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## **HOUSING AFFORDABILITY DECLINES 2% IN THE DECEMBER QUARTER**

As interest rates continue to shrink on home loans, the ability for people to buy their own home also reduces.

According to the REIA Housing Affordability Report for the December 2019 quarter, affordability has declined another two per cent.

In practical terms this means the proportion of income required to meet loan repayments has increased to 34.7 per cent, equating to a two per cent increase over the quarter.

“Across Australia in the last quarter, housing affordability has declined in all states and territories except for the Northern Territory where there was an improvement,” said REIA president Adrian Kelly.

“During the December quarter, the Reserve Bank of Australia (RBA) reduced the official cash rate to 0.75% and the quarterly average variable standard interest rate decreased to 4.8 per cent.

“The quarterly average three-year fixed rate decreased by 0.3 percentage points to 3.1%.”

Certain considerable changes made in the lending finance data provided by the Australian Bureau of Statistics and the Australian Prudential Regulation Authority need to be highlighted against the report’s figures.

“The major change is that owner occupied is now defined as the principle place of residence with loans secured against the owner-occupied dwelling for other dwellings now considered as investment loans,” said Mr Kelly.

“Other changes include, rather than reporting loan approvals, borrower accepted commitments are now provided.

“Where new loans included a variable component and a fixed term component these were previously recorded as two loans rather than one, and previously loans for alterations, additions and repairs were included, now only loans for construction, newly erected and established housing are reported.”

This is the first edition of HAR since the changes to the collection and reporting of data.

New South Wales had the largest decline in affordability of 3.0 percentage points.

Rental affordability declined marginally over the quarter with the proportion of family income required to meet rental payments increasing 0.1 percentage points to 23.6%.

Rental affordability improved only in New South Wales and Victoria as their median rents remained stable or reduced marginally.

## **State by State**

### **NSW**

Over the December quarter, housing affordability in New South Wales declined with the proportion of income required to meet loan repayments increasing to 42.8%, an increase of 3.6 percentage points over the quarter and an increase of 3.3 percentage points compared with the corresponding quarter 2018.

With the proportion of income required to meet loan repayments 8.1 percentage points higher than the nation's average, New South Wales remained the least affordable state or territory in which to buy a home.

Over the December quarter, rental affordability in New South Wales improved with the proportion of income required to meet median rents decreasing to 27.4%, a decrease of 0.4 percentage points over the quarter and a decrease of 0.9 percentage points compared with the corresponding quarter 2018.

In New South Wales, the number of loans to first home buyers increased to 7,297 an increase of 5.6% over the quarter and an increase of 11.4% compared to the December quarter 2018.

Of the total number of first home buyers that purchased during the December quarter, 24.5% were from New South Wales while first home buyers make up 30.2% of the state's dwelling owner occupier market.

The average loan to first home buyers increased to \$489,969, an increase of 3.4% over the quarter and an increase of 16.2% compared to the same quarter last year.

### **Victoria**

Over the December quarter, housing affordability declined in Victoria with proportion of family income devoted to meeting average loan repayments increasing to 36.5%, an increase of 1.9% over the quarter and an increase of 1.3% when compared to the corresponding quarter in the previous year.

Rental affordability in Victoria improved over the quarter with the proportion of income required to meet median rent decreasing to 22.6%, a decrease of 0.1 percentage points over the quarter and a decrease of 0.6 percentage points over the previous year.

The number of loans to first home buyers in Victoria increased to 10,073, an increase of 14.1% over the quarter and an increase of 18.0% compared to the December quarter 2018.

Of the total number of first home buyers that purchased during the December quarter, 33.8% were from Victoria while first home buyers make up 40.0% of the state's owner-occupier market.

In the December quarter 2019, the average loan to first home buyers was \$426,308, an increase of 4.4% over the quarter and an increase of 10.9% compared to the December quarter 2018.

### **Queensland**

Housing affordability declined in Queensland over the December quarter with the proportion of income required to meet home loan repayments increasing to 30.6%, an increase of 1.0 percentage points over the quarter and a decrease of 0.4 percentage points when compared to the December quarter 2018.

Rental affordability in Queensland also declined over the quarter with the proportion of the median family income required to meet the median rent increasing to 22.1%, an increase of 0.4 percentage points over the quarter but remained stable for the same quarter 2018.

Over the December quarter, the number of loans to first home buyers in Queensland increased to 5,701, an increase of 8.1% over the quarter and an increase of 4.9% compared to the same quarter of 2018.

Of all Australian first home buyers over the quarter, 19.1% were from Queensland while the proportion of first home buyers of the state's owner-occupier market was 32.1%.

The average loan size to first home buyers increased to \$361,884, an increase of 3.5% during the quarter and an increase of 11.8% compared to the December quarter 2018.

### **South Australia**

Over the December quarter, housing affordability in South Australia declined with the proportion of income required to meet monthly loan repayments increasing to 28.0%, an increase of 0.9 percentage points over the quarter and a decrease of 0.1 percentage points compared to the December quarter 2018.

Rental affordability in South Australia also declined over the quarter with the proportion of income required to meet rent payments increasing to 22.3%, an increase of 0.5 percentage points over the quarter and an increase of 0.3 percentage points compared to the December quarter 2018.

Over the December quarter, the number of loans to first home buyers in South Australia increased to 1,661, an increase of 7.9% over the quarter but a decrease of 0.5% compared to the December quarter 2018.

Of all Australian first home buyers over the quarter, 5.6% were from South Australia while the proportion of first home buyers in the state's owner-occupier market was 25.6%.

The average loan size to first home buyers increased to \$329,621, an increase of 3.6% over the quarter and an increase of 8.3% when compared to a year earlier.

### **Western Australia**

Over the December quarter, housing affordability in Western Australia declined with the proportion of income required to meet loan repayments increasing to 24.9%, an increase of 0.5 percentage points over the quarter but a decrease of 0.4 percentage points compared to the December quarter 2018.

Rental affordability in Western Australia also declined during the December quarter with the proportion of family income required to meet the median rent increasing to 16.7%, an increase of 0.4 percentage points over the quarter and a marginal increase of 0.1 percentage points compared to the year before.

The number of first home buyers in Western Australia decreased to 3,580 in the December quarter, a decrease of 0.3% over the quarter and a decrease of 2.4% compared to the same time last year.

Of all Australian first home buyers over the quarter, 12.0% were from Western Australia while the proportion of first home buyers in the state's owner-occupier market was 43.7%.

The average loan to first home buyers increased to \$345,140, an increase of 2.4% over the quarter and an increase of 7.1% when compared to the December quarter 2018.

### **Tasmania**

Housing affordability in Tasmania declined over the December quarter with the proportion of income required to meet home loan repayments increasing to 29.2%, an increase of 1.6 percentage points over the quarter and an increase of 1.3 percentage points from the December quarter 2018.

Rental affordability in Tasmania also declined over the quarter with the proportion of income required to meet median rents increasing to 30.0%, an increase of 0.4 percentage points over the quarter and an increase 1.9 percentage points compared with the December quarter 2018.

The number of first home buyers in Tasmania increased to 557, an increase of 6.5% over the quarter but a decrease of 3.6% compared to the same quarter of the previous year.

Of all Australian first home buyers over the quarter, 1.9% were from Tasmania while the proportion of first home buyers in the state's owner-occupier market was 29.8%.

The average loan to first home buyers increased to \$290,664, an increase of 0.9% over the quarter and an increase of 5.9% compared to the December quarter 2018.

The total number of new loans for dwellings in Tasmania decreased to 1,866, a decrease of 3.7% over the quarter and a decrease of 21.2% compared to the corresponding quarter 2018.

The average loan size increased to \$334,941, an increase of 8.4% over the quarter and an increase of 15.0% compared to the same time last year. Tasmania continues to have the lowest average loan size across the country.

### **Northern Territory**

Housing affordability in the Northern Territory improved with the proportion of income required to meet loan repayments decreasing to 21.0% in the December quarter, a decrease of 0.2 percentage points over the quarter and a decrease of 0.7 percentage points when compared to the December quarter 2018.

Rental affordability in the Northern Territory declined over the quarter with the proportion of income required to meet the median rent increasing to 21.2%, an increase of 2.1 percentage points over the quarter but a decrease of 0.1 percentage points compared to the December quarter 2018.

The number of loans to first home buyers in the Northern Territory increased to 215, an increase of 1.4% over the December quarter but a decrease of 15.4% compared to the December quarter 2018.

Of all Australian first home buyers over the quarter, 0.7% were from the Northern Territory while the proportion of first home buyers in the Territory's owner occupier market was 41.3%.

The average loan size to first home buyers decreased to \$343,256, a decrease of 2.5% over the quarter but an increase of 3.5% compared to the December quarter 2018.

## **Australian Capital Territory**

Housing affordability in the Australian Capital Territory declined over the December quarter with the proportion of income required to meet home loan repayments increasing to 22.3%, an increase of 1.1 percentage points over the quarter and 0.1 percentage points compared to the corresponding quarter 2018.

Rental affordability in the Australian Capital Territory also declined over the December quarter with the proportion of income required to meet the median rent increasing to 18.8%, an increase 0.5 percentage points over the quarter but a decrease of 0.1 percentage points compared to the December quarter 2018.

The number of loans to first home buyers in the Australian Capital Territory increased to 750, an increase of 21.8% over the quarter and an increase of 6.4% compared to the December quarter 2018.

Of all Australian first home buyers over the quarter, 2.5% were from the Australian Capital Territory while the proportion of first home buyers in the Territory's owner-occupier market was 32.1%.

The average loan for first home buyers increased to \$427,867, an increase of 4.0% over the quarter and an increase of 19.8% compared to the corresponding quarter 2018.

**The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia.**

**For further information or to speak with REIA President Adrian Kelly please contact Samantha Elley via [media@reia.com.au](mailto:media@reia.com.au) or 0413 986 068.**