

MEDIA RELEASE



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Red Tape Squeezing First Home Buyers Out of the Market

“The HIA-Housing Affordability Index for the June quarter 2020 shows housing in Australia remains at its most affordable since 1999,” state Tim Reardon, HIA’s Chief Economist.

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.

“Housing affordability improved in the June quarter across all capital cities,” added Mr Reardon.

“This improvement in affordability means that it now requires less than 1.2 average incomes to service a mortgage on a median-priced dwelling in Australia’s capitals.

“This is a rapid improvement from just three years ago when it required more than 1.4 times the average income to service the same mortgage.

“The combination of lower interest rates, slow house price growth and relatively steady wage growth over the past three years have driven this improvement in affordability.

“Unfortunately this is cold comfort for many first home buyers.

“Repaying a mortgage is no longer the constraint it was over the past two decades. The increase in the number of new homes built over the past five years has kept a lid on house price growth.

“The challenge facing first home buyers is no longer their ability to repay a loan, but in obtaining a mortgage in the first place.

“A decade of red tape has made it significantly harder for first home buyers to obtain a mortgage for purchasing their first home.

“A raft of restrictions imposed by APRA and ASIC since the 2007 Global Financial Crisis has seen the number of home loans issued with a 10 per cent deposit fall from 21 per cent of all loans to just 7 per cent.

“As the Governor of the Reserve Bank, Phillip Lowe said, the pendulum has swung too far.

“The additional red tape imposed in recent years means that banks are increasingly lending to those that already own a home.

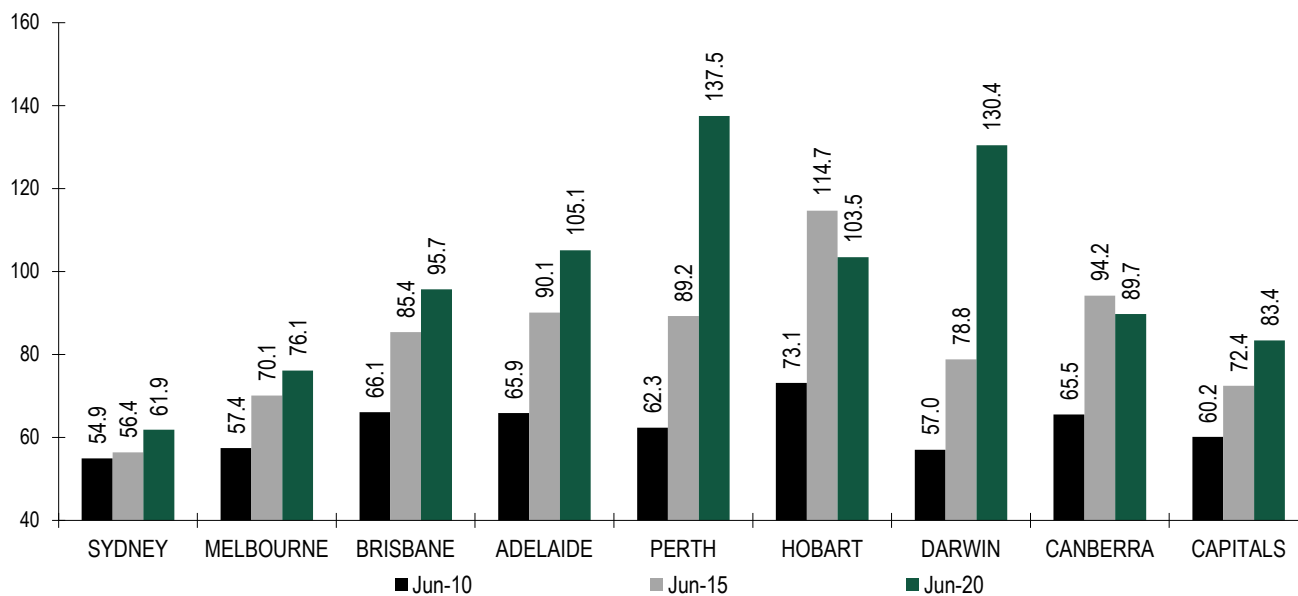
“Improving access to finance helped pull the economy out of the 1990’s recession and it can do the same for the COVID-19 recession,” concluded Mr Reardon.

The HIA Housing Affordability Index for the capital cities increased by 5.6%, led by Perth (+7.1%), Melbourne (+6.9%) and Sydney (+6.1%). Brisbane also increased by 5.0%, followed by Canberra (3.3%), Hobart (+3.1%), Adelaide (+3.1%) and Darwin (+1.6%). The Index for regional Australia also increased by 4.9 per cent.

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HIA HOUSING AFFORDABILITY INDEX, CAPITAL CITIES



Source: CoreLogic, ABS and HIA

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