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Victorian Housing Affordability Improves: HIA

“The combination of lower home prices, improvements in wage growth and lower interest rates have contributed to ongoing improvements in housing affordability. HIA’s Affordability Index for the June 2019 quarter shows that Melbourne has its most favourable housing affordability since the start of 2014,” said Fiona Nield, HIA Executive Director for Victoria.

HIA’s Affordability Index is calculated for each of the eight capital cities and regional areas on a quarterly basis and takes into account the latest dwelling prices, mortgage interest rates and wage developments.

“For a home buyer in Melbourne with an average income purchasing a median priced dwelling (assuming a 10 per cent deposit), mortgage repayments will consume the smallest proportion of their earnings since the start of 2014,” said Ms Nield.

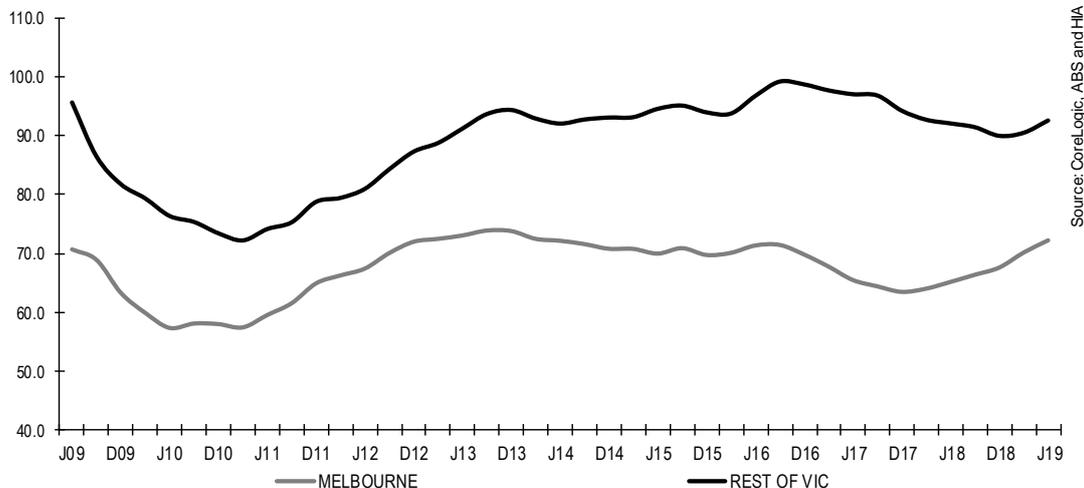
“The affordability index shows a marked improvement in housing affordability in Melbourne throughout 2018 and also for regional Victoria in 2019.

“The softening in the housing market plus continuing wage growth and the recent drop in interest rates has now reversed the deterioration in affordability that home buyers were facing during the boom.

“There are also a number of initiatives that do not feed into this Affordability Index that will assist with first home buyers entering the market. The reduction in income tax, the easing of APRA restrictions on mortgage lending and the Australian Government’s First Home Loan Deposit Scheme are likely to be important considerations for households in the future as well.

“A combination of tax cuts, low interest rates, a loosening of lending restrictions and improving wage growth is creating a favourable environment for home buyers,” concluded Ms Nield.

HIA HOUSING AFFORDABILITY INDEX, VICTORIA



Source: CoreLogic, ABS and HIA

For further information please contact: Fiona Nield 0419 751 187



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