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Housing and rental affordability continue to fall: REIA

Housing and rental affordability have declined across Australia as limited stock levels, inflation and interest rates rises continue to create trepidation in the market, the latest Real Estate Institute of Australia (REIA) *Housing Affordability Report* has found.

REIA President, Mr Hayden Groves said housing affordability has declined over the March quarter of 2022, with the proportion of income required to meet loan repayments increasing to 37.3%, an increase of 0.2 percentage points.

“Housing affordability improved in New South Wales and the Northern Territory, remained stable in the Australian Capital Territory but declined in all other states.

“Rental affordability declined more than housing affordability with the proportion of income required to meet median rent increasing by 0.5 percentage points to 23.5%. Rental affordability declined in all states and territories except the Northern Territory,” he said.

“Tasmania remains the most unaffordable state to rent with income to rent needed sitting at a huge 30.8%.”

Mr Groves said the number of first home buyers decreased to 29,093, a drop of 22.5% during the quarter and a fall of 33.9% over the past 12 months.

“First home buyers now make up 31.6% of owner occupier dwelling commitments, a decrease of 2.7 percentage points over the quarter and 8.7 percentage points over the year. The number of first home buyers fell over the March quarter in all states and territories.

“Declines ranged from 10.5 percent in Western Australia to 40.2 percent in the Northern Territory,” he said.

Mr Groves said that RBA’s announcement of further interest rate hikes is likely to see further declines in housing affordability but added that they remain historically low and will hopefully help slow rising inflation.

According to Mr Groves, the average loan size to first home buyers increased to \$475,544. This was a rise of 0.9% over the quarter and an increase of 11.7% over the past twelve months.

“The average loan size to first home buyers increased in all states and territories, ranging from 0.1% in New South Wales to a whopping 9.8% in Tasmania.

“The total number of owner-occupied dwelling loans decreased to 91,922, a decrease of 16.1% over the March quarter and a fall of 15.9% over the past 12 months. The total number of loans for owner occupied dwellings decreased in all states and territories over the March quarter. Decreases ranged from 8.2% in Western Australia to 21.3% in New South Wales.

“Over the March quarter, the average loan size rose to \$603,395, an increase of 2.1% over the quarter and an increase of 19.2% over the past 12 months. This is the largest annual increase since the current ABS series began in 2002.

“Over the quarter, the average loan size grew in all states and territories except the Northern Territory which had a marginal decline of 1.1%. Increases ranged from 1.0% in the Australian Capital Territory to 6.1% in South Australia. Over the past 12 months, the average loan size increased in all states and territories with New South Wales recording the highest annual growth rate of 21.6%,” Mr Groves concluded.

“With the Federal Election 2022 now behind us, it is time to get to work on the fundamentals of housing supply and affordability for Australia’s renters, first time buyers and home owners.”

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Media Release



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