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Housing Affordability Improves in March but Challenges Remain in Key Areas

The trend of improving housing affordability has continued into 2013 with affordability rising by 1.2 per cent in the first three months of the year. An easing of mortgage lending rates alongside subdued house price developments were the main drivers of this improved affordability, said the Housing Industry Association, the voice of Australia's residential building industry.

The HIA-CBA Housing Affordability Index inched up by 1.2 per cent in the March 2013 quarter to a level of 69.7. The index is now 12.8 per cent higher than twelve months earlier.

"The improvements to affordability in this update, however, were not universal," said HIA Senior Economist, Shane Garrett.

"Housing affordability across regional Australia deteriorated mildly in the March quarter this year, due largely to dwelling price increases which offset the effects of reduced lending rates," commented Shane Garrett.

"Overall, the trend across the capital cities is one of continued improvement in affordability, with the capital city index increasing by 2.0 per cent in the March 2013 quarter. However the cities of Adelaide, Perth and Hobart each saw declines in affordability," added HIA Senior Economist Shane Garrett.

"Some of these developments notwithstanding, the overall trend of improvement continued into 2013, and we can expect further improvements over coming quarters as the latest RBA rate cut flows through to households," noted Shane Garrett.

"However, much of the recent improvement in affordability is the result of the weaknesses that affect the economy. The structural issues which dramatically push up the cost of new housing, including high taxes and regulatory costs, remain outstanding and in urgent need of reform. Policy makers should be cognisant of this situation and act to reduce the unacceptably large gap between new and existing property prices," added HIA Senior Economist Shane Garrett.

Reductions in affordability occurred in Adelaide (-4.1 per cent), Hobart (-3.8 per cent) and Perth (-2.6 per cent) during the March quarter of 2013. Affordability improved in Brisbane (up by 6.2 per cent), Melbourne (up by 4.7 per cent), Canberra (up by 2.6 per cent), and Sydney (up by 1.2 per cent).

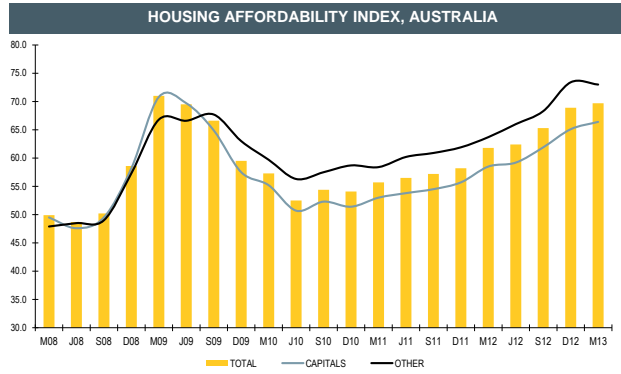
Outside of the capital cities, affordability deteriorated in regional South Australia (-3.8 per cent), regional Victoria (-1.2 per cent) and regional Queensland (-0.7 per cent), but improved in regional Tasmania (up by 2.8 per cent) and regional New South Wales (up by 0.3 per cent).

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MEDIA RELEASE



HOUSING AFFORDABILITY INDEX AUSTRALIA							
	Median Dwelling Price	Interest Rate	Monthly Mortgage Repayment	Average Weekly Earnings*	Qualifying Income	Affordability Multiple	Affordability Index
	\$	%pa	\$	\$	\$		
Mar Qtr 11	467,800	7.12%	3,008	67,059	120,320	1.79	55.7
Jun Qtr 11	469,100	7.08%	3,006	67,943	120,257	1.77	56.5
Sep Qtr 11	470,600	7.05%	3,007	68,832	120,281	1.75	57.2
Dec Qtr 11	475,800	6.80%	2,972	69,217	118,886	1.72	58.2
Mar Qtr 12	459,100	6.67%	2,834	70,008	113,358	1.62	61.8
Jun Qtr 12	467,000	6.40%	2,812	70,158	112,468	1.60	62.4
Sep Qtr 12	461,900	6.03%	2,686	70,158	107,442	1.53	65.3
Dec Qtr 12	461,900	5.82%	2,633	72,592	105,315	1.45	68.9
Mar Qtr 13	463,400	5.67%	2,604	72,592	104,145	1.43	69.7

* Annualised

HOUSING AFFORDABILITY INDEX BY REGION													
	NSW		VIC		QLD		WA		SA		TAS	ACT	
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adelaide	Rest of State	Hobart	Rest of State	All
Sep Qtr 11	50.0	62.6	53.7	54.2	56.8	59.7	58.4	71.1	63.6	61.8	68.8	76.3	57.4
Dec Qtr 11	50.5	63.0	56.2	58.4	61.7	59.9	60.8	67.9	63.3	60.5	71.0	76.7	60.9
Mar Qtr 12	50.1	64.6	60.3	58.4	65.5	62.5	59.7	73.8	66.1	64.4	73.1	77.1	65.4
Jun Qtr 12	51.9	67.1	59.4	60.7	64.3	64.6	62.6	73.8	70.0	63.2	73.2	82.6	67.7
Sep Qtr 12	54.3	69.8	61.6	61.8	68.0	67.1	64.2	77.9	71.1	66.9	78.4	87.0	71.3
Dec Qtr 12	57.2	76.1	64.1	64.5	72.3	72.6	68.2	82.6	76.2	71.7	83.5	88.9	74.0
Mar Qtr 13	57.9	76.3	67.1	63.7	76.8	72.1	66.4	82.7	73.1	69.0	80.3	91.4	75.9

AFFORDABILITY MULTIPLE*													
	NSW		VIC		QLD		WA		SA		TAS	ACT	
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adelaide	Rest of State	Hobart	Rest of State	All
Sep Qtr 11	2.00	1.60	1.86	1.85	1.76	1.68	1.71	1.41	1.57	1.62	1.45	1.31	1.74
Dec Qtr 11	1.98	1.59	1.78	1.71	1.62	1.67	1.65	1.47	1.58	1.65	1.41	1.30	1.64
Mar Qtr 12	2.00	1.55	1.66	1.71	1.53	1.60	1.67	1.35	1.51	1.55	1.37	1.30	1.53
Jun Qtr 12	1.93	1.49	1.68	1.65	1.56	1.55	1.60	1.36	1.43	1.58	1.37	1.21	1.48
Sep Qtr 12	1.84	1.43	1.62	1.62	1.47	1.49	1.56	1.28	1.41	1.50	1.28	1.15	1.40
Dec Qtr 12	1.75	1.31	1.56	1.55	1.38	1.38	1.47	1.21	1.31	1.39	1.20	1.13	1.35
Mar Qtr 13	1.73	1.31	1.49	1.57	1.30	1.39	1.51	1.21	1.37	1.45	1.25	1.09	1.32

REQUIRED LOAN REPAYMENTS BY REGION (\$PER MONTH)													
	NSW		VIC		QLD		WA		SA		TAS	ACT	
	Sydney	Rest of State	Melbourne	Rest of State	Brisbane	Rest of State	Perth	Rest of State	Adelaide	Rest of State	Hobart	Rest of State	All
Sep Qtr 11	3,790	2,361	3,335	2,358	3,311	2,528	3,457	2,713	2,645	2,116	2,334	1,891	3,467
Dec Qtr 11	3,728	2,332	3,260	2,239	3,078	2,541	3,288	2,815	2,651	2,158	2,280	1,898	3,288
Mar Qtr 12	3,794	2,296	3,078	2,271	2,965	2,491	3,331	2,577	2,555	2,036	2,235	1,906	3,095
Jun Qtr 12	3,703	2,238	3,090	2,160	3,008	2,399	3,184	2,582	2,428	2,092	2,260	1,801	3,074
Sep Qtr 12	3,543	2,152	2,983	2,121	2,842	2,307	3,105	2,446	2,391	1,977	2,111	1,710	2,922
Dec Qtr 12	3,471	2,037	2,937	2,084	2,770	2,212	3,064	2,417	2,315	1,911	2,020	1,707	2,876
Mar Qtr 13	3,428	2,030	2,808	2,111	2,608	2,228	3,148	2,417	2,411	1,987	2,101	1,660	2,804

* Number of average full time adult wages required to affordably service a mortgage on median priced dwelling.

NOTE: In 2010 the HIA Economics Group implemented a number of modifications to the HIA-Commonwealth Bank Housing Affordability Index to enable more accurate evaluation of housing affordability in Australia. As a result of the amended methods the Index has been rebased, therefore values in this report are not directly comparable with editions prior to the September 2010 quarter report. Further information about the index methodology can be obtained from the HIA Economics Group website at http://economics.hia.com.au/publications/hia_cba_affordability_report.aspx