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## A Long Path Ahead to Restore Affordability

“A trend of improving affordability is taking root in the major capital cities - due largely to falling housing prices,” commented Geordan Murray, HIA Acting Principal Economist.

The HIA Affordability Index for Australia was recorded at 76.3 in the September quarter, which is 1.5 per cent higher than in the previous quarter and 2.2 per cent higher than at the same time last year demonstrating an improvement in affordability.

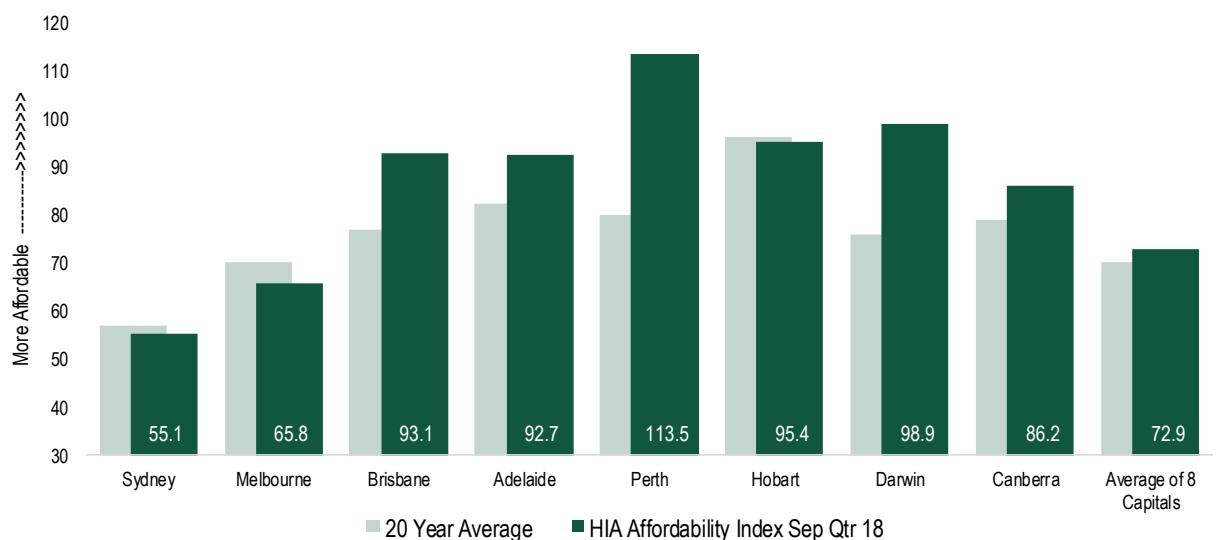
“Affordability in Sydney posted the biggest improvement. While it remains the least affordable market in the country – by quite a margin – the index is 9.0 per cent higher than a year earlier which is a significant positive step. The improvement in affordability has primarily been driven by the declining trend in home prices over the last year,” said Mr Murray.

“The analysis also shows improved affordability in Melbourne, albeit to a lesser degree than in Sydney.

“The downturn in home prices is yet to run its full course. As the price cycle progresses affordability will continue to improve and this could be bolstered by wages growth.

“Affordability has been deteriorating over a number of decades and it will take many decades of concerned effort by governments at all levels to reduce the constraints and punitive taxes on housing that have led to the creation of the affordability challenge,” concluded Mr Murray.

HIA Affordability Index by Capital City, September 2018 quarter



Source: HIA, ABS, CoreLogic

For further information please contact:  
Geordan Murray, Acting Principal Economist  
Tim Reardon, Acting Chief Executive – Industry Policy

0438 103 651  
0423 141 031

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