

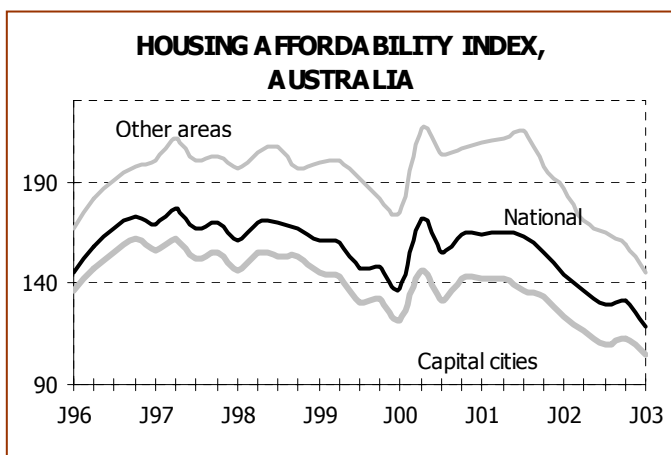


# HOUSING

# Report

JUNE QTR 2003

A QUARTERLY REVIEW OF HOUSING AFFORDABILITY



## HOUSING AFFORDABILITY FALLS TO A 13 YEAR LOW

A 12.2 per cent rise in house prices has seen housing affordability fall in the June quarter.

The Commonwealth Bank-HIA Housing Affordability Index for Australia fell by 9.3 per cent in the June quarter. Interest rates remained on hold over the quarter, while household disposable income edged up slightly. Compared to 12 months ago, affordability has declined by 17.8 per cent.

For the June quarter, the largest increases in house prices occurred outside Australia's capital cities, with Queensland (excluding Brisbane) up 15.7 per cent, Tasmania (excluding Hobart), up 14.1 per cent, and NSW (excluding Sydney) up 12.2 per cent. A fall in house prices was recorded in regional South Australia.

## HIGHLIGHTS

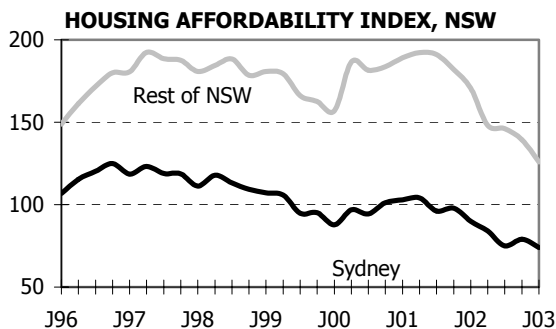
- **The affordability index fell** by 9.3 per cent in the June quarter and is 17.8 per cent lower than a year earlier.
- **The decline in affordability** was caused by a 12.2 per cent rise in house prices. Interest rates remained on hold while average household disposable income edged up slightly over the quarter.
- **The loan repayment needed on a typical first-home mortgage increased** from \$1,409 month to \$1,581 absorbing 25.3 per cent of average household income – 2.6 per cent more than the previous quarter.
- **The median price of established dwellings** in all capital cities was 15.9 per cent higher than a year ago, whilst the **median price of new dwellings fell** by 10.0 per cent.

## Housing Affordability Index, Australia

Year	Quarter	Median First Home Price \$	Interest Rate %	Monthly Payment \$	Average Annual Household Income		Qualifying Annual Income		Housing Affordability Index
					Total \$	Disposable \$	Total \$	Disposable \$	
2001	Jun	194,300	6.80	1,079	70,800	65,400	43,200	39,900	163.9
	Sep	197,100	6.55	1,070	70,600	64,800	42,800	39,300	164.9
	Dec	210,100	6.05	1,088	70,700	65,500	43,500	40,300	162.5
2002	Mar	222,700	6.05	1,153	71,700	66,400	46,100	42,700	155.5
	Jun	229,400	6.55	1,245	72,000	66,200	49,800	45,800	144.5
	Sep	244,800	6.55	1,328	72,300	66,300	53,100	48,700	136.1
2003	Dec	259,400	6.55	1,408	72,800	66,300	56,300	51,300	129.2
	Mar	259,600	6.55	1,409	73,900	67,300	56,400	51,400	130.9
	Jun	291,300	6.55	1,581	75,000	68,400	63,200	57,600	118.8

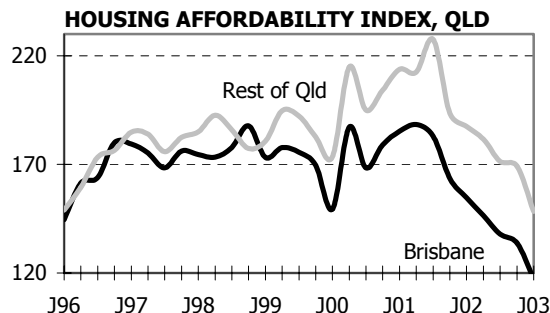
## New South Wales

Affordability fell by 6.5 per cent in Sydney and by 9.6 per cent in the rest of the state. In the year to June, house prices rose by 26.8 per cent in Sydney and housing became 17.9 per cent less affordable. In the rest of the state, house prices rose by 41.0 per cent and housing became 26.2 per cent less affordable than a year earlier.



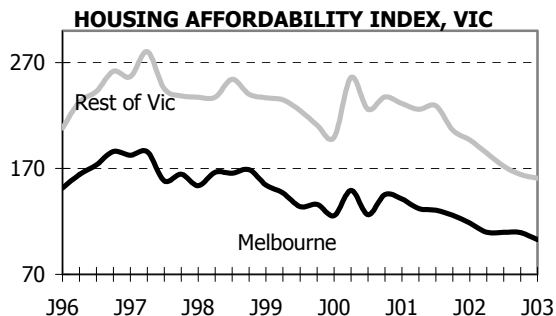
## Queensland

Affordability fell by 12.2 per cent in Brisbane and by 12.3 per cent in the rest of the state. In the year to June, house prices rose by 37.1 per cent in Brisbane and housing became 24.0 per cent less affordable. In the rest of the state, house prices rose by 31.8 per cent and housing became 20.9 per cent less affordable than a year earlier.



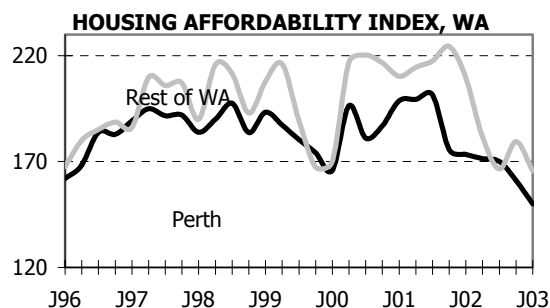
## Victoria

Affordability fell by 5.9 per cent in Melbourne and by 2.2 per cent in the rest of the state. In the year to June, house prices rose by 20.0 per cent in Melbourne and housing became 13.1 per cent less affordable. In the rest of the state, house prices rose by 27.8 per cent and housing became 18.5 per cent less affordable than a year earlier.



## Western Australia

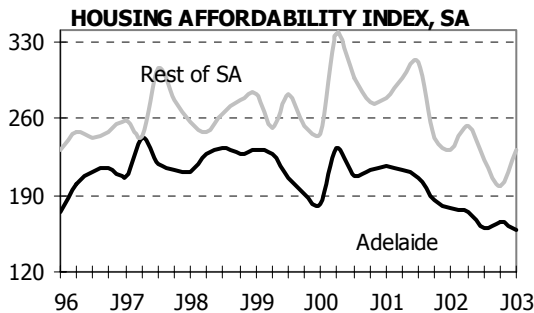
Affordability fell by 6.8 per cent in Perth and by 7.7 per cent in the rest of the state. In the year to June, house prices rose by 20.1 per cent in Perth and by 31.5 per cent in the rest of the state. Over the year to June, housing became 13.4 per cent less affordable in Perth and 20.9 per cent less affordable in regional WA.



	NSW		Vic		Qld		WA		SA		Tas		ACT
	Sydney	Rest	Melb	Rest	Brisb	Rest	Perth	Rest	Adel	Rest	Hobart	Rest	
<b>Affordability Index by Region</b>													
<b>Mar 02</b>	97.8	181.9	125.8	206.2	163.5	193.6	175.7	224.3	186.0	241.5	286.2	325.5	164.4
<b>Jun 02</b>	89.9	170.6	118.4	197.0	154.7	187.5	173.3	209.5	177.5	230.7	270.2	329.4	150.1
<b>Sep 02</b>	84.0	148.0	109.8	184.7	146.4	181.6	171.3	181.6	174.0	252.1	239.4	297.3	135.6
<b>Dec 02</b>	75.0	146.0	109.6	172.2	137.8	171.3	170.0	166.6	160.5	221.0	233.5	284.5	121.4
<b>Mar 03</b>	79.0	139.3	109.3	164.1	133.8	169.1	161.0	179.5	165.0	197.9	203.3	263.9	113.7
<b>Jun 03</b>	73.9	126.0	102.9	160.6	117.5	148.4	150.0	165.6	158.0	230.3	187.4	235.1	108.6
<b>Required Loan Repayments by Region (\$ per month)</b>													
<b>Mar 02</b>	1,832	984	1,425	871	1,095	926	1,019	800	963	742	628	551	1,089
<b>Jun 02</b>	2,002	1,055	1,519	913	1,163	959	1,040	861	1,014	779	668	548	1,200
<b>Sep 02</b>	2,150	1,221	1,648	977	1,235	995	1,055	994	1,038	718	754	607	1,333
<b>Dec 02</b>	2,427	1,245	1,660	1,058	1,319	1,062	1,070	1,092	1,136	823	779	640	1,500
<b>Mar 03</b>	2,339	1,326	1,689	1,124	1,381	1,093	1,148	1,030	1,119	933	910	699	1,626
<b>Jun 03</b>	2,538	1,488	1,822	1,167	1,595	1,264	1,249	1,133	1,188	815	999	798	1,727

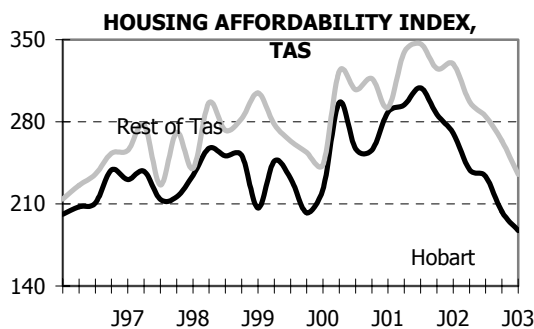
## South Australia

In the June quarter affordability fell by 4.2 per cent in Adelaide but rose by 16.3 per cent throughout the rest of the state, representing the only increase in affordability throughout Australia. In the year to June, house prices increased by 17.2 per cent in Adelaide but only rose by 4.7 per cent in the rest of the state.



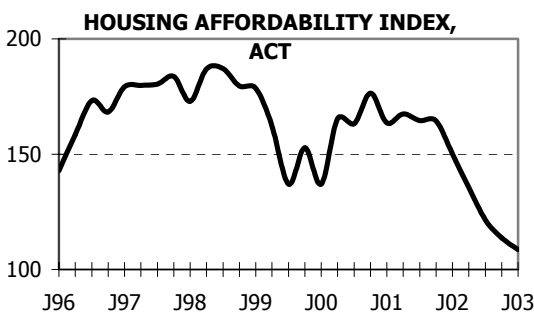
## Tasmania

Affordability fell by 7.8 per cent in Hobart and by 10.9 per cent in the rest of the state. In the year to June, house prices rose by 49.5 per cent in Hobart and housing became 30.6 per cent less affordable. In the rest of the state, house prices rose by 45.7 per cent and housing became 28.6 per cent less affordable than a year earlier.



## Australian Capital Territory

House prices rose by 6.2 per cent and affordability fell by 4.5 per cent in the June quarter. In the year to June, house prices increased by 43.9 per cent, and housing in Canberra became 27.7 per cent less affordable.



## DWELLING PRICES

The dwelling prices used in this publication are averages of those financed by the Commonwealth Bank. As such they cannot and do not take account of changes in the mix of size, location and quality of dwellings financed. Quarter-to-quarter variations therefore reflect any changes in the composition of housing financed, as well as changes in the price of a house of a given size, location and quality.

### Dwelling Price Movements

(% change in first home buyer price)

#### Jun qtr '02 to Jun qtr '03

	Capital City	Rest of State
<b>NSW</b>	26.8	41.0
<b>Vic</b>	20.0	27.8
<b>Qld</b>	37.1	31.8
<b>WA</b>	20.1	31.5
<b>SA</b>	17.2	4.7
<b>Tas</b>	49.5	45.7
<b>ACT</b>	43.9	n/a

#### Mar qtr '03 to Jun qtr '03

<b>NSW</b>	8.5	12.2
<b>Vic</b>	7.9	3.9
<b>Qld</b>	15.5	15.7
<b>WA</b>	8.8	10.0
<b>SA</b>	6.2	-12.7
<b>Tas</b>	9.7	14.1
<b>ACT</b>	6.2	n/a

In the June quarter, the median price of established dwellings in all capital cities was 15.9 per cent higher than a year ago and the price of established housing in areas other than capital cities was 30.9 per cent higher than a year ago.

The median price of new dwellings in all capital cities fell by 10.0 per cent in the year to June and the price of new housing in areas other than capital cities was 26.9 per cent higher than a year ago.

## Median Dwelling Prices

	2002			2003	
	June	September	December	March	June
<b>Sydney</b>					
New Dwellings*	419,400	431,100	538,200	448,900	535,300
Established Dwellings	455,700	488,000	551,400	529,900	572,700
- Houses	485,000	522,500	588,000	565,000	625,000
- Other	325,000	339,000	385,000	380,000	359,000
<b>Rest of New South Wales</b>					
All Dwellings	201,300	232,700	238,000	250,400	279,300
<b>Melbourne</b>					
New Dwellings*	284,300	348,600	326,200	353,000	376,900
Established Dwellings	291,800	316,300	319,600	324,900	349,000
- Houses	295,000	320,000	320,000	328,500	352,000
- Other	245,000	257,500	310,000	263,500	308,750
<b>Rest of Victoria</b>					
All Dwellings	174,500	185,200	200,800	212,500	221,900
<b>Brisbane</b>					
New Dwellings*	261,100	294,700	305,700	368,700	391,700
Established Dwellings	234,600	248,000	267,000	280,200	321,800
- Houses	243,000	259,000	276,645	288,000	329,000
- Other	165,000	163,000	168,750	191,000	245,000
<b>Rest of Queensland</b>					
All Dwellings	172,700	178,200	189,700	195,900	228,100
<b>Perth</b>					
New Dwellings*	284,900	316,800	231,000	275,300	277,500
Established Dwellings	229,400	233,100	235,800	252,300	255,500
- Houses	232,000	235,000	238,000	255,000	286,000
- Other	190,000	197,500	204,000	216,000	225,000
<b>Rest of Western Australia</b>					
All Dwellings	162,100	186,700	203,300	191,800	208,900
<b>Adelaide</b>					
New Dwellings*	281,700	187,700	299,200	345,200	202,400
Established Dwellings	212,400	214,800	236,500	233,100	247,500
- Houses	216,000	220,500	240,500	237,000	251,110
- Other	130,000	140,000	155,000	152,013	164,000
<b>Rest of South Australia</b>					
All Dwellings	145,200	135,600	156,000	174,400	156,700
<b>Hobart</b>					
All Dwellings*	141,400	159,200	161,300	188,600	205,800
<b>Rest of Tasmania</b>					
All Dwellings*	97,700	106,800	113,800	122,100	139,000
<b>Canberra</b>					
New Dwellings*	264,200	295,900	295,600	328,800	354,000
Established Dwellings	242,200	269,400	295,300	327,300	338,000
<b>All Capital Cities</b>					
New Dwellings*	334,600	362,900	390,000	375,800	301,100
Established Dwellings	310,300	330,900	350,400	340,400	359,700
- Houses	315,900	338,000	354,800	345,200	386,900
- Other	261,600	270,100	307,200	293,300	260,000
<b>All Other Areas</b>					
New Dwellings*	229,000	247,400	269,700	255,900	290,600
Established Dwellings	178,300	194,200	203,300	211,800	233,400

Median dwelling prices have been obtained from a census of all dwellings financed by Commonwealth Bank loan approvals.

Postcodes were used to identify metropolitan and non-metropolitan areas.

The median price is the middle value of dwelling prices, i.e. 50 per cent are above and 50 per cent are below the median price.

An estimate of the median price of established dwellings of first home buyers is used in the Affordability Index.

\*Prices need to be interpreted with caution because of the small number of observations.

Housing Affordability is measured by the ratio of average household disposable income to the ("qualifying") income required to meet payments on a typical dwelling (expressed as an index). In calculating qualifying income a deposit of 20 per cent with repayments equivalent to 30 per cent of income is assumed using a conventional 25 year loan. An increase in the Index represents an improvement in affordability.

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