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MEDIA RELEASE

## Housing Affordability is About Supply and Demand

"The record volume of new homes built over the past four years is one of the reasons house prices are returning to more affordable levels," said HIA's Principal Economist, Tim Reardon.

CoreLogic Data released today shows Dwelling prices fell in January. The median dwelling price fell by 1.0 per cent nationally to be 6.1 per cent below the peak in late 2017. This was led by Sydney (-1.3 per cent in January and -12.3 per cent from its mid-2017 peak) and Melbourne (-1.6 per cent in January and -8.7 per cent from its late-2017 peak).

"There are numerous factors impacting the housing market at the moment, including a credit squeeze created by restrictive lending practices, but the overwhelming impact on house prices over the past year has been the record volume of new home building.

"Housing affordability is about 'Supply and Demand' and for most of this century there have been constraints on new home building that have limited supply and forced up prices. These constraints on new home building are why Sydney experienced 19% house price growth in a single years and 82 per cent in 6 years to the end of 2017.

"Since 2014, Australia has built an unprecedented volume of new homes and we are starting to see affordability indicators improve.

"More important than house prices, the stalling of rental price inflation over the past year is the most important indicator that tells us that the pent-up demand for new housing in Sydney and Melbourne has now been met by a record volume of new housing.

"There have now been 14 consecutive quarters where rental price growth has been below inflation.

"This is great news for renters.

"While population growth remains solid, the slowdown in building activity that is underway will remain modest," concluded Mr Reardon.

Real Annualised CPI Rental Growth, Australia  
Source: ABS CPI



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