

MEDIA RELEASE



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Regional Areas Experienced a Sharp Deterioration in Affordability

“Housing in Australia became less affordable in the December 2020 quarter due to rising house prices and a slight fall in average incomes. Despite the decline, housing is considerably more affordable than the average over the past 20 years,” stated Angela Lillicrap, HIA’s 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.

“Regional areas experienced a larger decline in affordability than the capital cities. The regional index fell by 3.7 per cent in the quarter to return to the level it was in December 2019,” added Ms Lillicrap.

“With the onset of COVID-19, consumer preferences have shifted towards detached housing and regional areas.

“Preliminary migration data shows more Australians left the capital cities in each of the first three quarters of 2020 than at any other time since records began in 2001. This involved an acceleration of retirement plans and fewer people moving to urban centres for work or education.

“The slowing in overseas migration will take a number of years to impact the detached housing market. This adverse impact has also been partially offset by the return of ex-pats who are also seeking detached housing.

“As a consequence of this shift in population, house prices in regional areas outperformed the capital cities over the past year.

“The mismatch between the low supply of homes on the market and strong buyer demand has seen prices increase sharply over recent months. As prices continue to rise, more sellers will put their homes on the market. This will help to keep a lid on the sharp price increases that are occurring.

“It is likely that much of the shift in population will be permanent. When ‘normal’ does return, however, young students and workers will once again move to employment centres in capital cities.

“Darwin experienced the sharpest decline in affordability during the quarter, falling from an index reading of 134.6 to 128.0. Despite this decline, Darwin is still considered a very affordable market. Brisbane and Adelaide followed with declines of 3.1 per cent respectively.

“Sydney continues to be the most unaffordable market with an index reading of 66.4 in the December quarter. Melbourne is also considered an extremely unaffordable market with an index level of 77.5,” concluded Ms Lillicrap.

The HIA Housing Affordability Index for the capital cities decreased by 2.5 per cent in the December 2020 quarter, meaning affordability deteriorated. This was driven by declines in Darwin (-4.9 per cent), Brisbane (-3.1 per cent) and Adelaide (-3.1 per cent). Hobart and Perth both declined by 3.0 per cent, followed by Canberra (-2.8 per cent) and Melbourne (-1.4 per cent). Affordability in Sydney declined by 0.8 per cent. Regional areas declined by 3.7 per cent over the same period.

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