

## **Housing affordability a "national tragedy"**

By Phil McCarroll | 07 Mar 2016 07:54 AM

The current state of housing affordability in a number of Australian real estate markets has been labelled a "national tragedy."

According to the latest Housing Affordability Report, compiled by Adelaide Bank and the Real Estate Institute of Australia (REIA), housing affordability in Australia hit its worst point in three years over the December 2015 quarter, with households requiring just under a third of their median income to meet loan repayments.

"The latest Adelaide Bank/REIA Housing Affordability Report shows that the proportion of median family income required to meet average loan repayments was 32.4%, which is the worst level since the December quarter of 2012," REIA president Neville Sanders said.

"Marginally lower interest rates did not curb the deterioration in affordability driven by rising loans and only modest increases in income," Sanders said.

Affordability declined in all states except Queensland and the Northern Territory over the quarter, with New South Wales and Victoria the least affordable states.

The proportion of income required to meet loan repayments in New South Wales increased by 1.4% over the December quarter of 2015, to 39.4%, 7% above the national average.

The proportion of income required to meet loan repayments in Victoria rose 0.6% in the December quarter, to 34.6%.

The Australian Capital Territory remained the most affordable state or territory to buy a house in the December quarter, with the proportion of income required to meet loan repayments sitting at 19.9%.

Adelaide Bank general manager Damian Percy echoed Sanders' points on the state of affordability.

"The further decline in housing affordability reported in December's Adelaide Bank/REIA Housing Affordability Report is deeply disappointing and of great concern, particularly given the current low interest rate environment," Percy said.

“The fact that many young families, particularly those in Melbourne and Sydney, now see home ownership as something their parents achieved but they likely never will, is a national tragedy,” he said.

Both Sanders and Percy said the report’s findings show that policymakers need to have an increased focus on increasing housing supply.

“Declining housing affordability highlights the importance of addressing the supply side issue of affordability,” Sanders said.

“Supply is constrained by a number of longstanding challenges including regulatory and zoning constraints and cost structures including taxing of building.”

While affordability for home owners may have declined over the quarter, there was some good news for renters, with the proportion of the median family income required to meet median rents remaining at 24.6%.

Rental affordability in New South Wales recorded a slight improvement in the quarter, falling 0.2% to 27.9%. However, rental affordability in Victoria also worsened over the quarter with the proportion of income required to meet median rents increasing by 0.5% to 23.5%.