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DECLINE IN HOME OWNERSHIP AFFORDABILITY OUTPACES RENTAL: REIA

Real Estate Institute of Australia (REIA) President, Mr Hayden Groves said housing affordability for both home buyers and renters continued to worsen in the June quarter as lack of supply and surging interest rates impacted home ownership and tenancies.

In launching REIA's latest *Housing Affordability Report*, Mr Groves said the results for the June quarter show that lack of supply has become the number-one key concern adding, "affordability is expected to worsen unless supply constraint is urgently addressed by state and federal governments."

Mr Groves said that over the year, new loans have decreased 17.2% to 93,956 with loans to first home buyers dipping by a significant 32.6% to 29,127. Loan values increased by 11.6% over the year with the average loan size now \$612,079.

According to Mr Groves, rental affordability also declined in the June quarter of 2022, with the proportion of income required to meet median rent increasing to 22.9%. This was an increase of 0.4 percentage points over the quarter and an increase of 1.2 percentage points over the past 12 months.

"Over the quarter, rental affordability improved in Victoria but declined in all other states and territories with the least affordable state or territory in which to rent a property being Tasmania.

"The decline in housing affordability over the June quarter (down 2.7 percentage points) outpaced the decline in rental affordability (down 0.4 percentage points).

"Nationally, the proportion of income required to meet average loan repayments increased to 38.4%, an increase of 4.7 percentage points over the past year.

"This is due to a combination of rising interest rates and higher average loans with average loan repayments increasing over the past year by \$621 per month.

"Housing affordability has declined in all states and territories over the past year with New South Wales having the largest decline (down 5.7 percentage points)," he said.

Mr Groves said that with rental and home sale listings remaining at historical low levels, it is anticipated supply will continue to be constrained for the foreseeable future.

"Supply chain challenges, rising building costs and labour shortages mean the pipeline of new homes for sale and rent will remain under long-term average levels.

"REIA's key focus is to look for ways to better utilise our existing housing stock, and at the time of writing, REIA had launched a new Axe the Tax campaign.

"The phase out of stamp duty could increase listings on the market by up to 50% and it is in these big picture economic and productivity reforms we must invest in during the 47th Parliament in an effort to address housing supply shortages.

"Whilst the outlook for housing affordability remains relatively gloomy, the next REIA Affordability Report, to be released in December 2022 should paint a clearer picture of the long-term impacts of inflation control measures," he concluded.

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Media Release



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