REAL ESTATE INSTITUTE OF AUSTRALIA

REIA

Housing Affordability Report

The case for home ownership:
A 20 year analysis

STATE OF THE NATION

Since June 2001, the weighted average proportion of family income required to meet loan repayments increased from 27.2% to 35.7%.

Housing affordability declined in most states and territories throughout Australia, with Tasmania having the largest decrease in housing affordability (12.7 percentage points). In contrast, Western Australia had the smallest decline in housing affordability (2.1 percentage points).

HOUSING AFFORDABILITY

Over the past 20 years, the proportion of income required to meet loan repayments increased from 27.2% to 35.7%, an increase of 8.5 percentage points.

While family income increased by 112.8%, average home loan repayments increased by 179.4%. Average home loan amounts increased 248.7%, an increase from $157,239 to $548,323.

In March 2002 Australia was at its most affordable at 26.8% of family income required to meet repayments. In September 2008 it was at its least affordable at 45.8%.

FIRST HOME BUYERS

The number of first home buyers was 25,782 in September of 2002 and increased by 67.7 percent to 43,226 in June of 2021. In June of 2009, 50,098 first home buyers entered the market, the highest number during this time, and 48.2% of all new loans. In contrast, March 2004 had the lowest number of entrants at 17,252.

From 2002 through to 2021, first home buyers' average loan increased from $169,789 to $450,467. This is a 165.3% increase.

Tasmania had the largest increase in average loan amounts to first home buyers of 303.0% and the Australian Capital Territory had the lowest increase of 145.8%.

CASH RATE

In June 2001 the cash rate target was 5.0%. By June 2021, it decreased to 0.1%, a decline of 4.9 percentage points. This is the lowest rate so far this century and lower than its height in 1990 of 17.5%. The highest point the cash rate has been in the past 20 years was 7.3% in mid 2008.

RENTAL AFFORDABILITY

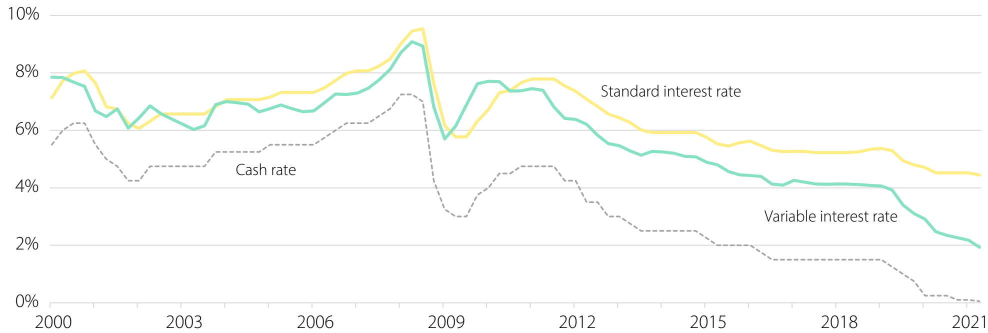
Rental affordability declined marginally over the past 20 years from 22.1% to 23.0% of family income, a marginal decrease of 0.9 percentage points. Rental affordability was at its most affordable in December 2004 at 21.1% and at its least affordable in March 2010 at 26.3%. Tasmania had the largest decline in rental affordability of 9.0 percentage points. Queensland and Victoria were the only states in which rental affordability improved.

Vacancy rates for Australia were at their tightest in March 2007 at 1.4% and had the highest proportion of vacant properties in June 2004 at 3.8%.

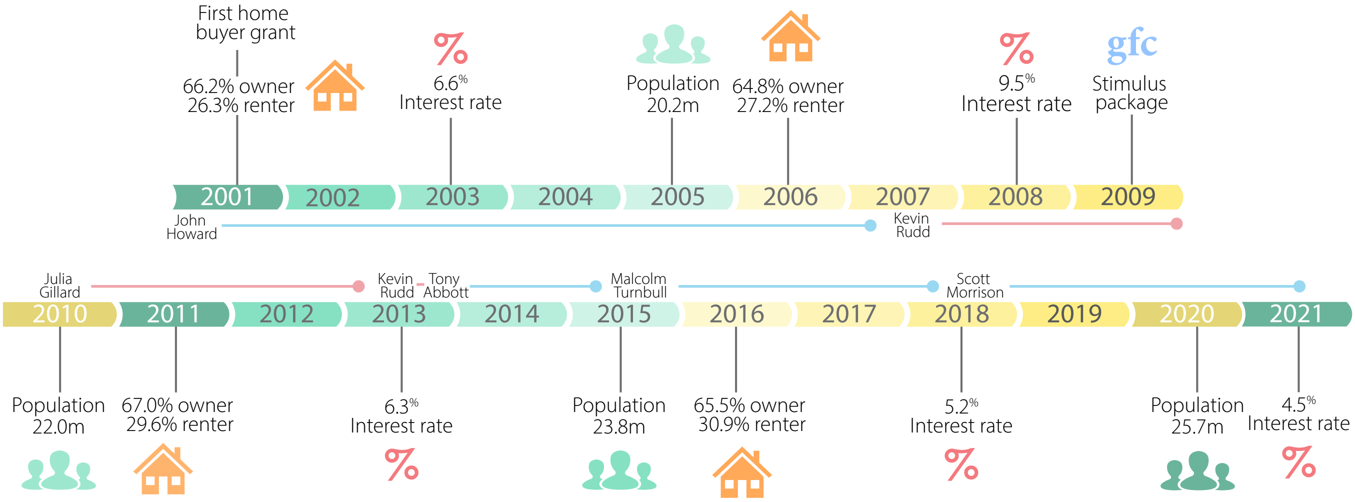
INTEREST RATE

In June 2001 the standard owner occupied interest rate was 6.8%. By June 2021 it decreased to 4.5%, its lowest rate, with a decline of 2.3 percentage points. This is the lowest rate so far this century. The highest point the standard interest rate has been in the past 20 years was 9.5% in mid 2008.

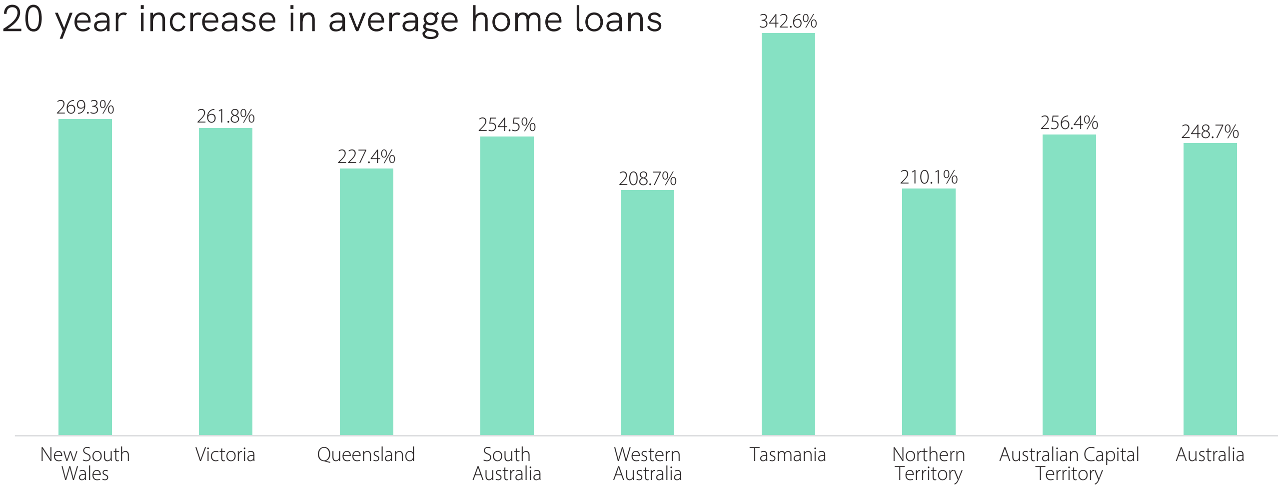
Owner occupied interest and cash rates



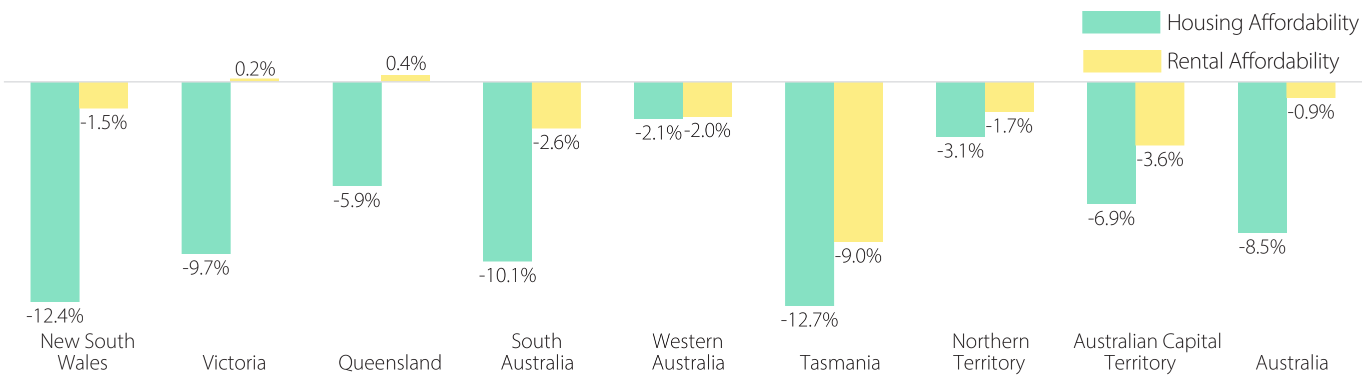
20 year timeline



20 year increase in average home loans

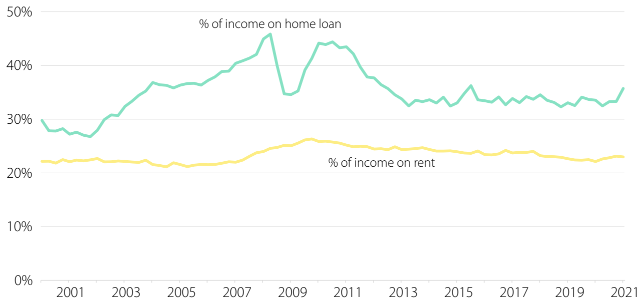


Change in affordability 2000 - 2020



Measures used in this report

Housing and rental affordability trend

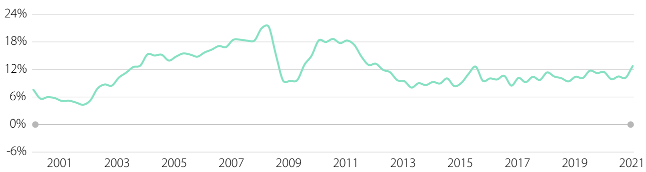


Housing affordability takes the average home loan for that state or territory, at the time, for owner occupiers and establishes the monthly repayments. These are based on a 25 year loan term at the standard variable interest rate. The monthly repayments are then taken as a proportion of the family income from a state or territory.

For rental affordability, the median rent for a 3 bedroom house in the capital city is used for the corresponding quarter.

This measure allows for comparisons to be made between the affordability of making home loan repayments, compared to making rental payments.

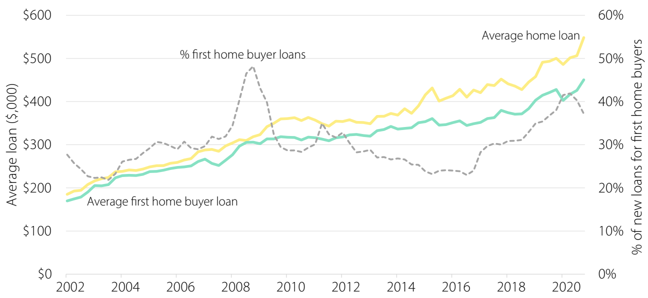
Rent buy differential



The rent buy differential looks at the differential regarding the proportion of family income required to meet home loan repayments and rental payments. For instance, if the proportion of family income required to meet home loan repayments is 25.0%, and for rental payments is 20.0%, then the rent buy differential is 5.0pp (percentage points).

When purchasing a dwelling, the rent buy differential gives an indicationwhether it is more or less expensive than renting a dwelling.

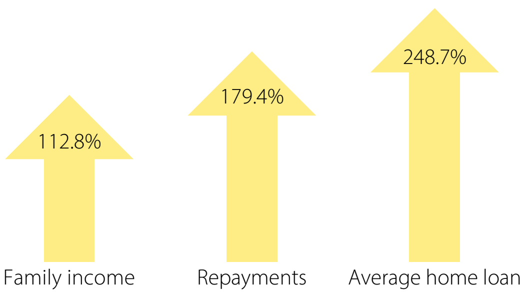
Average loan amounts and percentage of first home buyers



Average home loans indicate the average new loan for owner occupiers as recorded by the lending indicators from the Australian Bureau of Statistics. Average first home buyer loan amounts are from the same source. It should be noted that average home loan amounts include first home buyers.

The percentage of first home buyers indicates the number of new first home buyer loans as a percentage of all new owner occupier loans. This measure gives an indication of access to the market of those without housing wealth as collateral and appears to increase at times of economic uncertainty, such as during the Global Financial Crisis (G.F.C.).

Increases in family income, home loan repayments and owner occupier home loans



This simple measure shows the increase in family income, home loan repayments and average home loans between 2001 and 2021 for each state and territory.

AUSTRALIA

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	27.2%	37.2%	43.5%	33.4%	35.7%
Proportion of family income devoted to meeting median rents	22.1%	21.5%	25.2%	23.4%	23.0%
Median weekly family income	$927	$1,176	$1,460	$1,723	$1,973
Average monthly loan repayment	$1,093	$1,898	$2,751	$2,497	$3,054
Average loan	$157,239	$257,082	$363,018	$407,836	$548,323

Housing debt to household disposable income

At the start of 2001, debt for owner occupied housing was 48.8% of annual household disposable income. By March 2021 this had increased by 51.4 percentage points to 100.2%.

Housing and rental affordability trend

Average income to loan repayments in Australia was 27.2% of average income to loan in 2001. It peaked at 45.8% in 2008 and was 35.7% in June 2021.

Average rent to family income increased from 22.1% in 2001 to 23.0% in 2021, peaking at 26.8% in 2010.

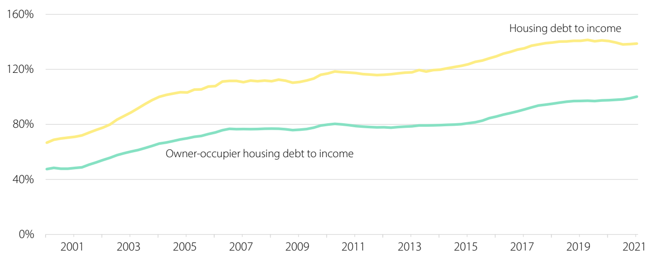
Whilst home loans and rents have increased, this has been offset by both the growth in household income and significantly lower interest rates, and is reflected in the ratios across the board.

Average loan amounts and percentage of first home buyers

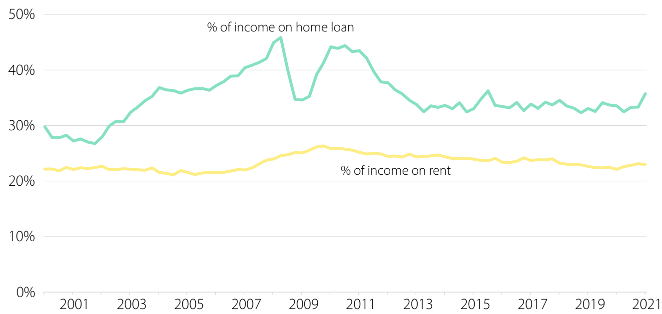
Comparable high levels of market entry by first home buyers were achieved in both 2009 and 2020. This was as a result of wholesale first home buyer support introduced as stimulus measures in response to the G.F.C., including grants and stamp duty waivers, demonstrating the strength of these programs over the past 20 years.

Access to the market for first home buyers was at its best in June 2009, when 48.2% of all new loans were from first home buyers. In contrast, in March 2004 only 21.8% of new loans were from first home buyers. By June 2021 first home buyers made up 37.2% of all new housing loans.

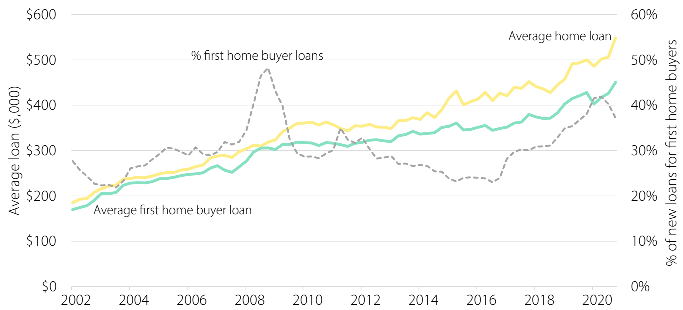
Housing debt to annualised household disposable income



Housing and rental affordability trend



Average loan amounts and percentage of first home buyers



NEW SOUTH WALES

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	31.6%	43.4%	49.7%	39.8%	44.0%
Proportion of family income devoted to meeting median rents	24.2%	22.3%	27.5%	26.6%	25.7%
Median weekly family income	$971	$1,188	$1,455	$1,768	$2,062
Average monthly loan repayment	$1,328	$2,233	$3,134	$3,047	$3,930
Average loan	$191,081	$302,530	$413,561	$497,804	$705,658
Rental vacancy rates	3.7%	2.3%	1.5%	1.8%	3.0%

Housing affordability declined in New South Wales by 12.4 percentage points over the past 20 years. The proportion of income required to meet loan repayments increased from 31.6% in June 2001 to 44.0% June 2021.

While family income increased 112.3%, average home loan repayments increased 195.9%. Average home loan amounts increased 269.3%, an increase from $191,081 to $705,658.

New South Wales had the highest loans over the past 20 years, except for March 2009 when the Australian Capital Territory had a higher loan amount, September 2009, when Western Australia had the highest, and June 2013 when the Northern Territory had the highest home loan.

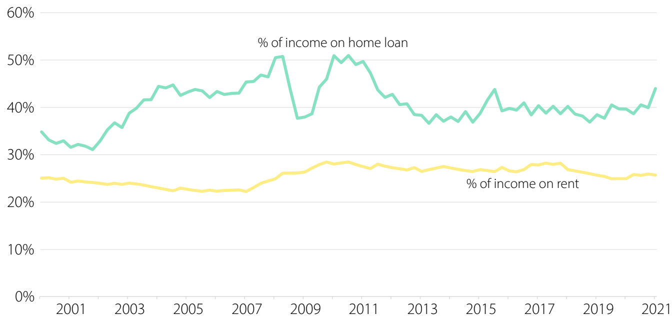
In March 2002 New South Wales was at its most affordable at 31.1% and in December 2010 the state was at its least affordable, 51.0%. In March 2002, the differential between renting and meeting loan repayments was 6.9 percentage points. During the G.F.C., the rent buy differential was at its highest point, 25.6 percentage points, but by June 2021 it had reduced to 18.3 percentage points.

Access to the market for first home buyers was at its best in June 2009 when 51.2% of all new loans were from first home buyers. In contrast, in March 2017, only 13.7% of new loans were from first home buyers. In June of 2021, the proportion of first home buyers increased to 33.6%.

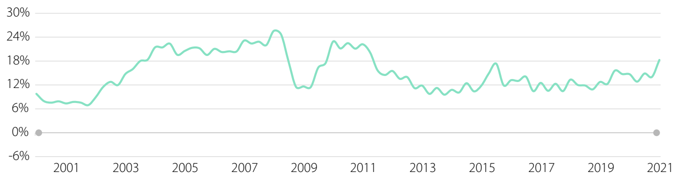
Rental affordability declined 1.5 percentage points over the past 20 years. The proportion of income required to meet rental repayments increased from 24.2% in June 2001 to 25.7% in June 2021. Rental affordability was at its most affordable in June 2007 (22.2%) and at its least affordable in March 2010 (28.5%).

Vacancy rates for Sydney were at their tightest in December 2007 at 1.0% and had the highest amount of vacant properties in June 2002 at 4.6%.

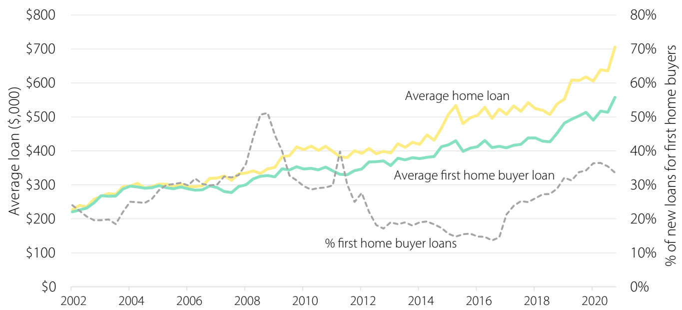
Housing and rental affordability trend

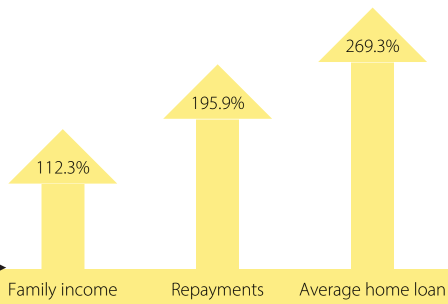


Rent buy differential



Average loan amounts and percentage of first home buyers





VICTORIA

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	26.5%	35.9%	43.7%	34.4%	36.2%
Proportion of family income devoted to meeting median rents	20.5%	19.5%	23.6%	21.8%	20.3%
Median weekly family income	$951	$1,180	$1,443	$1,700	$2,018
Average monthly loan repayment	$1,092	$1,838	$2,734	$2,535	$3,165
Average loan	$157,064	$248,973	$360,766	$414,157	$568,188
Rental vacancy rates	3.9%	2.8%	3.1%	2.7%	6.3%

Housing affordability declined in Victoria over the past 20 years by 9.7 percentage points. The proportion of income required to meet loan repayments increased from 26.5% in June 2001 to 36.2% in June 2021.

While family income increased 112.1%, average home loan repayments increased 189.8%. Average home loan amounts increased 261.8%, an increase from $157,064 to $568,188.

The differential between renting and meeting loan repayments was 6.0 percentage points in June 2001. The rent buy differential was at its highest point, 21.9 percentage points, during the G.F.C. and at its lowest point in June 2002 at 5.4 percentage points. By June 2021 the rent buy differential had increased to 15.9 percentage points.

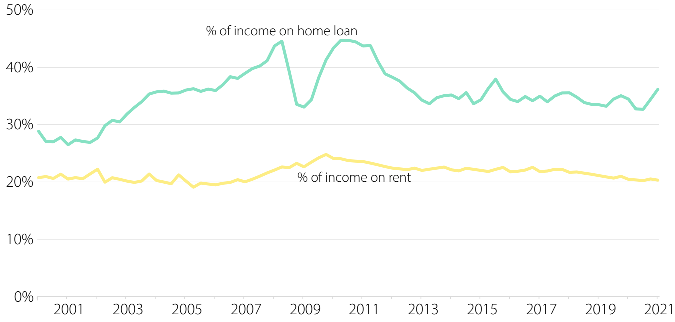
Housing affordability in Victoria was at its most affordable in June 2001 at 26.5% and in December 2010 the state was at its least affordable, 44.7%.

Access to the market for first home buyers was at its best in June 2009 when 50.7% of all new loans were from first home buyers. In contrast, in June 2017 only 24.4% of new loans were from first home buyers. By June of 2020 first home buyers made up 40.9% of the market.

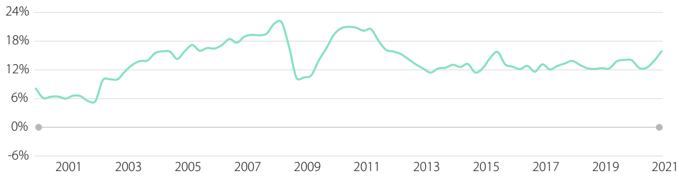
Rental affordability improved 0.2 percentage points over the past 20 years. The proportion of income required to meet rental repayments marginally decreased from 20.5% in June 2001 to 20.3% in June 2021. Rental affordability was at its most affordable at 19.1% of family income in September 2005 and at its least affordable at 24.8% in March 2010.

Vacancy rates for Melbourne were at their tightest in March 2008 at 1.6% and had the highest number of vacant properties in December 2002 at 6.6%.

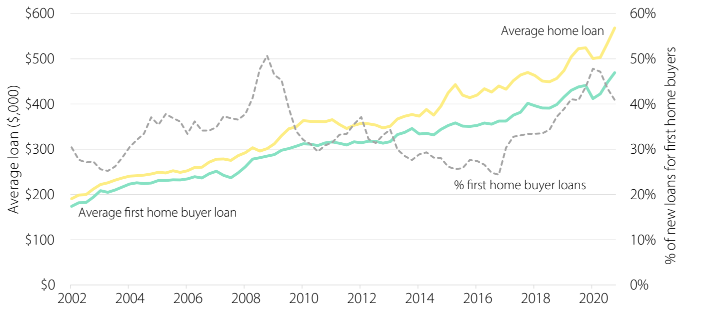
Housing and rental affordability trend

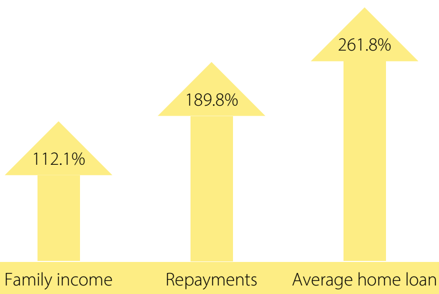


Rent buy differential



Average loan amounts and percentage of first home buyers





QUEENSLAND

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	26.2%	37.5%	41.1%	30.3%	32.1%
Proportion of family income devoted to meeting median rents	22.0%	22.5%	24.3%	23.0%	21.6%
Median weekly family income	$864	$1,155	$1,437	$1,652	$1,849
Average monthly loan repayment	$980	$1,876	$2,561	$2,168	$2,570
Average loan	$140,918	$254,186	$337,929	$354,173	$461,414
Rental vacancy rates	2.0%	1.5%	2.1%	2.8%	1.3%

Housing affordability declined in Queensland over the past 20 years by 5.9 percentage points. The proportion of income required to meet loan repayments increased from 26.2% in June 2001 to 32.1% in June 2021.

While family income increased 114.1%, average home loan repayments increased 162.3%. Average home loan amounts increased 227.4%, an increase from $140,918 to $461,414.

The differential between renting and meeting loan repayments was 4.2 percentage points in June 2001. The rent buy differential was at its highest point, 22.0 percentage points, during the G.F.C. By June 2021 it had reduced to 10.4 percentage points.

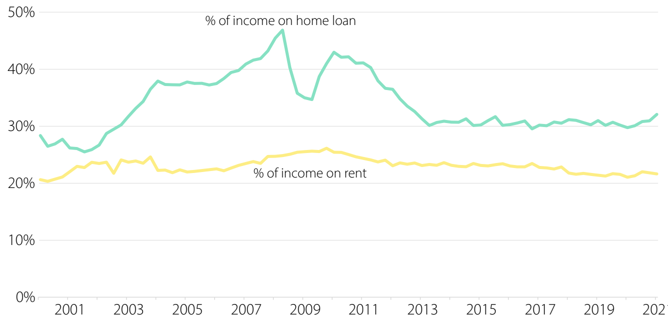
Queensland was at its most affordable in December 2001 at 25.5% of family income required to meet loan repayments. In September 2008 the state was at its least affordable, 46.8%.

Access to the market for first home buyers was at its best in June 2009 when 44.8% of all new loans were from first home buyers. In contrast, in March 2004, only 22.7% of new loans were from first home buyers. By June 2021, 34.4% of new housing loans were from first home buyers.

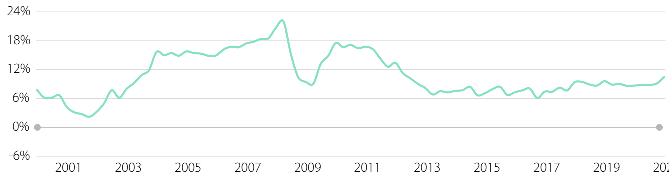
Rental affordability improved 0.4 percentage points over the past 20 years. The proportion of income required to meet rental repayments decreased from 22.0% in June 2001 to 21.6% in June 2021. Rental affordability was at its most affordable at 21.1% of family income in June 2020 and at its least affordable at 26.1% in March 2010. By June 2021 rental affordability was at 21.6%.

Vacancy rates for Brisbane were at their tightest in March 2007 at 0.9% and had the highest proportion of vacant properties in June 2002 at 4.1%.

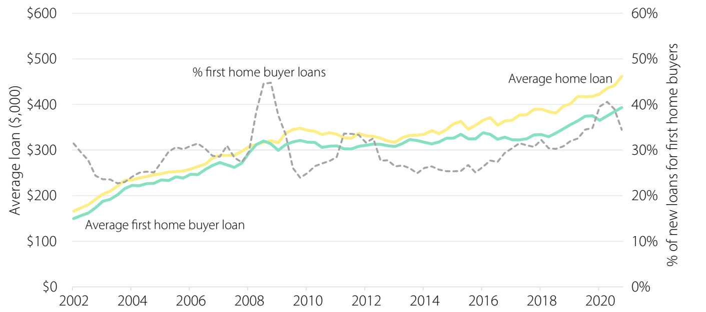
Housing and rental affordability trend

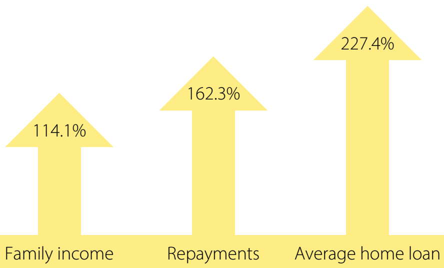


Rent buy differential



Average loan amounts and percentage of first home buyers





SOUTH AUSTRALIA

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	21.5%	31.1%	39.1%	29.1%	31.6%
Proportion of family income devoted to meeting median rents	21.9%	22.0%	24.4%	21.9%	24.5%
Median weekly family income	$844	$1,092	$1,310	$1,509	$1,630
Average monthly loan repayment	$787	$1,472	$2,222	$1,899	$2,234
Average loan	$113,135	$199,486	$293,210	$310,273	$401,109
Rental vacancy rate	3.6%	1.6%	3.2%	2.0%	0.7%

Housing affordability in South Australia declined by 10.1 percentage points over the past 20 years. The proportion of income required to meet loan repayments increased from 21.5% in June 2001 to 31.6% in June 2021.

While family income increased 93.1%, average home loan repayments increased 184.0%. Average home loan amounts increased 254.5%, an increase from $113,135 to $401,109.

Housing affordability in South Australia was at its most affordable in June 2002, when the family income required to meet home loan repayments was 20.9%, and the state was at its least affordable in September 2008, at 40.6%.

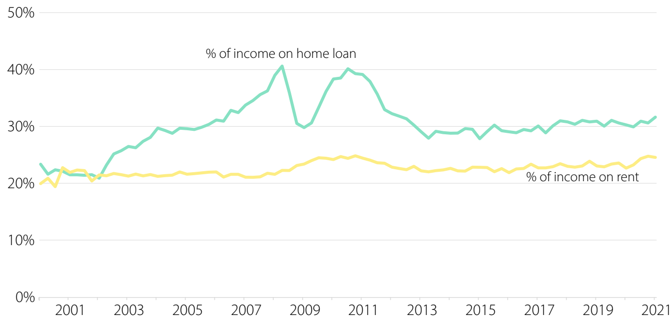
The differential between renting and meeting loan repayments was in September 2001 at -0.8 percentage points, indicating that it was more affordable to meet home repayments than pay median rents. This situation persisted until mid 2002 when home loan repayments increased above median rental payments. The rent buy differential was at its highest point, 18.3 percentage points, during the G.F.C., but by June 2021 it had reduced to 7.1 percentage points.

Access to the market for first home buyers was at its best in June 2009 when 41.2% of all new loans were from first home buyers. In contrast, in December 2004 only 17.0% of new loans were from first home buyers. By June 2021 first home buyers made up 33.1% of the home buyer market.

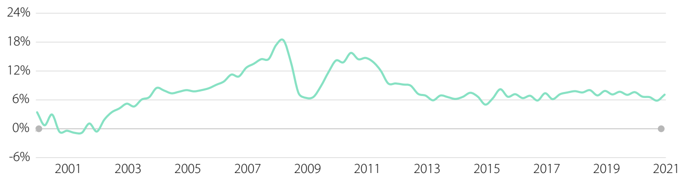
Rental affordability declined 2.6 percentage points over the past 20 years. The proportion of income required to meet rental repayments increased from 21.9% in June 2001 to 24.5% in June 2021. Rental affordability was at its most affordable at 20.4% of family income in March 2002 and at its least affordable at 24.8% in March 2011.

Vacancy rates for Adelaide were at their tightest in December 2006 at 0.5% and had the highest proportion of vacant properties in June 2012 at 3.9%

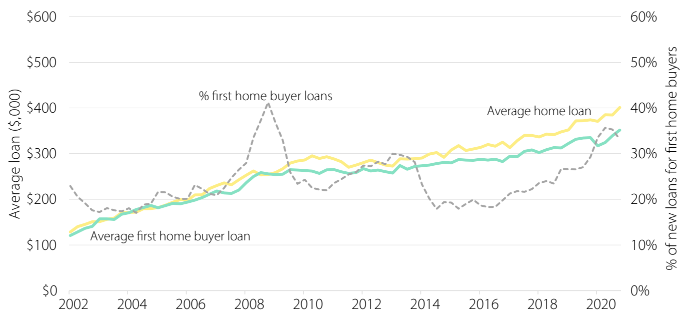
Housing and rental affordability trend

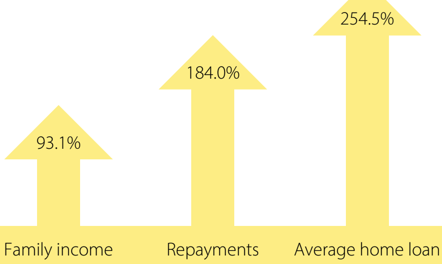


Rent buy differential



Average loan amounts and percentage of first home buyers





WESTERN AUSTRALIA

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	24.2%	33.2%	36.5%	28.1%	26.3%
Proportion of family income devoted to meeting median rents	17.5%	20.2%	21.3%	19.3%	19.4%
Median weekly family income	$927	$1,239	$1,691	$1,901	$2,109
Average monthly loan repayment	$970	$1,782	$2,677	$2,317	$2,399
Average loan	$139,576	$241,470	$353,244	$378,456	$430,805
Rental vacancy rates	4.2%	1.8%	3.5%	6.0%	1.0%

Housing affordability in Western Australia declined 2.1 percentage points over the past 20 years. The proportion of family income required to meet loan repayments increased from 24.2% in June 2001 to 26.3% in June 2021.

While family income increased 127.5%, average home loan repayment amounts increased 147.3%. Average home loan amounts increased 208.7%, an increase from $139,576 to $430,805.

Western Australia was at its most affordable at 23.3% in December 2001 and the state was at its least affordable at 41.8% in September 2008.

At a 127.5% increase in family income, Western Australia had the highest increase of all states and territories. This is in conjunction with the lowest increase in home loan repayments. As a consequence, they had the lowest decline in housing affordability over the 20 years, at 2.0 percentage points.

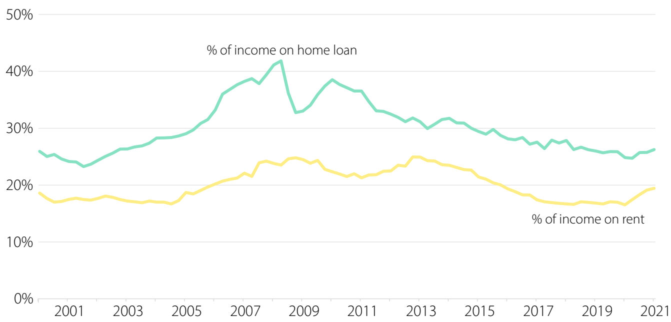
The differential between renting and meeting loan repayments was at its lowest in September 2013 at 5.6%. The rent buy differential was at its highest point during the G.F.C., 18.3%, but by June 2021 it was 6.8%.

Access to the market for first home buyers was at its best in June 2009 when 52.5% of all new loans were from first home buyers. In contrast, in March 2007, only 23.5% of new loans were from first home buyers. By June 2021, 44.2% of all new loans were from first home buyers.

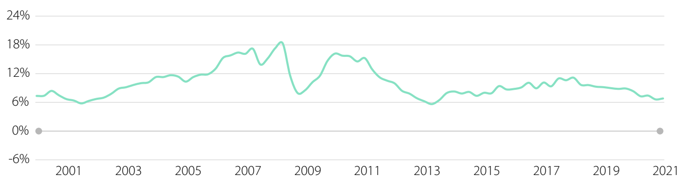
Rental affordability declined 1.9 percentage points over the past 20 years. The proportion of income required to meet rental repayments increased from 17.5% in June 2001 to 19.4% in June 2021. Rental affordability was at its most affordable at 16.5% of family income in June 2020 and at its least affordable at 24.9% in March 2013.

Vacancy rates for Perth were at their tightest in March 2007 at 0.8% and had the highest proportion of vacant properties in June 2017 at 7.3%.

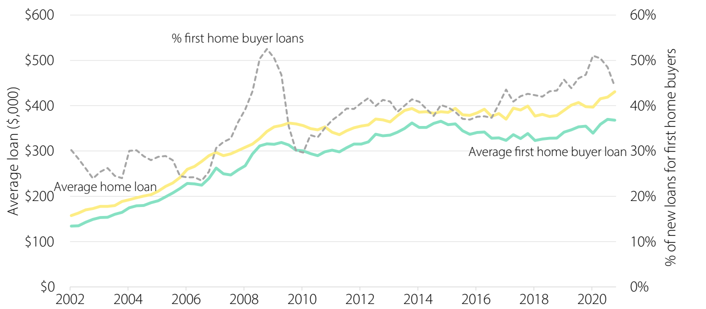
Housing and rental affordability trend

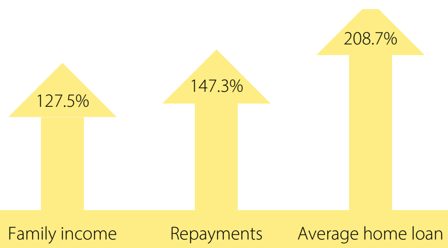


Rent buy differential



Average loan amounts and percentage of first home buyers





TASMANIA

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	18.4%	30.6%	36.1%	25.3%	31.0%
Proportion of family income devoted to meeting median rents	21.1%	25.0%	27.8%	24.4%	30.1%
Median weekly family income	$758	$1,019	$1,187	$1,392	$1,593
Average monthly loan repayment	$604	$1,350	$1,857	$1,525	$2,142
Average loan	$86,878	$182,892	$245,067	$249,125	$384,525
Rental vacancy rates	2.0%	2.2%	2.7%	2.6%	1.1%

Housing affordability declined in Tasmania by 12.6 percentage points over the past 20 years. The proportion of income required to meet loan repayments increased from 18.4% in June 2001 to 31.0% in June 2021. Tasmania had the highest decrease in housing affordability over 20 years (12.6 percentage points).

While family income increased 110.0%, average home loan repayments increased 254.6%, the highest for all states and territories. Average home loan amounts increased 342.6%, an increase from $86,878 to $384,525.

Tasmania was at its most affordable at 18.1% in December 2001 and the state was at its least affordable at 36.1% in June 2011.

The differential between renting and meeting loan repayments in June 2002 was -4.0 percentage points, indicating that it was more affordable to meet home loan repayments than pay median rents. This persisted until mid 2003 when home loan repayments increased above median rental payments.

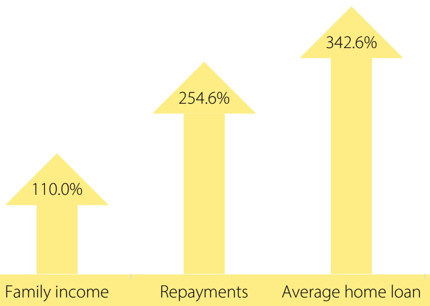
Rent payments exceeded average loan repayments once again in March 2017, which persisted through until March 2020. The rent buy differential was at its highest point during the G.F.C., 11.1 percentage points, but in June 2021 it had reduced to 0.9 percentage points.

Access to the market for first home buyers was at its best in March 2009 when 38.4% of all new loans were from first home buyers. In contrast, in September 2015 only 17.9% of new loans were from first home buyers.

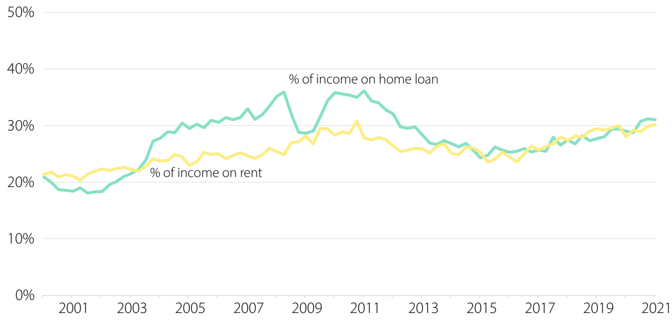
Rental affordability declined 9.0 percentage points over the 20 years, the highest for all states and territories. The proportion of income required to meet rental repayments increased from 21.1% in June 2001 to 30.1% in June 2021.

Rental affordability was at its most affordable at 20.3% of family income in September 2001 and at its least affordable at 30.8% in March 2011.

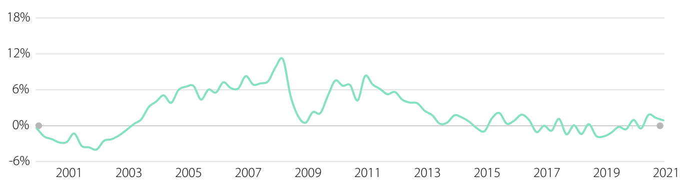
Vacancy rates for Hobart were at their tightest in December 2017 at 1.4% and had the highest proportion of vacant properties in September 2012 at 5.0%.



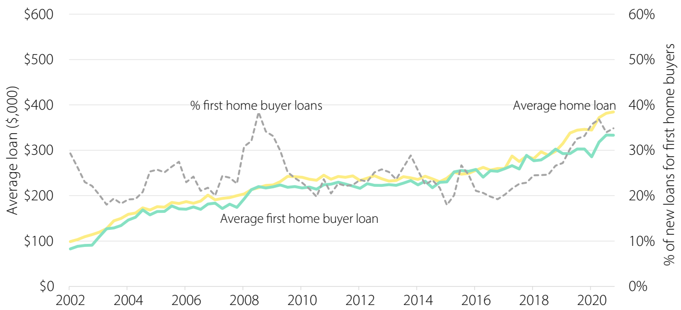
Housing and rental affordability trend



Rent buy differential



Average loan amounts and percentage of first home buyers



NORTHERN TERRITORY

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	19.9%	29.5%	37.6%	24.9%	23.0%
Proportion of family income devoted to meeting median rents	23.5%	23.4%	31.1%	24.7%	25.2%
Median weekly family income	$1,022	$1,280	$1,736	$2,088	$2,197
Average monthly loan repayment	$883	$1,638	$2,830	$2,249	$2,193
Average loan	$126,974	$221,942	$373,406	$367,381	$393,757
Residential vacancy rate	9.0%	2.4%	2.0%	6.4%	1.5%

Housing affordability declined in the Northern Territory by 3.1 percentage points over the past 20 years. The proportion of income required to meet loan repayments increased from 19.9% in June 2001 to 23.0% in June 2021.

While family income increased 115.0%, average home loan repayments increased 148.4%. Average home loan amounts increased by 210.1%.

The Northern Territory was at its most affordable in December 2001 at 17.5% of family income required to meet loan repayments and was at its least affordable 41.8% in September 2008.

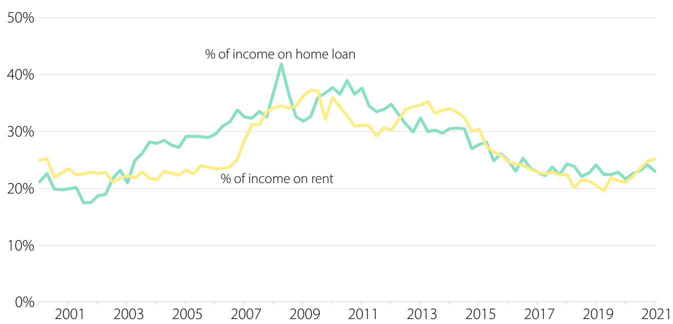
The differential between renting and meeting loan repayments in March 2002 was -5.4 percentage points. This indicated that it was more affordable to make home repayments than pay median rents. This persisted until mid 2002 when home loan repayments increased above median rental payments. Rent payments exceeded average loan repayments in 2009, 2012 and through to 2015. The rent buy differential was at its highest point in March 2007, at 8.6 percentage points. As of June 2021 it had reduced to -2.1 percentage points, indicating it is currently cheaper to purchase than rent in the Northern Territory.

Access to the market for first home buyers was at its best in September 2020 when 52.7% of all new loans were from first home buyers. In contrast, in December 2015 only 14.8% of new loans were from first home buyers.

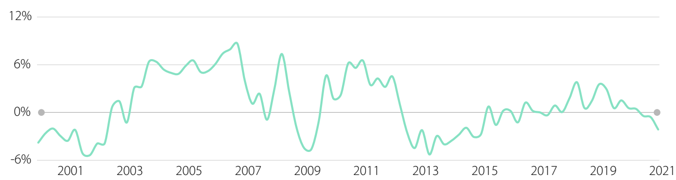
Rental affordability declined 1.7 percentage points over the past 20 years. The proportion of income required to meet rental repayments increased from 23.5% in June 2001 to 25.2% in June 2021. Rental affordability was at its most affordable at 19.6% of family income in September 2019 and at its least affordable at 37.3% in September 2009.

Vacancy rates for Darwin were at their tightest in June 2008 at 0.3% and had the highest proportion of vacant properties in December 2001 at 12.6%.

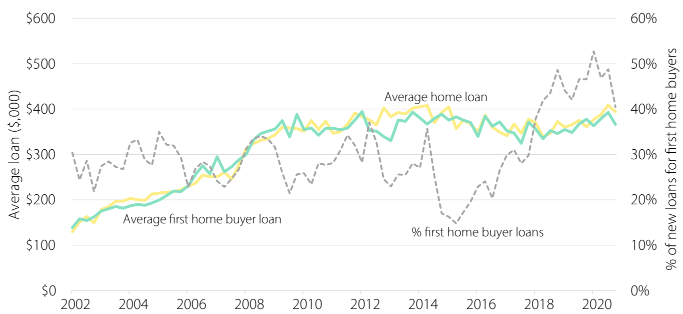
Housing and rental affordability trend

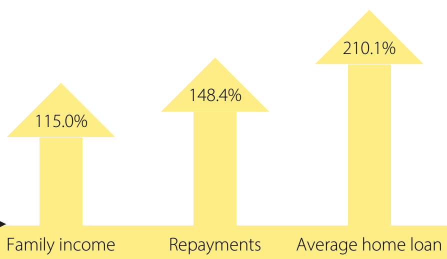


Rent buy differential



Average loan amounts and percentage of first home buyers





AUSTRALIAN CAPITAL TERRITORY

	2001	2006	2011	2016	2021
Proportion of family income devoted to meeting average loan repayments	19.1%	26.9%	30.3%	24.2%	26.0%
Proportion of family income devoted to meeting median rents	17.7%	18.4%	20.1%	18.5%	21.2%
Median weekly family income	$1,302	$1,742	$2,237	$2,435	$2,730
Average monthly loan repayment	$1,077	$2,029	$2,940	$2,556	$3,075
Average loan	$154,905	$274,826	$387,926	$417,474	$552,093
Rental vacancy rates	3.0%	2.0%	1.6%	2.5%	0.7%

Housing affordability declined by 6.9 percentage points over the past 20 years. The proportion of income required to meet loan repayments in Australian Capital Territory increased from 19.1% in June 2001 to 26.0% in June 2021.

While family income increased 109.6%, average home loan repayments increased 185.5%. Average home loan amounts increased 256.4%, an increase from $154,905 to $552,093.

Housing affordability in the Australian Capital Territory was at its most affordable in June 2001 at 19.1% of family income required to meet loan repayments. The territory was at its least affordable in September 2008, at 32.0%.

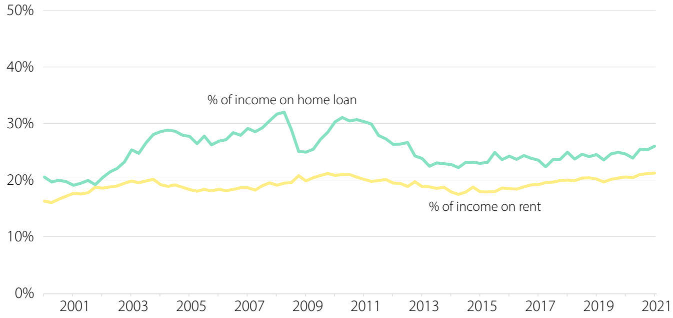
The differential between renting and meeting loan repayments was at its lowest in March 2002 at 0.5 percentage points. The rent buy differential was at its highest point during the G.F.C. at 12.6%, but by June 2021 it had reduced to 4.7%.

Access to the market for first home buyers was at its best in June 2009 when 42.2% of all new loans were from first home buyers. In March 2004 only 14.9% of new loans were from first home buyers.

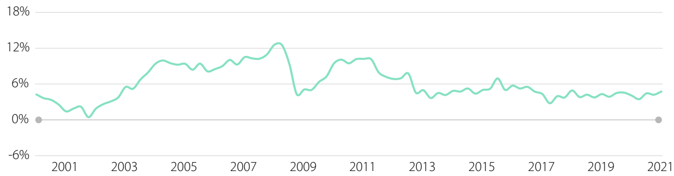
Rental affordability declined 3.5 percentage points over the past 20 years. The proportion of income required to meet rental repayments increased from 17.7% in June 2001, to 21.2% in June 2021. Rental affordability was at its most affordable at 17.5% of family income in September 2014 and at its least affordable at 21.2% in March 2010 and June 2021.

Vacancy rates for Canberra were at their tightest in March 2018 at 0.5% and had the highest proportion of vacant properties in December 2004 at 5.2%.

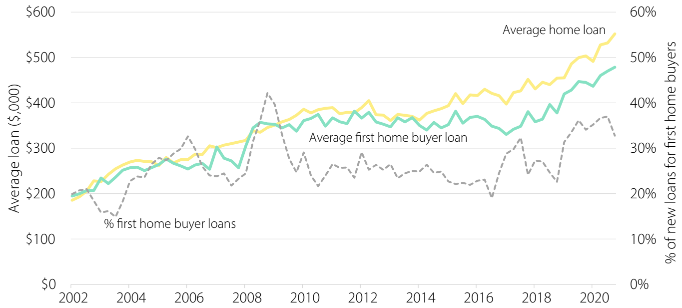
Housing and rental affordability trend

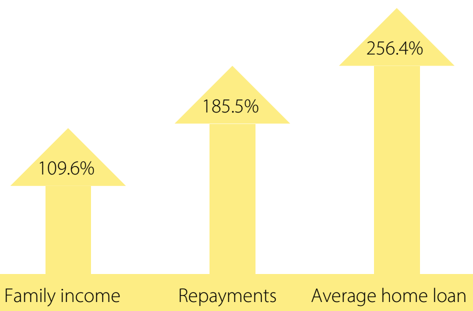


Rent buy differential



Average loan amounts and percentage of first home buyers





PURCHASER AFFORDABILITY DURATION

This section looks at the time it takes for loan repayments made by first home buyers to meet the same proportion of their family income as it does to meet rental payments.

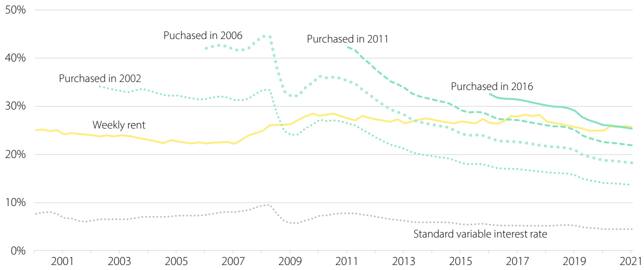
First home buyers were used as the reference point, as it is assumed they did not have the wealth collateral raised by selling a previous property.

These, however, do not include the wealth accumulation of purchasing the dwelling.

This methodology uses the following assumptions:

- repayments are at the current interest rate, and change as interest rates change, using standard variable interest rate
- a 25 year loan term with a 20% deposit
- rental payments are based on a median rent of a 3 bedroom house for the quarter, in that capital city.

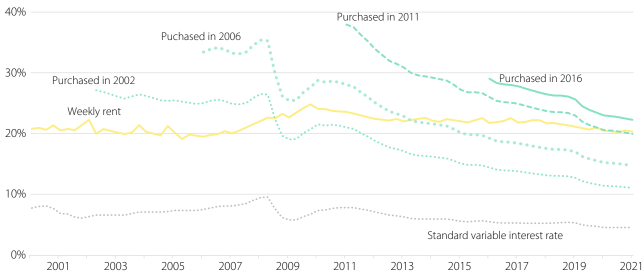
New South Wales



	Purchase price	Loan amount	Deposit
2002	$276,000	$220,630	$55,370
2006	$367,000	$293,920	$73,080
2011	$441,000	$352,510	$88,490
2016	$510,000	$408,220	$101,780

For first home buyers in New South Wales who purchased in 2002, it took 6 and a half years for their loan repayments to be at the same proportion of their income as the median rent. For new purchasers in 2006 this extended to 7 years and 6 months. However, for those who purchased in 2011, the time had reduced to 5 years and 9 months. Finally, for those first home buyers who purchased in 2016, by June 2021 the time had reduced to 4 years and 9 months.

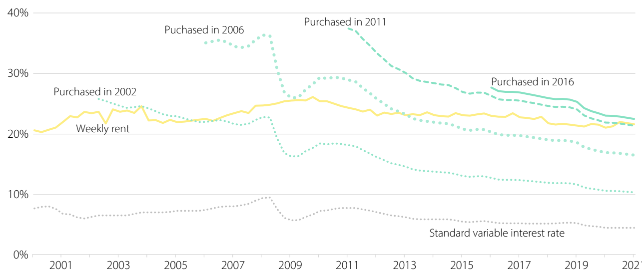
Victoria



	Purchase price	Loan amount	Deposit
2002	$217,000	$173,830	$43,170
2006	$290,000	$232,090	$57,910
2011	$392,000	$313,950	$78,050
2016	$438,000	$350,420	$87,580

For first home buyers in Victoria who purchased in 2002, it took 6 years and 3 months for their loan repayments to be at the same proportion of their income as the median rent. For new purchasers in 2006 this extended to 7 and a half years. However, for those who purchased in 2011 the time had increased to 9 years and 9 months. Finally, for those first home buyers who purchased in 2016, by June 2021 they were paying 2.0 percentage points above the median rent.

Queensland

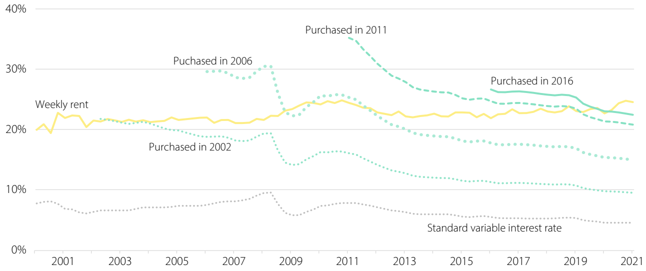


	Purchase price	Loan amount	Deposit
2002	$187,000	$149,750	$37,250
2006	$298,000	$238,510	$59,490
2011	$386,000	$308,470	$77,530
2016	$406,000	$324,640	$81,360

For first home buyers in Queensland who purchased in 2002, it took 3 years and 6 months for their loan repayments to be at the same proportion of their income as the median rent. For new purchasers in 2006 this extended to 7 years and 3 months. However, for those who purchased in 2011 the time had increased to over 9 and a half years. Finally, for those first home buyers who purchased in 2016, by June 2021 they were paying 0.9 percentage points above the median rent.

PURCHASER AFFORDABILITY DURATION (continued)

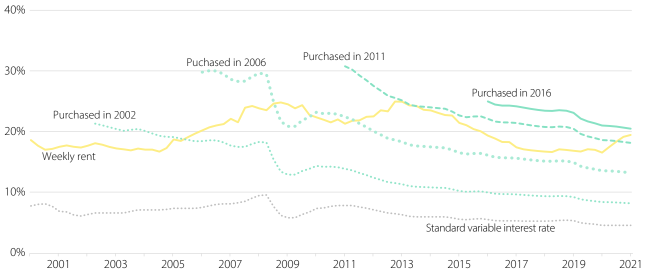
South Australia



	Purchase price	Loan amount	Deposit
2002	$151,000	$120,730	$30,270
2006	$238,000	$190,230	$47,770
2011	$331,000	$264,470	$66,530
2016	$357,000	$285,250	$71,750

For first home buyers in South Australia who purchased in 2002, it was cheaper to meet loan repayments than to pay the median rent. However, by 2006 new purchasers took 2 years and 9 months for their loan repayments to be at the same proportion of their income as the median rent. However, for those who purchased in 2011, the time had reduced to 8 years and 3 months. Finally, for those first home buyers who purchased in 2016, the time had decreased to 3 years and 9 months.

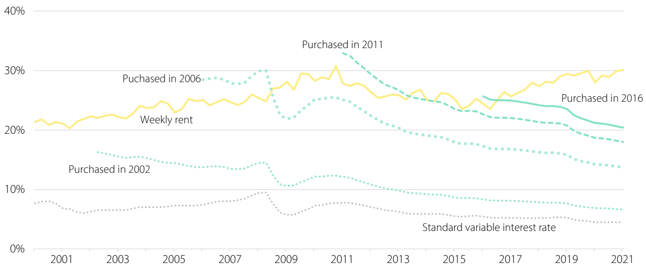
Western Australia



	Purchase price	Loan amount	Deposit
2002	$168,000	$134,220	$33,780
2006	$272,000	$217,270	$54,730
2011	$373,000	$298,270	$74,730
2016	$421,000	$336,800	$84,200

For first home buyers in Western Australia who purchased in 2002, it took 3 years and 3 months for their loan repayments to be at the same proportion of their income as the median rent. For new purchasers in 2006 this reduced marginally to 2 years 9 months. However, for those who purchased in 2011 the time had increased to 9 years and 9 months. Finally, for those first home buyers who purchased in 2016, by June 2021 they were paying a marginal 1.1 percentage points above the median rent.

Tasmania

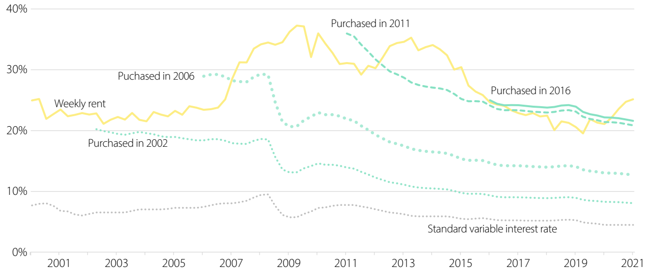


	Purchase price	Loan amount	Deposit
2002	$103,000	$82,710	$20,290
2006	$214,000	$170,810	$43,190
2011	$280,000	$223,970	$56,030
2016	$317,000	$253,770	$63,230

For first home buyers in Tasmania who purchased in 2002, it was cheaper to meet loan repayments than to pay the median rent. However, by 2006 new home buyers took 2 years and 6 months for their loan repayments to be at the same proportion of their income as the median rent. For those who purchased in 2011 the time had remained the same at 2 years and 6 months. Finally, for those first home buyers who purchased in 2016, after 9 months their home loan repayments were below the proportion of family income required to meet rental payments.

PURCHASER AFFORDABILITY DURATION (continued)

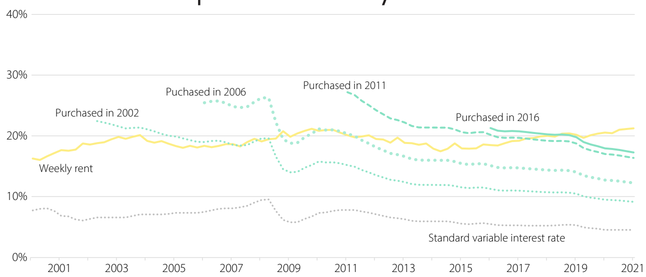
Northern Territory



	Purchase price	Loan amount	Deposit
2002	$174,000	$138,800	$35,200
2006	$273,000	$218,180	$54,820
2011	$447,000	$357,890	$89,110
2016	$463,000	$370,590	$92,410

For first home buyers in the Northern Territory who purchased in 2002, it was cheaper to meet loan repayments than to pay the median rent. However, by 2006 new purchasers took 12 months for their loan repayments to be at the same proportion of their income as the median rent. For those who purchased in 2011, the time had increased marginally to 1 year and 6 months, but rents declined and by March 2017 loan repayments were above the median rrent, and remained so until September 2020. Finally, for those first home buyers who purchased in 2016, it took 4 years and 6 months for their repayments to be less than median rent.

Australian Capital Territory



	Purchase price	Loan amount	Deposit
2002	$243,000	$194,660	$48,340
2006	$326,000	$260,980	$65,020
2011	$436,000	$348,720	$87,280
2016	$460,000	$367,860	$92,140

For first home buyers in the Australian Capital Territory who purchased in 2002, it took 4 years and 9 months for their loan repayments to be at the same proportion of their income as the median rent. For new purchasers in 2006 this decreased to 2 years and 9 months. However, for those who purchased in 2011 the time had increased to 6 and a half years. Finally, for those first home buyers who purchased in 2016, by December 2018 the proportion of income required to meet their home loan repayments was less than to meet median weekly rent.

Housing Affordability Report

REIA Housing Affordability Report is based on data from all major lending institutions. It is a comprehensive and accurate assessment of the ability of Australians to meet the cost of home purchase. Any differences between information contained in this report and previous editions of the REIA Housing Affordability Report are due to revisions in the database that may be necessary from time to time.

Loans: Average size and total number for first home buyers, and all borrowers, are averaged over the quarter, based on all lender data from the ABS (Lending Indicators Cat 5601).

Average Monthly Loan Repayment: Loan repayment figures are calculated from data provided by the ABS and financial institutions across Australia and are based on a 25 year loan. The interest rates are as from the Reserve Bank of Australia using owner occupied standard variable (RBA f05hist).

Median Weekly Family Income: For the 20 year analysis, REIA undertook a thorough review of our data methodology and has readjusted the income methodology based on previous census results.

A family is defined as a couple with or without dependent children. The major part of family income is adult wages and salaries. Income data are sourced from ABS records, and updated on the basis of movements in average weekly earnings.

Quarterly Median House Prices/Quarterly Median Vacancy Rates: House price and vacancy data are taken from REIA Real Estate Market Facts publication.

Proportion of Family Income to Meet Rent Payments: This is percentage of Median Weekly Family Income required to meet the median rent for a three bedroom house. Rents are obtained from REIA Real Estate Market Facts publication.
Housing debt to annualised household disposable income was sourced from the Reserve Bank of Australia (Household finances - selected ratios).

The Real Estate Institute of Australia is a federation of state and territory Real Estate Institutes. Formed in 1924, it represents the real estate industry in Australia at national and international levels.

Real Estate House
16 Thesiger Court, Deakin, ACT
PO Box 234, Deakin West, ACT 2600
Phone: (02) 6282 4277

Website: www.reia.com.au

Email: reia@reia.com.au

ISSN: 1447 6606
Registered by Australia Post. Publication No. PP 299436/00045

reia.com.au
REIAustralia
REIANational
reiaustralia
Real Estate Institute of Australia