

**QUARTERLY REVIEW OF HOUSING AFFORDABILITY  
DECEMBER QUARTER 2003**

**MEDIA RELEASE**

**11 MARCH 2004**

**RECORD LOW HOUSING AFFORDABILITY IN DECEMBER QUARTER**

Housing affordability for first home buyers fell 8.4 per cent, reaching a record low in the December quarter of 2003, according to a report released today by the Commonwealth Bank and HIA.

Figures from the HIA/Commonwealth Bank Affordability Report indicate that housing was 23.7 per cent less affordable for first home buyers in the December quarter of 2003 than it had been a year earlier.

Among the capital cities, affordability fell furthest in Hobart (27.5 per cent\*) in the last quarter of 2003. Adelaide recorded the smallest decline, of just 2.7 per cent.

Regional areas in most states also recorded a fall in affordability, with NSW falling furthest (9.8 per cent). The only exception was regional Western Australia, where affordability improved by 4.8 per cent.

Factors contributing to the record low in affordability included a 5.5 per cent rise in Australia's median house price and a 0.5 per cent interest rate increase during the quarter.

Median house prices rose during the December quarter in all capital cities except Adelaide (down 0.7 per cent). Hobart recorded the biggest increase, with a median house price rise of 33.1 per cent\*.

During the December quarter, regional median house prices grew in New South Wales (6.9 per cent), Queensland (6.0 per cent), Victoria (5.9 per cent) and Tasmania (4.7 per cent\*), falling only in regional Western Australia (8.0 per cent) and South Australia (0.6 per cent).

Another key feature of the December quarter's fall in affordability was an increase in the loan repayment on a typical first home loan, which rose by \$177 to \$1,917 – or 30.5 per cent of the average household income. By contrast, in the September 2003 quarter, repayments on a typical loan absorbed 27.9 per cent of the average household income.

Geoff Austin, Executive General Manager, Mortgages and Investments at the Commonwealth Bank, said the fact that affordability has hit a record low should alert potential first home buyers to the need to do their homework.

“Buying your first home is a big step and the responsibility doesn't end once the ink is dry on the contract. First home buyers need to think carefully about the full impact that buying property will have on their financial situation,” he said.

*\* = NB: All figures for Hobart, Canberra and regional Tasmania should be treated with caution because of small sample sizes in those areas.*

"Money saved towards the deposit and purchase costs on your home is money you don't have to borrow from the bank, so your mortgage repayments will be lower and you'll own more equity in your home from day one.

"It is always a good idea to think about what an interest rate rise or other unexpected cost increase will mean for you personally, before you buy a home. Consider all your home loan options and make sure you choose the home loan product that best suits your needs."

Simon Tennent, Chief Economist with Australia's peak building industry body HIA, said there is little on the horizon to suggest that affordability will improve in the short term.

"For first home buyers, the recent interest rate increases have put home ownership further out of reach. Buyers shouldn't hold their breath waiting for house prices to come down as there is still a continuing demand for housing across Australia," he said.

"We can't rely on a market correction to improve housing affordability. There need to be supply side reforms to the levying of fees, taxes and charges on new development, as well as a more coordinated and responsive approach to residential land releases in capital cities."

<b>HOUSING AFFORDABILITY INDEX, AUSTRALIA</b>									
Quarter		Median first home price	Interest rate	Monthly payment	Average annual household income		Qualifying annual income		Housing Affordability Index
		\$	%	\$	Total \$	Disposable \$	Total \$	Disposable \$	\$
2001	Dec	210,100	6.05	1,088	71,000	65,400	43,500	40,100	163.1
2002	Mar	222,700	6.05	1,153	71,600	65,900	46,100	42,400	155.4
	Jun	229,400	6.55	1,245	71,700	65,400	49,800	45,400	144.1
	Sep	244,800	6.55	1,328	71,900	65,400	53,100	48,300	135.4
	Dec	259,400	6.55	1,408	72,500	65,800	56,300	51,100	128.8
2003	Mar	259,600	6.55	1,409	73,000	65,700	56,400	50,800	129.3
	Jun	291,300	6.55	1,581	73,200	66,300	63,200	57,200	115.9
	Sep	320,700	6.55	1,740	74,700	67,600	69,600	63,000	107.3
	Dec	337,500	7.05	1,917	75,400	68,300	76,700	69,500	98.3

<b>REGIONAL AREAS (percentage change)</b>				
	<b>September quarter 2003 to December quarter 2003</b>		<b>December quarter 2002 to December quarter 2003</b>	
	<i>House price</i>	<i>Affordability</i>	<i>House price</i>	<i>Affordability</i>
New South Wales	+6.9	-9.8	+40.3	-29.1
Victoria	+5.9	-8.7	+26.6	-21.4
Queensland	+6.0	-9.2	+37.1	-27.5
South Australia	-0.6	-2.9	+14.1	-12.8
Western Australia	-8.0	+4.8	-2.4	+2.0
Tasmania	+4.7*	-8.0*	+46.9*	-32.5*

Regional highlights and a table of capital city changes in affordability and median house prices are included on page three of this release.

### Regional highlights:

Last quarter, affordability fell most in regional New South Wales and increased in regional Western Australia. During the quarter, house prices rose most in regional New South Wales, but fell in regional Western Australia and regional South Australia. In the year to the December quarter of 2003, regional Tasmania\* had the biggest drop in affordability and the biggest increase in median house price, while regional Western Australia's affordability rose and median house price fell.

CAPITAL CITIES (percentage change)				
	September quarter 2003 to December quarter 2003		December quarter 2002 to December quarter 2003	
	<i>House price</i>	<i>Affordability</i>	<i>House price</i>	<i>Affordability</i>
Sydney	+2.4	-5.8	+18.0	-15.8
Melbourne	+6.7	-9.6	+23.4	-19.4
Brisbane	+6.0	-8.9	+44.5	-31.2
Adelaide	-0.7	-2.7	+19.6	-17.0
Perth	+4.5	-7.7	+31.9	-24.7
Hobart	+33.1*	-27.5*	+67.5*	-40.7*
Canberra	+23.2*	-21.6*	+49.8*	-33.6*

### Capital city highlights:

Last quarter, affordability fell most in Hobart\* and least in Adelaide. During the quarter, house prices rose most in Hobart\* and fell in Adelaide. In the 12 months to the December quarter, Hobart\* recorded the biggest drop in affordability and Sydney the smallest. Sydney's median house price rose least over the year, and Hobart's\* most.

\* = NB: All figures for Hobart, Canberra and regional Tasmania should be treated with caution because of small sample sizes in those areas.

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### Note to Editors

1. The HIA / Commonwealth Bank Affordability 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.
2. For a full copy of the HIA/Commonwealth Bank Affordability Report, please visit <http://research.comsec.com.au> (select 'Economics' on the left hand menu) or [www.buildingonline.com.au](http://www.buildingonline.com.au)
3. The Commonwealth Bank is Australia's biggest home lender with over 1.1 million home loan customers.

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