

Media Release

10 March 2010

This release is embargoed to 12.01am, 10 March 2010.

No relief for home buyers as affordability declines for the third consecutive quarter

The Real Estate Institute of Australia's (REIA) Deposit Power Housing Affordability Report for the December quarter shows no relief for home buyers, with housing affordability declining in all states and territories, except for Western Australia.

"The proportion of income required to meet loan repayments across Australia has increased from 29.0% in the September quarter, to 30.7% in the December quarter," said REIA President, Mr David Airey.

Once again, the Australian Capital Territory remains the most affordable state or territory in which to own a home, where the proportion of income required to meet loan repayments increased to 17.7%; 13.0 percentage points below the national average. New South Wales remained the least affordable state or territory in which to own a home, where the proportion of income required to meet loan repayments increased to 33.6%; 2.9 percentage points above the national average.

There was a noticeable shift over the quarter in the number of home loans to first home buyers, decreasing by 14.6% – evidence that the phasing down of the First Home Owners Grant Boost (FHOG Boost) has started to impact the market.

Deposit Power's National Manager, Mr Keith Levy said, "One of the biggest factors influencing the property market at the moment is the shift in buyer demographics. While there is still some activity from first home buyers, with the government incentives returning to normal levels, we are currently seeing more purchases from up-graders and investors."

The continued decreases in housing affordability can be attributed to a number of factors according to Mr Airey.

"Higher interest rates, together with higher median property prices have underpinned the continued increases in average home loan repayments, leading to an overall decline in housing affordability."

"The data highlighted in this report is evidence that the Reserve Bank of Australia need not continue raising interest rates. Although REIA welcomes economic recovery, the reality is that the average Australian home loan repayment is now \$1856 per month – a figure that is still out of reach for many potential home buyers, concluded Mr Airey".

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