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MEDIA RELEASE

CommonwealthBank 

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## Affordability Slips in Late 2013

Housing affordability declined slightly in the December 2013 quarter as the positive impact from previous interest rate cuts tapered off, said the Housing Industry Association, the voice of Australia's residential building industry.

"Those in the housing market or who have been on its cusp of and then entered in recent years have experienced a considerable improvement in affordability. This improvement has been driven by an easing interest rate cycle which now sees borrowing costs at or near record lows," commented HIA Chief Economist, Harley Dale.

"The HIA-Commonwealth Bank Housing Affordability Index eased by 0.5 per cent in the December 2013 quarter as the impact from the last rate cut in August 2013 largely washed through the system," noted Harley Dale. "The Index was nevertheless still at a level 8.4 per cent higher than what was observed in the December 2012 quarter."

"In 2014 we are likely to see further gains in residential property prices, but in an environment of subdued household earnings growth and steady interest rates," said Harley Dale. "The strong cyclical improvement to affordability for existing participants in the home ownership market has therefore run its course."

"Addressing the large supply-side impediments to a structural improvement in affordability for all Australians is one of the nation's most prominent policy challenges," added Harley Dale. "Addressing this challenge requires focus from all levels of government and would provide considerable benefit to the Australian economy."

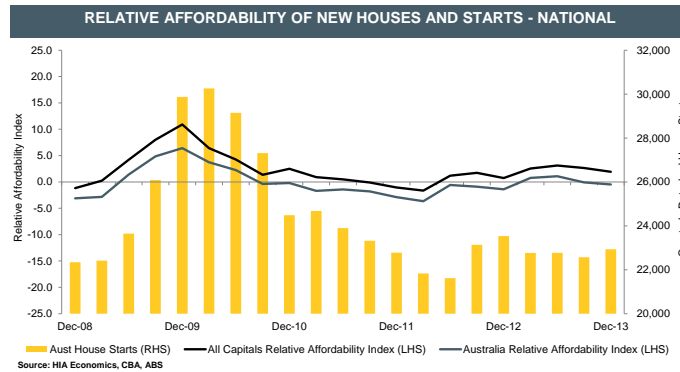
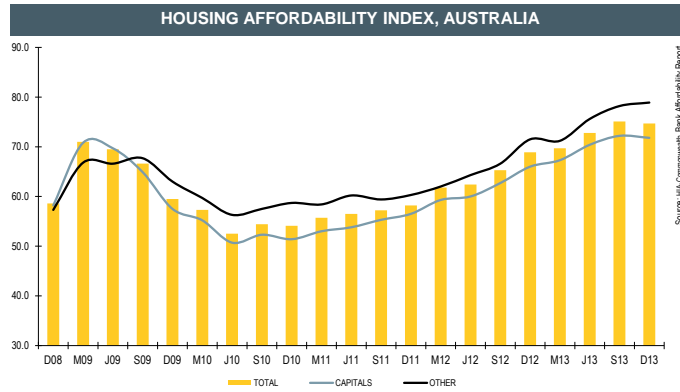
In the December 2013 quarter, the HIA-CBA Housing Affordability Index declined in four out the six surveyed capital cities: Hobart (-9.2 per cent); Sydney (-4.4 per cent); Perth (-2.5 per cent); and Brisbane (-1.0 per cent). Meanwhile, affordability in both Adelaide and Melbourne recorded increases of 5.5 per cent during the quarter. The affordability index for the Australian Capital Territory declined by 1.2 per cent. In most states' regional areas, the index increased, with rises of: 4.4 per cent in Victoria; 3.5 per cent South Australia; 3.2 per cent in Queensland; and 1.4 per cent in Tasmania. Meanwhile, the index declined in regional Western Australia (-6.8 per cent) and in regional New South Wales (-3.9 per cent).

The HIA New House Affordability Index registered -0.5 for the December 2013 quarter, indicating that new houses remained slightly less affordable than established houses.

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HOUSING AFFORDABILITY INDEX AUSTRALIA							
	Median Dwelling Price	Interest Rate	Monthly Mortgage Repayment	Average Weekly Earnings*	Qualifying Income	Affordability Multiple	Affordability Index
	\$	%pa	\$	\$	\$		
Dec Qtr 11	475,800	6.80%	2,972	69,217	118,886	1.72	58.2
Mar Qtr 12	459,100	6.67%	2,834	70,008	113,358	1.62	61.8
Jun Qtr 12	467,000	6.40%	2,812	70,158	112,468	1.60	62.4
Sep Qtr 12	461,900	6.03%	2,686	70,158	107,442	1.53	65.3
Dec Qtr 12	461,900	5.82%	2,633	72,592	105,315	1.45	68.9
Mar Qtr 13	463,400	5.67%	2,604	72,592	104,145	1.43	69.7
Jun Qtr 13	465,700	5.35%	2,536	73,887	101,457	1.37	72.8
Sep Qtr 13	459,000	5.18%	2,458	73,887	98,338	1.33	75.1
Dec Qtr 13	470,400	5.10%	2,500	74,724	99,986	1.34	74.7

\* 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	Adelaide	Rest of State	Hobart	Rest of State	All
Mar Qtr 12	52.5	59.0	60.4	57.8	63.5	64.4	61.4	67.4	65.6	66.0	78.1	73.0	65.4
Jun Qtr 12	54.4	61.3	59.5	60.1	62.3	66.5	64.3	67.4	69.5	64.7	78.1	78.1	67.6
Sep Qtr 12	56.9	63.7	61.6	61.2	65.9	69.1	65.9	71.1	70.6	68.4	83.6	82.3	71.1
Dec Qtr 12	59.9	69.5	64.2	63.9	70.1	74.7	70.1	75.4	75.6	73.4	89.4	84.3	74.2
Mar Qtr 13	60.7	69.7	67.1	63.0	74.4	74.2	68.2	75.5	72.6	70.6	86.0	86.7	76.1
Jun Qtr 13	62.7	71.7	68.7	66.4	82.2	81.4	71.0	78.9	78.1	76.0	94.4	93.6	79.0
Sep Qtr 13	63.0	73.7	70.5	69.8	83.4	85.0	73.3	80.9	80.0	74.3	103.8	92.4	84.1
Dec Qtr 13	60.2	70.8	74.4	72.9	82.6	87.7	71.5	75.4	84.4	76.9	94.3	93.7	83.1

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	Adelaide	Rest of State	Hobart	Rest of State	All
Mar Qtr 12	3,794	2,296	3,078	2,271	2,965	2,491	3,331	2,577	2,555	2,036	2,235	1,906	3,095
Jun Qtr 12	3,703	2,238	3,090	2,160	3,008	2,399	3,184	2,582	2,428	2,092	2,260	1,801	3,074
Sep Qtr 12	3,543	2,152	2,983	2,121	2,842	2,307	3,105	2,446	2,391	1,977	2,111	1,710	2,922
Dec Qtr 12	3,471	2,037	2,937	2,084	2,770	2,212	3,064	2,417	2,315	1,911	2,020	1,707	2,876
Mar Qtr 13	3,428	2,030	2,808	2,111	2,608	2,228	3,148	2,417	2,411	1,987	2,101	1,660	2,804
Jun Qtr 13	3,340	1,985	2,761	2,015	2,454	2,110	3,128	2,392	2,253	1,855	1,977	1,588	2,808
Sep Qtr 13	3,322	1,933	2,689	1,917	2,417	2,020	3,030	2,332	2,200	1,897	1,796	1,608	2,639
Dec Qtr 13	3,510	2,029	2,645	1,906	2,440	1,957	3,057	2,465	2,143	1,885	1,982	1,590	2,611

\* 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://hia.com.au/~media/HIA%20Website/Files/IndustryBusiness/Economic/publications/Affordability\\_Index\\_Methodology.ashx](http://hia.com.au/~media/HIA%20Website/Files/IndustryBusiness/Economic/publications/Affordability_Index_Methodology.ashx)