weigh up all their options before choosing an affordable mortgage and buying a house.

“By choosing the right home loan product with the right lender and taking into account possible future interest rate rises, buyers can start building equity in their property from the start.”

Australia’s peak building industry body, the Housing Industry Association (HIA), said that the continuing downward trend in housing affordability underlines the importance of the current Productivity Commission Inquiry into First Home Ownership.

HIA’s Chief Economist, Mr Simon Tennent, said that it’s time for all levels of government to work together to find a solution to this growing problem.

“Affordability is suffering under poor planning and approval systems, lack of land, and charges and levies,” he said.

“The effect of planning and infrastructure costs on the price of raw land are at the centre of the affordability debate, not migration and negative gearing.”

Housing Affordability Index, Australia

Year	Quarter	Median	Interest	Monthly	Average Annual		Qualifying Annual		Housing
		First Home			Household	Income	Income	Affordability	
		Price	Rate	Payment	Total	Disposable	Total	Disposable	Index
		\$	%	\$	\$	\$	\$	\$	
2001	Sep	197,100	6.55	1,070	70,500	64,700	42,800	39,300	164.6
	Dec	210,100	6.05	1,088	70,900	65,700	43,500	40,300	163.0
2002	Mar	222,700	6.05	1,153	71,700	66,400	46,100	42,700	155.5
	Jun	229,400	6.55	1,245	72,000	66,200	49,800	45,800	144.5
	Sep	244,800	6.55	1,328	72,300	66,300	53,100	48,700	136.1
	Dec	259,400	6.55	1,408	72,800	66,200	56,300	51,200	129.3
2003	Mar	259,600	6.55	1,409	73,800	67,000	56,400	51,200	130.9
	Jun	291,300	6.55	1,581	73,600	67,300	63,200	57,800	116.4
	Sep	320,700	6.55	1,740	73,400	67,600	69,600	64,100	105.5

- Ends -

Note to Editors

The Housing 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 a full copy of the Commonwealth Bank/HIA Housing Report, please visit <http://www.commbank.com.au> or contact Harley Dale, HIA Senior Economist on (02) 6249 6366.

For copies of state and capital city releases, please contact Steve Cookson (see details below).

The Commonwealth Bank is Australia’s biggest home lender with over 1.1 million home loan customers.

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