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MEDIA RELEASE

Building boom still bearing fruit for housing affordability

“Australia’s record home building boom continues to improve housing affordability,” said Geordan Murray, HIA Senior Economist.

The HIA Affordability Index for Australia’s capital cities registered 75.4 in the December quarter of 2018. This is a level that is 1.5 per cent higher than in the previous quarter and 3.3 per cent higher than a year earlier.

“2018 was the fifth consecutive year where the industry commenced construction of over 200,000 homes and it was a record year in terms of new dwelling completions.

“This strong flow of new housing supply is one of the key factors behind the moderation in price pressures in housing markets across the country, which has ultimately improved housing affordability.

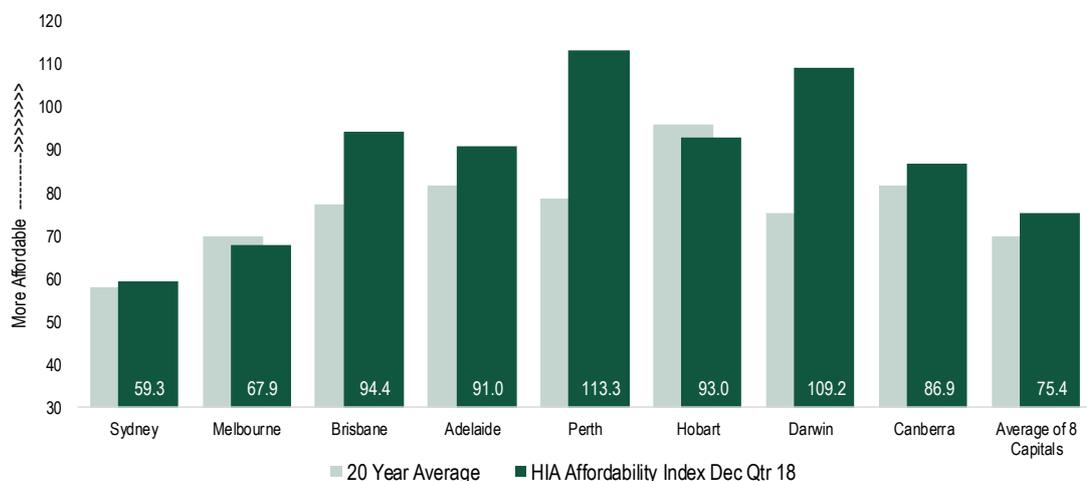
“The other key factor has been the modest improvement in wages growth. Strong growth in employment over the last two years has boosted demand for workers. We are seeing the early signs that this tightening in the labour market is translating into rising wages.

“The combination of declining home prices, growth in wages and historically low interest rates creates a situation where the HIA Affordability Index shows that affordability in six of the eight capital cities is more favourable than the 20 year average. Melbourne and Hobart are the only exceptions.

“Despite the improvement in affordability over recent quarters, housing in Sydney and Melbourne remains far from affordable for average households. We will need to see wage growth continue to exceed home prices in order to restore more appropriate levels of affordability,” concluded Mr Murray.

Five of the eight capital cities saw improved affordability over the year to December 2018. Sydney continues to be home to the greatest improvements, its index is up by 11.3 per cent. This was followed by Melbourne (+5.9 per cent), Perth (+5.7 per cent), Darwin (+3.2 per cent) and Brisbane (+0.8 per cent). Affordability deteriorated in Hobart (-9.3 per cent), Canberra (-3.6 per cent) and Adelaide (-3.3 per cent).

HIA Affordability Index by Capital City, December 2018 quarter



Source: HIA, ABS, CoreLogic

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