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MEDIA RELEASE

CommonwealthBank

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Housing Affordability Continues to Head in Right Direction

Another rise in the HIA-Commonwealth Bank Housing Affordability Index in the March 2012 quarter marks the fifth straight quarter of improvement. Conditions are beginning to tilt back in favour of those trying to enter the housing market says the Housing Industry Association, the voice of Australia's residential building industry.

The HIA-Commonwealth Bank Housing Affordability Index improved by 6.4 per cent (3.7 points) in the March 2012 quarter to be 11.0 per cent (6.1 points) higher over the year.

"In the March quarter we observed a modest increase in earnings, a modest decline in lending rates and a softening in the median dwelling price, so all factors moved in a direction which improved housing affordability," said HIA's Senior Economist, Andrew Harvey.

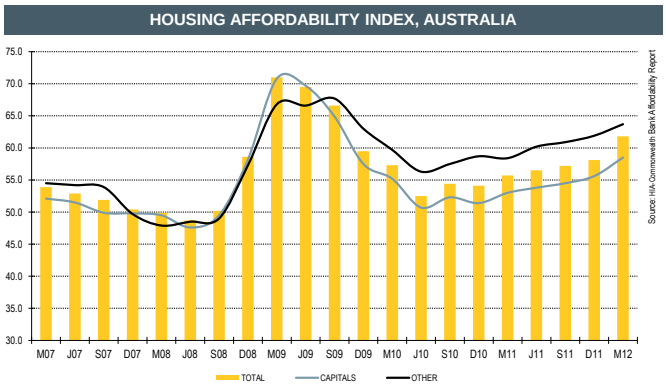
"Cuts to the RBA cash rate totalling 50 basis points in late 2011 should have provided a much larger boost to affordability in the quarter but the impact was eroded as lenders widened the margin between mortgage rates and the cash rate. After accounting for the wider margins, the average mortgage rate during the March quarter was only 13 basis points lower than in the December quarter," said Andrew Harvey.

"Those trying to get a foothold into the housing market will welcome the recent improvement in affordability, and we should see further improvement in coming quarters as the May rate cut flows through."

"However, we should be mindful that much of the recent improvement in affordability is driven by a cyclical softening in the economy and in house prices. Structural issues which dramatically push up the cost of housing, including high taxes, still need to be addressed and reformed," added Mr Harvey.

Sydney and Perth both recorded deteriorating affordability in the March quarter of 2012 with their indices falling by 1.0 per cent and 1.8 per cent respectively. Affordability improved in the remainder of Australia's capital cities with Melbourne up by 7.3 per cent, Brisbane up by 6.3 per cent, Adelaide up by 7.3 per cent, Hobart up by 3.0 per cent and Canberra up by 7.1 per cent.

Outside of the capital cities, affordability improved in all states with the exception of Victoria which was unchanged. Affordability in non-metropolitan New South Wales was up by 2.4 per cent, Queensland was up by 4.5 per cent, South Australia was up by 6.4 per cent, Western Australia was up by 8.7 per cent and Tasmania was up by 0.4 per cent.



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MEDIA RELEASE

HOUSING AFFORDABILITY INDEX AUSTRALIA

	Median Dwelling Price	Interest Rate	Monthly Mortgage Repayment	Average Weekly Earnings*	Qualifying Income	Affordability Multiple	Affordability Index
	$	%pa	$	$	$		
Mar Qtr 10	481,900	6.08%	2,817	64,594	112,661	1.8	57.3
Jun Qtr 10	502,700	6.67%	3,102	65,104	124,085	2.0	52.5
Sep Qtr 10	483,400	6.75%	3,006	65,406	120,235	1.9	54.4
Dec Qtr 10	481,600	7.02%	3,069	66,357	122,760	1.9	54.1
Mar Qtr 11	467,800	7.12%	3,008	67,049	120,320	1.8	55.7
Jun Qtr 11	469,100	7.08%	3,006	67,948	120,257	1.8	56.5
Sep Qtr 11	470,600	7.05%	3,007	68,848	120,281	1.8	57.2
Dec Qtr 11	476,400	6.80%	2,976	69,207	119,036	1.8	58.1
Mar Qtr 12	459,000	6.67%	2,833	69,992	113,333	1.7	61.8

* Annualised

HOUSING AFFORDABILITY INDEX BY REGION

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adeliade	Rest of State	Hobart	Rest of State	All
Sep Qtr 10	47.9	58.3	52.2	52.4	56.0	56.7	53.4	65.9	59.9	57.0	69.1	76.5	57.8
Dec Qtr 10	46.9	60.4	51.1	53.5	56.7	57.8	53.2	64.3	59.6	58.7	64.5	73.7	55.9
Mar Qtr 11	48.0	60.0	51.9	52.2	57.5	57.6	56.4	68.6	60.6	58.1	67.2	74.7	55.5
Jun Qtr 11	49.1	61.9	53.1	53.2	56.5	59.5	58.2	70.2	60.9	58.0	69.1	76.2	56.3
Sep Qtr 11	50.0	62.6	53.7	54.2	56.8	59.6	58.4	71.1	63.6	61.8	68.8	76.3	57.4
Dec Qtr 11	50.5	63.0	56.2	58.4	61.7	59.9	60.8	67.9	61.3	60.5	71.0	76.7	60.9
Mar Qtr 12	50.0	64.5	60.3	58.4	65.6	62.6	59.7	73.8	65.8	64.4	73.1	77.0	65.2

AFFORDABILITY MULTIPLE*

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adeliade	Rest of State	Hobart	Rest of State	All
Sep Qtr 10	2.1	1.8	2.0	2.0	1.8	1.8	1.9	1.6	1.7	1.8	1.5	1.4	1.8
Dec Qtr 10	2.2	1.7	2.0	1.9	1.8	1.8	1.9	1.6	1.7	1.8	1.6	1.4	1.8
Mar Qtr 11	2.1	1.7	2.0	2.0	1.8	1.8	1.8	1.5	1.7	1.8	1.5	1.4	1.9
Jun Qtr 11	2.1	1.7	1.9	1.9	1.8	1.7	1.8	1.5	1.7	1.8	1.5	1.4	1.8
Sep Qtr 11	2.1	1.6	1.9	1.9	1.8	1.7	1.8	1.5	1.6	1.7	1.5	1.4	1.8
Dec Qtr 11	2.0	1.6	1.8	1.8	1.7	1.7	1.7	1.5	1.7	1.7	1.5	1.4	1.7
Mar Qtr 12	2.0	1.6	1.7	1.8	1.6	1.6	1.7	1.4	1.6	1.6	1.4	1.3	1.6

REQUIRED LOAN REPAYMENTS BY REGION ($PER MONTH)

	NSW		VIC		QLD		WA		SA		TAS		ACT
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adeliade	Rest of State	Hobart	Rest of State	All
Sep Qtr 10	3,769	2,419	3,334	2,370	3,232	2,560	3,398	2,633	2,645	2,160	2,194	1,782	3,282
Dec Qtr 10	3,888	2,358	3,437	2,343	3,261	2,564	3,482	2,753	2,700	2,132	2,385	1,875	3,417
Mar Qtr 11	3,875	2,422	3,370	2,391	3,207	2,564	3,388	2,665	2,673	2,168	2,337	1,889	3,469
Jun Qtr 11	3,824	2,366	3,335	2,377	3,320	2,525	3,325	2,633	2,696	2,201	2,301	1,875	3,472
Sep Qtr 11	3,790	2,361	3,335	2,358	3,311	2,528	3,457	2,713	2,645	2,116	2,334	1,891	3,467
Dec Qtr 11	3,728	2,332	3,260	2,239	3,078	2,541	3,288	2,815	2,742	2,158	2,280	1,898	3,288
Mar Qtr 12	3,794	2,296	3,078	2,271	2,965	2,491	3,331	2,577	2,563	2,036	2,235	1,906	3,095

* Number of average full time adult wages required to affordably service a mortgage on median priced dwelling.

NOTE: In 2010 the HIA Economics Group implemented a number of modifications to the HIA-Commonwealth Bank Housing Affordability Index to enable more accurate evaluation of housing affordability in Australia. As a result of the amended methods the Index has been rebased, therefore values in this report are not directly comparable with editions prior to the September 2010 quarter report. Further information about the index methodology can be obtained from the HIA Economics Group website at http://economics.hia.com.au/publications/hia_cba_affordability_report.aspx