

Stable market but no reprieve for first home buyers

Housing affordability remained relatively steady in the June quarter of 2014 with the proportion of income required to meet loan repayments increasing slightly by 0.3 percentage points to 30.9%. Compared to this time last year, the new results show only a small improvement in affordability of 0.1 percentage point.

When compared to the last quarter, Victoria, Queensland, South Australia (SA) and Tasmania all showed improvements in affordability with SA showing the greatest change with the proportion of income required to meet loan repayments falling by 0.3 percentage points to 27.1%.

New South Wales (NSW) remained the least affordable state for homebuyers with the proportion of income required to meet loan repayments 4.4 percentage points above the national average. The Australian Capital Territory (ACT) remained the most affordable state or territory in which to buy a home with the proportion of income required to meet loan repayments sitting at 19.8%. This result for the ACT was consistent with results from the last quarter.

During the June quarter, the Reserve Bank of Australia (RBA) left the cash rate on hold at 2.5%. The quarterly average variable standard interest rate remained unchanged at 5.6%. This represents a drop of 0.3 percentage points compared to the same time last year. The quarterly average, three year fixed rate remained unchanged over the quarter and also when compared to a year earlier, at 5.1%.

First home buyers made up 12.7% of the owner-occupier market compared to 12.8% in the March quarter. The figure remains persistently low compared to the long-run average proportion of 19.7%. The Australian Bureau of Statistics has announced that an investigation is underway to evaluate the robustness of estimates of loans to first home buyers as a result of concerns around under-reporting. The investigation outcomes will be published on the ABS website although no date has been set for this release of information.

If refinancing is excluded, the number of first home buyers as a proportion of the owner-occupier market increased 0.1 percentage point over the quarter, to 19.0%. This is the second lowest level since 1991.

The number of new finance commitments to first home buyers increased 10.4% to 20,080 in the June quarter. Compared to the same quarter of 2013, new finance commitments to first home buyers went down 10.5%.

Over the June quarter, the number of new finance commitments to first home buyers increased across the nation. Tasmania's quarterly rise of 21.9% was the largest and compared to the June quarter of the previous year, the state also had the biggest jump across the country, up by 26.6%.

Compared to the figure last year, Victoria and the ACT recorded the biggest falls in the number of loans to first home buyers, down by 34.9% and 34.4% respectively.

The average loan size to first home buyers increased 0.7% over the June quarter and by 5.3% compared to the same time last year, to \$304,467.

Over the quarter, the average loan size to first home buyers increased in NSW, SA, Western Australia (WA), Tasmania and the Northern Territory (NT). The ACT had the biggest drop, down by 4.1%.

Compared to the June quarter of 2013, with the exception of the ACT, increases in the average loan size to first home buyers were recorded across the country. The largest increase was recorded in the NT, up by 24.3%.

The total number of loans (excluding refinancing) increased 9.8% over the quarter and 1.6% compared to the same time last year, to 105,466.

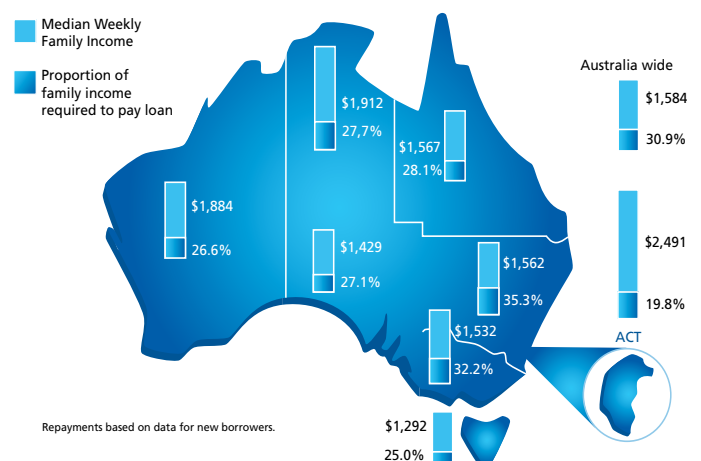
All states and territories contributed to the quarterly increase with the largest rise in NSW, up by 14.3%.

Compared to the June quarter of last year, WA was the only jurisdiction to show a drop in the number of loans (excluding refinancing). Tasmania had the biggest rise across the country, up by 16.7%.

Over the June quarter, the average loan size increased by 1.3% to \$341,748. This is 6.3% higher than a year earlier.

During the quarter, NSW, Victoria, WA and the NT had increases in the average loan size while the biggest decrease was in Tasmania, down by 0.8%.

Compared to the corresponding quarter of 2013, with the exception of the ACT all states and territories had increases in the average loan size.



President's Message June Quarter 2014



Welcome to the Adelaide Bank/REIA Housing Affordability Report.

This edition of the Adelaide Bank/REIA Housing Affordability Report for the June Quarter 2014 points to a stable housing market with a slight decline in housing affordability.

The proportion of income required to meet loan repayments increased slightly this quarter by 0.3 percentage points to 30.9%.

Compared to this time last year, the results are relatively unchanged with only a small improvement in housing affordability of 0.1 percentage point.

Victoria, Queensland, South Australia and Tasmania all showed improvements in affordability over the last quarter with South Australia seeing the greatest change with the proportion of income required to meet loan repayments falling by 0.3 percentage points to 27.1%.

In what is becoming a very concerning trend, first home buyer levels continue to be at near record lows making up only 12.7% of the owner-occupier market during the quarter compared to the long-run average proportion of 19.7%. These low levels are

persisting despite the Reserve Bank of Australia (RBA) leaving the cash rate on hold at 2.5% during the June quarter.

Many in the sector report that affordability is a perceived barrier for first home buyers who view property prices are close to or beyond their means or worryingly, home ownership is seen as completely cost-prohibitive.

According to QBE Lenders' Mortgage Insurance 2014 Mortgage Barometer, speculation about the impact of the Federal Budget has changed perceptions about the best time to buy. The report details that three in five (59%) intending buyers said they would hold off on buying until they see the impact of the Federal Budget, increasing to almost three quarters among first home buyers.

Housing affordability is a priority area for REIA with the CEO and Policy Manager appearing before the Senate Economics References Committee Inquiry into Affordable Housing in July. REIA is very concerned by the recent declines in home ownership in Australia and sees housing supply as the most urgent factor that needs to be addressed to improve housing affordability. First home buyers in particular, need to be given greater confidence to enter the market in the short-term. REIA strongly supports First Home Owner Grants and is disappointed that WA and NT are now the only jurisdictions to offer these grants for established housing.

To end on a positive note, the RBA pointed to a likely period of stability in interest rates, which is positive news for all home owners.

Peter Bushby
REIA President

Sponsor's Message



This edition of the Adelaide Bank/REIA Housing Affordability Report shows that in the June quarter of 2014, affordability is generally steady. I share the concern of REIA President Bushby that first home buyers are at near record lows. Unless a more determined effort is made on the part of the States and Commonwealth by working more closely and actively together with local government, developers and financiers – as the economy improves, there will be supply-side issues that will ultimately mean

greater upward pressure on housing prices. Alternative solutions such as allowing borrowers to access superannuation or the use of alternative funding mechanisms including funding purchases with equity rather than debt are worth investigating, but the primary focus must be on making the market more responsive to demand. The difficulties facing first homebuyers notwithstanding, Adelaide Bank will continue to assist borrowers by doing what we can to keep the cost of borrowing low and providing the tools to help customers manage their finances and pay off their debt as soon as possible. To find out how we can help, speak to your local professional, accredited mortgage broker or visit us at www.adelaidebank.com.au

Damian Percy
General Manager Third Party Lending
Adelaide Bank

The National Snapshot

Proportion of family income required to meet loan repayments

Chart 1 shows the movement in the proportion of family income required to meet average home loan repayments since June 1997.

Chart 1

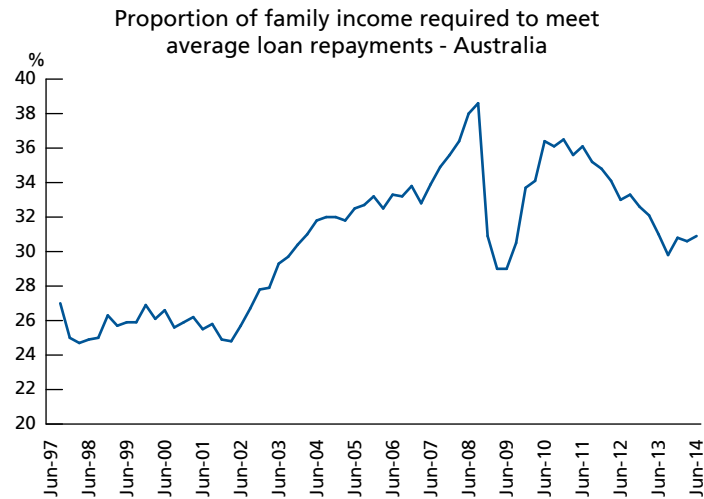


Table 1: Proportion of family income needed to meet loan repayments			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
NSW	35.3%	34.6%	35.2%
VIC	32.2%	32.3%	31.6%
QLD	28.1%	28.3%	28.9%
SA	27.1%	27.4%	27.8%
WA	26.6%	26.4%	26.5%
TAS	25.0%	25.2%	26.2%
NT	27.7%	26.5%	28.0%
ACT	19.8%	19.8%	21.1%
AUS	30.9%	30.6%	31.0%

Rental affordability

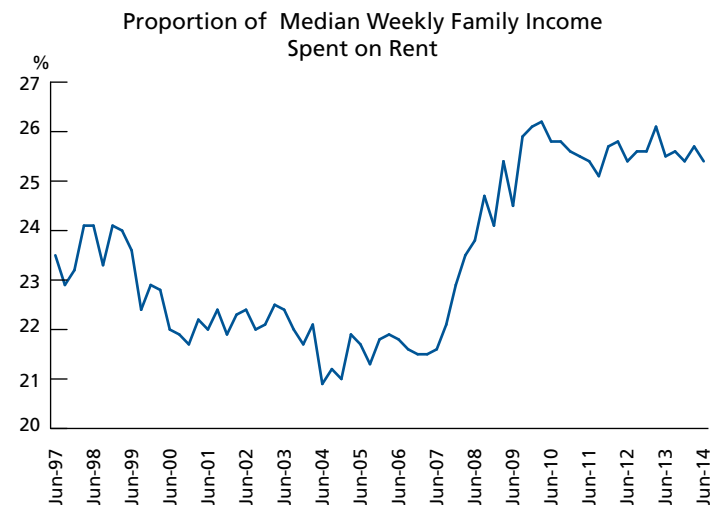
Table 2 shows rental affordability expressed as the proportion of median weekly family income required to meet weekly rent for a three bedroom house. The Australian weighted average median rent for three bedroom houses is calculated using Census data and median rents published in Bendigo Bank/REIA Real Estate Market Facts.

Over the June quarter 2014, rental affordability improved slightly with the proportion of income required to meet rent payments decreasing 0.3 percentage point to 25.4%. Compared to the same quarter of 2013, a decrease of 0.1 percentage point.

Over the quarter, New South Wales, Victoria, Queensland, Western Australia, Tasmania and the Australian Capital Territory recorded improvements in rental affordability. Rental affordability in South Australia and the Northern Territory worsened with the proportion of median income required to meet average rents rising 0.2 and 0.7 percentage points respectively.

The Northern Territory remains the least affordable state or territory in Australia in which to rent a property. The territory's proportion of income required to meet rent repayments is 34.7% – 9.3 percentage points higher than the national level. The Australian Capital Territory remained the most affordable state or territory in which to rent a property with 17.3% of family income required to meet rent payments.

Chart 2



fast facts

Proportion of family income required to meet:

	June 2014	March 2014	June 2013
Home loan repayments	30.9%	30.6%	31.0%
Rent payments	25.4%	25.7%	25.5%

Table 2: Proportion of family income needed to meet rent repayments

	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
NSW	28.8%	29.0%	27.9%
VIC	22.8%	23.4%	23.0%
QLD	23.6%	24.0%	23.9%
SA	23.4%	23.2%	23.4%
WA	24.4%	25.0%	26.4%
TAS	25.5%	27.1%	26.3%
NT	34.7%	34.0%	35.4%
ACT	17.3%	18.0%	18.7%
AUS	25.4%	25.7%	25.5%

First Home Buyers

The number of new finance commitments to first home buyers increased 10.4% to 20,080 in the June quarter. Compared to the same quarter of 2013, new finance commitments to first home buyers went down 10.5%.

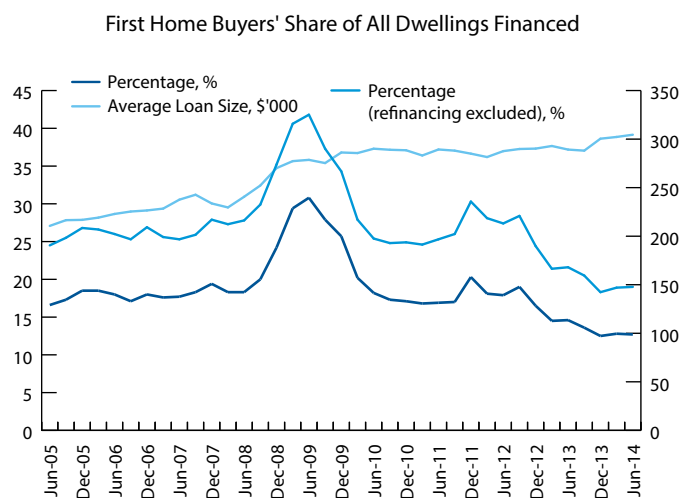
The average loan size to first home buyers increased 0.7% over the June quarter and by 5.3% compared to the same time last year, to \$304,467.

First home buyers made up 12.7% of the owner-occupier market compared to 12.8% in the March quarter. The figure remains persistently low compared to the long-run average proportion of 19.7%.

If refinancing is excluded, the number of first home buyers as a proportion of the owner-occupier market increased 0.1 percentage point over the quarter, to 19.0%. This is the second lowest level since 1991.

First home buyers' share of all dwellings financed and the average size of their loans from the June quarter 2005 to the June quarter 2014 is shown in Chart 3.

Chart 3



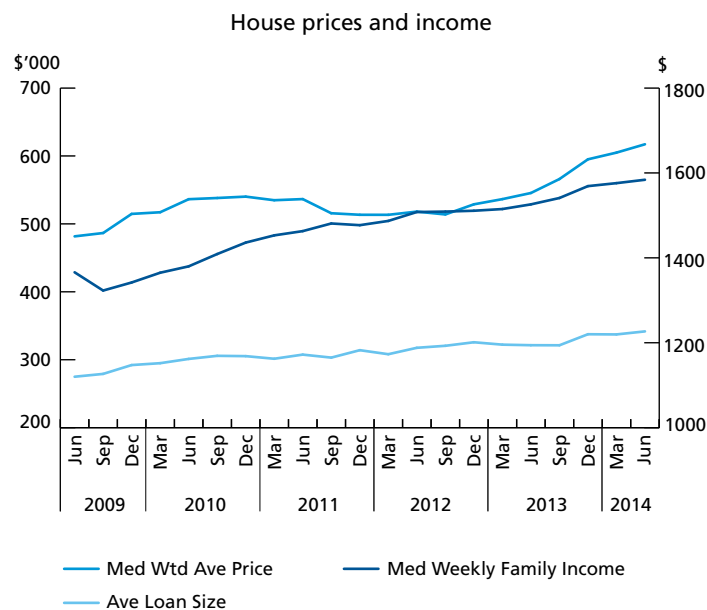
Factors Influencing Home Loan Affordability

A range of factors influence home loan affordability:

- The amount to be borrowed reflects the price of the property being purchased and the borrower's equity situation.
- The size of the loan, interest rates and the period of the loan determine the average loan repayment.
- The ability to repay the mortgage depends upon the family income.

Chart 4 shows the relationship between the Australian weighted average median house price, median weekly family income and average loan size.

Chart 4



Median House Prices

The Australian median house price rose by 2.0% over the June quarter, to \$617,232.

Over the quarter, with the exception of Perth and Hobart increases in median house prices were recorded throughout the country. Melbourne had the biggest rise, up by 3.3%.

Detailed data on median prices for houses and other dwellings is available in the Bendigo Bank/REIA Real Estate Market Facts publication.

Median Family Income and Average Monthly Loan Repayments

The national median weekly family income rose 0.5% to \$1,584 during the June quarter of 2014. This represents a 3.8% increase when compared to the June quarter of 2013.

During the June quarter, the average monthly loan repayment was \$2,119 – an increase of 1.3% over the quarter and 3.4% when compared to the corresponding quarter of the previous year.

The proportion of family income required to meet loan repayments increased to 30.9%, up from 30.6% in the March quarter and when compared to the June quarter of 2013, it's a slight decline of 0.1 percentage point.

Average Loan (All Borrowers)

The total number of new lending commitments (excluding refinancing) issued nationally over the June quarter increased 9.8%, to 105,466. This represents a rise of 1.6% compared to a year earlier.

The average loan size of new lending commitments (excluding refinancing) increased by 1.3% to \$341,748 – a 6.3% rise when compared to the June quarter of 2013.

Interest Rates

The Reserve Bank of Australia (RBA) left the cash rate on hold at 2.5%.

The gap between variable and three year fixed rates remains at 0.5 percentage points. The quarterly average variable standard interest rate remained unchanged at 5.6%. This represents a drop of 0.3 percentage points compared to the year before. The quarterly average, three year fixed rate remained unchanged over the quarter and also when compared to a year earlier, at 5.1%.

Average quarterly variable interest rates were:

Banks—5.6%, unchanged over the June quarter.

Permanent Building Societies—5.5%, unchanged from the previous quarter.

Other lenders—5.0%, a decline of 0.1 percentage point over the quarter.

The average fixed (3 year) interest rates were:

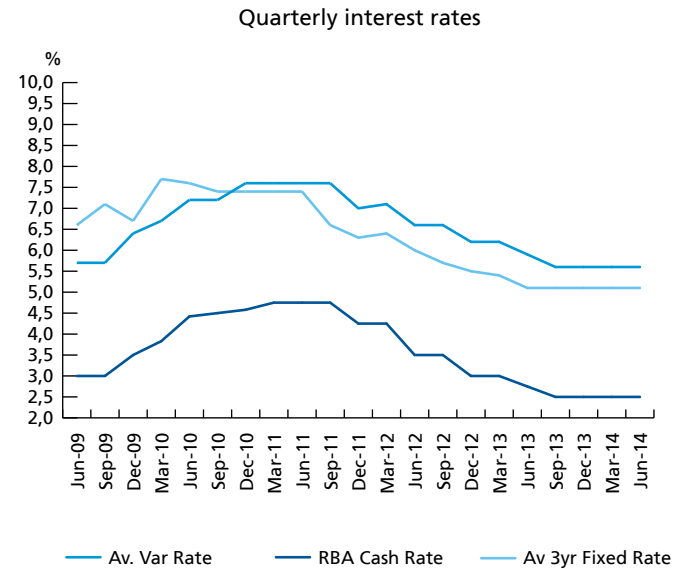
Banks—5.1%, unchanged compared to the previous quarter.

Permanent Building Societies - 5.1%, unchanged over the quarter.

Other lenders—5.0%, 0.1 percentage point lower compared to the March quarter.

Chart 5 shows the movement of the RBA cash rate, the quarterly average standard variable rate and the quarterly average three-year fixed rate over the last five years.

Chart 5



The Home Loan Affordability Indicator

The Home Loan Affordability Indicator (HLAI) is the ratio of median family income to average loan repayments. An increasing value reflects improving affordability of housing loans.

Table 3 shows the HLAI for Australia and each state and territory for the June quarter of 2014 and is compared with the preceding quarter and the corresponding quarter of 2013. Percentage changes are shown in Table 4.

A long-term series of the quarterly movements in the HLAI from the March quarter 1997 is shown in Chart 6.

Table 3: Home Loan Affordability Indicators

	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
NSW	28.3	28.9	28.4
VIC	31.0	31.0	31.6
QLD	35.6	35.3	34.6
SA	37.0	36.5	36.0
WA	37.5	37.9	37.7
TAS	40.0	39.7	38.2
NT	36.1	37.8	35.8
ACT	50.5	50.4	47.5
AUS	32.4	32.6	32.3

Table 4: Percentage Change in HLAI		
	% Change: Jun'14 - Mar'14	% Change: Jun'14 - Jun'13
NSW	-2.1	-0.4
VIC	0.0	-1.9
QLD	0.8	2.9
SA	1.4	2.8
WA	-1.1	-0.5
TAS	0.8	4.7
NT	-4.5	0.8
ACT	0.2	6.3
AUS	-0.6	0.3

Chart 6

Home loan affordability indicator over time

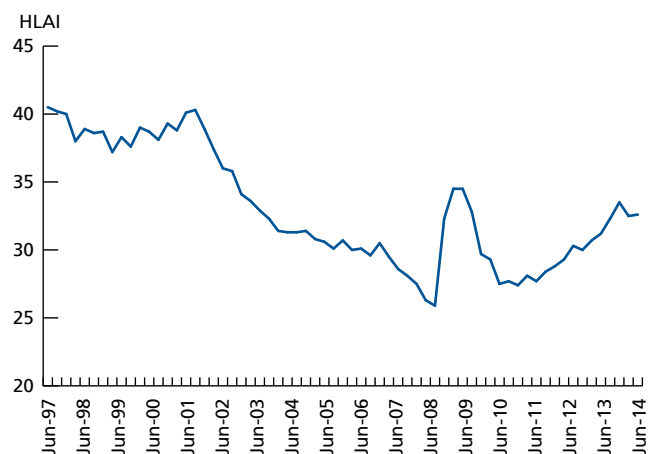
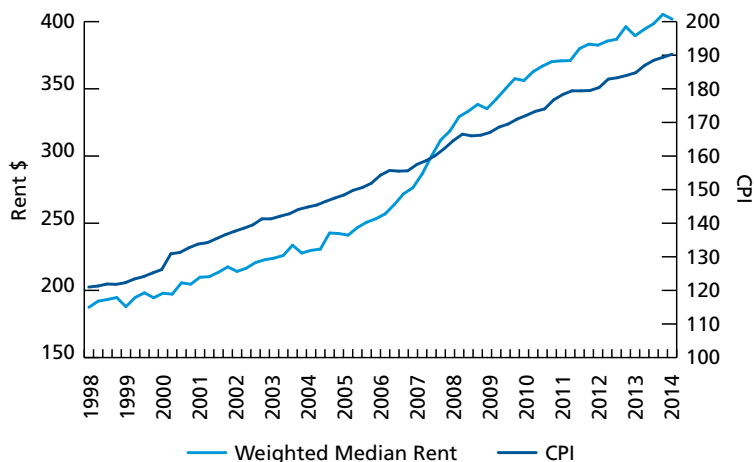


Table 5: AUSTRALIA			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	32.4	32.6	32.3
Average HLAJ since December quarter 1996	33.4	33.4	33.5
Proportion of family income devoted to meeting average loan repayments	30.9%	30.6%	31.0%
Proportion of family income devoted to meeting median rents	25.4%	25.7%	25.5%
Median weekly family income	\$1,584	\$1,576	\$1,526
Average monthly loan repayment	\$2,119	\$2,092	\$2,050
Average loan	\$341,748	\$337,276	\$321,413
Total number of loans (excl refinancing)	105,466	96,039	103,826
Number of loans to first home buyers	20,080	18,185	22,445
Average first home buyer loan	\$304,467	\$302,233	\$289,233
Banks			
Average loan	\$348,561	\$342,078	\$325,732
Standard variable interest rate	5.6%	5.6%	5.9%
Fixed interest rate	5.1%	5.1%	5.1%
Building Societies			
Average loan	\$261,861	\$251,344	\$254,162
Standard variable interest rate	5.5%	5.5%	5.7%
Fixed interest rate	5.1%	5.1%	5.2%
Other Lenders			
Average loan	\$276,213	\$294,572	\$274,021
Standard variable interest rate	5.0%	5.1%	5.3%
Fixed interest rate	5.0%	5.1%	5.1%
Percentage Change	HLAI	CPI	
Since previous quarter	-0.6%	0.5%	
Since corresponding quarter last year	0.3%	3.0%	

Chart 7

Australian Rent and CPI from June Quarter 1998



New South Wales

New South Wales recorded a decline in housing affordability with the proportion of income required to meet loan repayments rising 0.7 percentage point to 35.3% – an increase of 0.1 percentage point compared to the June quarter of 2013. With the proportion of income required to meet loan repayments 4.4 percentage points higher than the nation's average, New South Wales remains the least affordable state or territory in which to buy a home.

One of the least affordable rental markets in the country, New South Wales recorded a slight improvement in rental affordability with the proportion of income required to meet median rent payments decreasing 0.2 percentage points over the quarter, to 28.8%. Compared to the corresponding quarter of 2013, this is an increase of 0.9 percentage points.

Of the total number of first home buyers that purchased during the June quarter, 17.2% were from New South Wales. The number of loans to first home buyers increased 10.6% to 3,451. When compared to the figure a year earlier, an increase of 7.9%. First home buyers make up only 7.5% of the state's owner-occupier market – the lowest level across the nation. The average loan to first home buyers increased 0.6% over the quarter – a rise of 3.3% when compared to the June quarter of 2013, to \$319,300.

New South Wales had the largest quarterly increase in the number of loans across the country, up by 14.3% to 28,795. This represents a 1.9% rise compared to twelve months earlier. The average loan size rose 2.7% over the quarter and 7.0% when compared to the June quarter of the previous year to \$385,468.

Table 6: New South Wales

Table 6: NEW SOUTH WALES			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	28.3	28.9	28.4
Average HLAI since December quarter 1996	29.5	29.6	29.6
Proportion of family income devoted to meeting average loan repayments	35.3%	34.6%	35.2%
Proportion of family income devoted to meeting median rents	28.8%	29.0%	27.9%
Median weekly family income	\$1,562	\$1,553	\$1,506
Average monthly loan repayment	\$2,390	\$2,328	\$2,298
Average loan	\$385,468	\$375,277	\$360,278
Total number of loans (excl. refinancing)	28,795	25,203	28,262
Number of loans to first home buyers	3,451	3,120	3,197
Average first home buyer loan	\$319,300	\$317,367	\$309,233
Banks			
Average loan	\$397,584	\$385,180	\$369,092
Building Societies			
Average loan	\$266,017	\$249,398	\$254,823
Other Lenders			
Average loan	\$288,395	\$316,496	\$289,222
Percentage Change			
	HLAI	CPI Sydney	
Since previous quarter	-2.1%	0.4%	
Since corresponding quarter last year	-0.4%	2.8%	

Chart 8

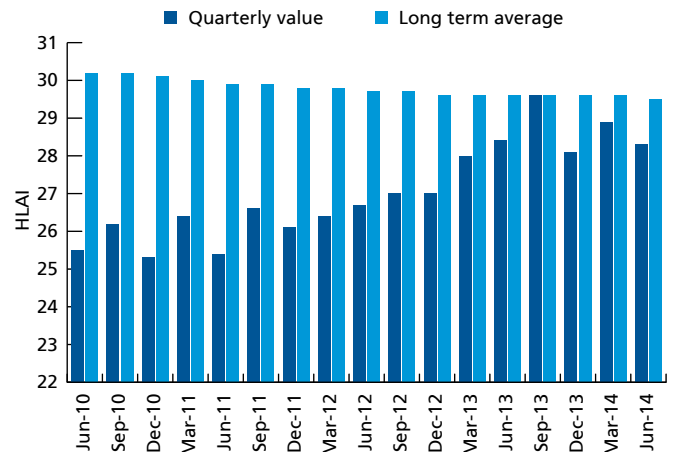
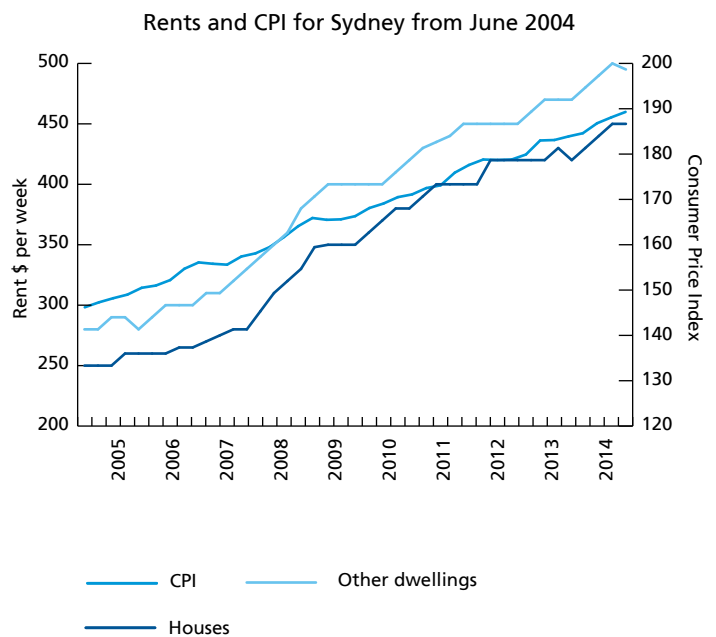


Chart 9



fast facts

New South Wales remains the least affordable state or territory in which to buy a home

Victoria

Over the quarter, Victoria showed a slight improvement in housing affordability, with the proportion of income required to meet loan repayments going down by 0.1 percentage point, to 32.2%. Compared to a year earlier, this is a downturn in housing affordability with the figure rising 0.6 percentage points.

Rental affordability improved slightly with the proportion of income required to meet median rents falling 0.6 percentage points over the quarter and 0.2 percentage point compared to the June quarter of 2013, to 22.8%.

Of the total number of first home buyers that purchased during the June quarter, 25.1% were from Victoria. During the quarter, the number of loans to first home buyers increased 12.9%, to 5,036, however when compared to the same quarter of the previous year, the State had the largest fall across the country. In Victoria, first home buyers make up 12.0% of the state's owner-occupier market and in the June quarter, the average loan to first home buyers was 297,467. This is a slight fall of 0.1% over the quarter and a rise of 4.8% when compared to the figure of last year.

In Victoria, the total number of loans (excluding refinancing) went up 11.6% during the quarter and 0.1% compared to the June quarter of the previous year to 27,105. At \$344,978, the average loan size increased 0.8% over the quarter and 8.8% when compared to the corresponding quarter of 2013 – the largest annual rise across the country.

Chart 10

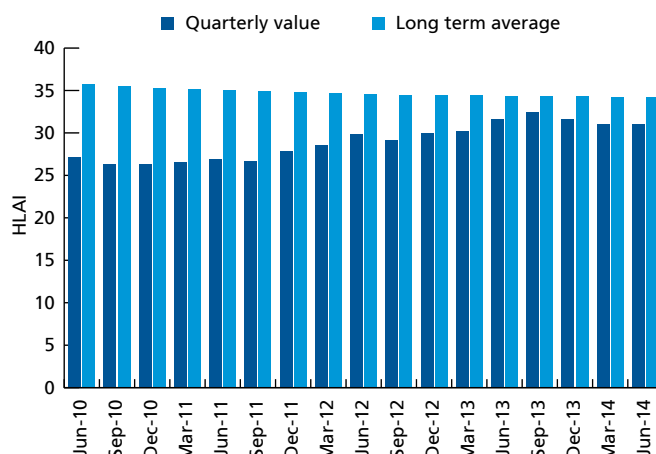


Chart 11

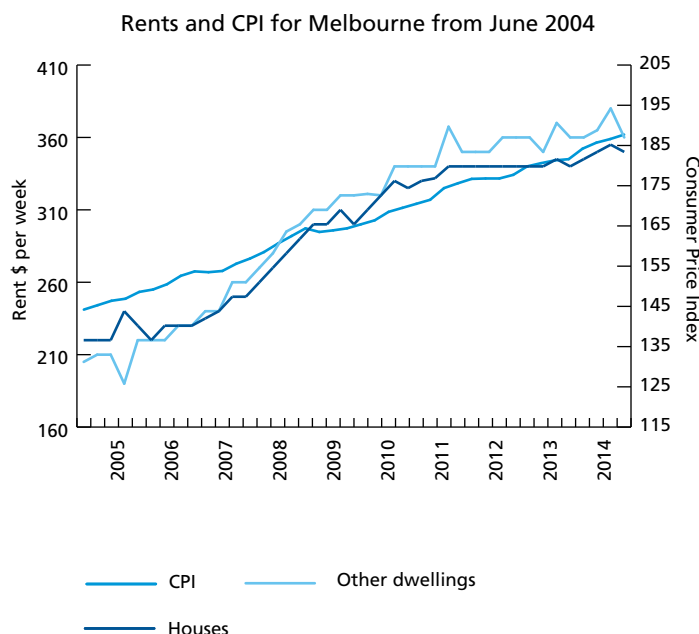


Table 7: VICTORIA			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	31.0	31.0	31.6
Average HLAI since December quarter 1996	34.2	34.2	34.3
Proportion of family income devoted to meeting average loan repayments	32.2%	32.3%	31.6%
Proportion of family income devoted to meeting median rents	22.8%	23.4%	23.0%
Median weekly family income	\$1,532	\$1,520	\$1,476
Average monthly loan repayment	\$2,139	\$2,124	\$2,022
Average loan	\$344,978	\$342,387	\$317,023
Total number of loans (excl. refinancing)	27,105	24,289	27,075
Number of loans to first home buyers	5,036	4,462	7,735
Average first home buyer loan	\$297,467	\$297,900	\$283,767
Banks			
Average loan	\$348,137	\$344,585	\$318,748
Building Societies			
Average loan	\$265,090	\$256,447	\$263,054
Other Lenders			
Average loan	\$276,003	\$290,880	\$267,813
Percentage Change			
Since previous quarter	HLAI	CPI Melb	
Since corresponding quarter last year	-1.9%	3.2%	

fast facts

Across the country, Victoria had the largest decrease in the number of loans to first home buyers over the year

Queensland

Housing affordability in Queensland improved with the proportion of income required to meet home loan repayments going down 0.2 percentage points over the quarter and 0.8 percentage points when compared to the June quarter of 2013, to 28.1%.

Rental affordability in Queensland also improved. At 23.6%, the proportion of the median family income required to meet the median rent went down by 0.4 percentage points over the quarter and 0.3 percentage points for the year.

Over the June quarter, the number of loans to first home buyers in Queensland increased 4.7%, to 3,345 – a rise of 11.8% when compared to the corresponding quarter last year. Of all Australian first home buyers over the quarter, 16.7% were from Queensland while the proportion of first home buyers of Queensland’s owner-occupier market was 11.2%. The average loan size to first home buyers decreased 3.4% during the quarter but increased 2.1% compared to a year earlier, to \$281,867.

The total number of loans (excluding refinancing) increased 3.1% over the quarter and 5.5% compared to the June quarter of last year, to 21,508. Over the quarter, the average loan size declined by 0.4% to \$307,196 – a 3.7% increase compared to the year before.

Chart 12

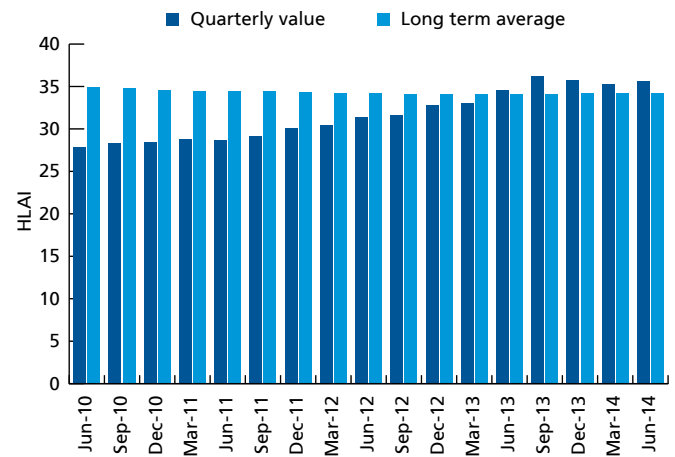


Chart 13

Rents and CPI for Brisbane from June 2004

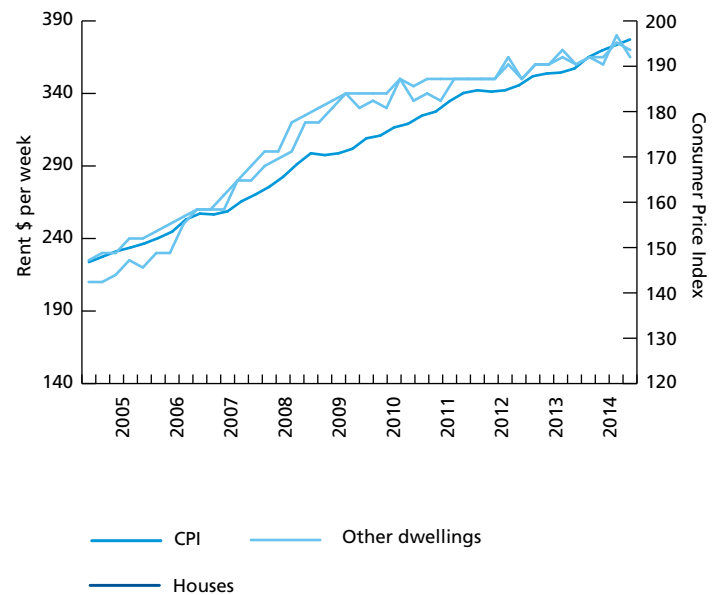


Table 8: QUEENSLAND			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	35.6	35.3	34.6
Average HLAI since December quarter 1996	34.2	34.2	34.1
Proportion of family income devoted to meeting average loan repayments	28.1%	28.3%	28.9%
Proportion of family income devoted to meeting median rents	23.6%	24.0%	23.9%
Median weekly family income	\$1,567	\$1,560	\$1,509
Average monthly loan repayment	\$1,905	\$1,914	\$1,890
Average loan	\$307,196	\$308,571	\$296,348
Total number of loans (excl. refinancing)	21,508	20,863	20,395
Number of loans to first home buyers	3,345	3,196	2,991
Average first home buyer loan	\$281,867	\$291,800	\$276,067
Banks			
Average loan	\$311,590	\$308,042	\$298,095
Building Societies			
Average loan	n/a	n/a	n/a
Other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change			
	HLAI	CPI Brisbane	
Since previous quarter	0.8%	0.6%	
Since corresponding quarter last year	2.9%	3.2%	

fast facts

The average first home buyer loan in Queensland was \$281,867

South Australia

Housing affordability in South Australia improved over the June quarter with the proportion of income required to meet monthly loan repayments falling 0.3 and 0.7 percentage points respectively, to 27.1%.

When compared to the previous quarter, rental affordability in the state fell slightly over the quarter with the proportion of income required to meet rent payments rising 0.2 percentage points, to 23.4%, however no change was recorded compared to the June quarter of 2013.

Over the June quarter, the number of loans to first home buyers in South Australia increased 4.0% to 1,842. The state had a 0.2% fall when compared to the same quarter of 2013. Of all Australian first home buyers over the quarter, 9.2% were from South Australia while the proportion of first home buyers of South Australia's owner-occupier market was 17.4%. The average loan size to first home buyers rose 2.0% over the quarter and also 4.5% when compared to a year earlier, to \$250,333.

The total number of loans increased 11.2% over the quarter and 2.0% when compared to the June quarter of 2013, to 7,398. The average loan went down by 0.2% over the quarter but increased 4.8% when compared to the year before, to \$270,213.

Chart 14

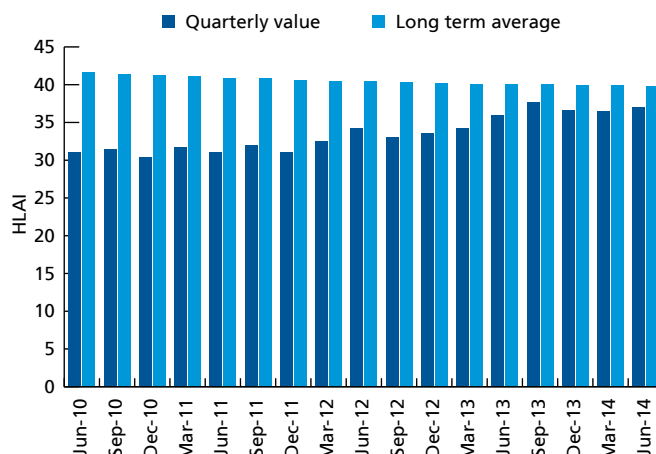
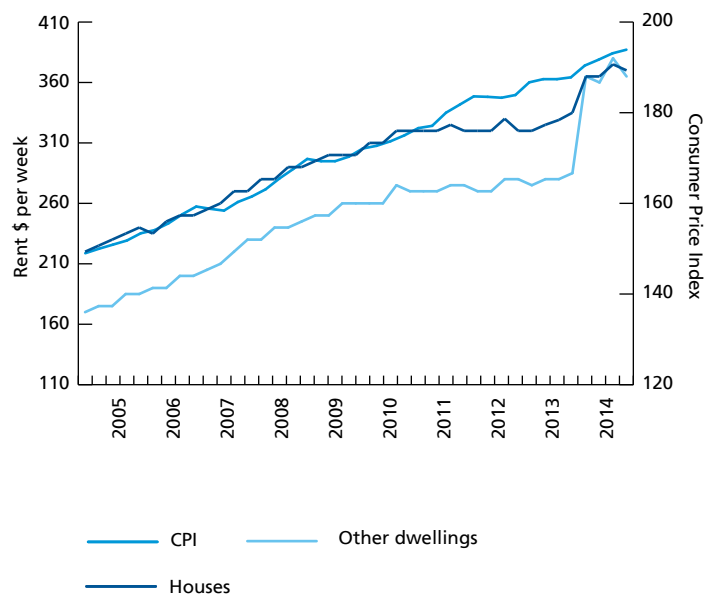


Table 9: SOUTH AUSTRALIA			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	37.0	36.5	36.0
Average HLAI since December quarter 1996	39.8	39.9	40.0
Proportion of family income devoted to meeting average loan repayments	27.1%	27.4%	27.8%
Proportion of family income devoted to meeting median rents	23.4%	23.2%	23.4%
Median weekly family income	\$1,429	\$1,416	\$1,365
Average monthly loan repayment	\$1,676	\$1,680	\$1,645
Average loan	\$270,213	\$270,808	\$257,910
Total number of loans (excl. refinancing)	7,398	6,651	7,254
Number of loans to first home buyers	1,842	1,772	1,846
Average first home buyer loan	\$250,333	\$245,500	\$239,600
Banks			
Average loan	\$280,916	\$282,742	\$263,758
Building Societies			
Average loan	n/a	n/a	n/a
Other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change			
	HLAI	CPI Adelaide	
Since previous quarter	1.4%	0.4%	
Since corresponding quarter last year	2.8%	3.1%	

Chart 15

Rents and CPI for Adelaide from June 2004



fast facts

Nationally, SA had the biggest improvement in housing affordability over the quarter

Western Australia

Western Australia had a drop in housing affordability over the quarter and also when compared to the corresponding quarter of 2013 with the proportion of income required to meet loan repayments rising 0.2 and 0.1 percentage points respectively, to 26.6%.

Rental affordability in Western Australia improved with the proportion of family income required to meet the median rent going down by 0.6 percentage points over the quarter and 2.0 percentage points when compared to the year before, to 24.4%.

Western Australia had a 13.0% increase in the number of loans to first home buyers over the June quarter, to 5,450. Compared to the same quarter of 2013, the figure decreased 4.4%. At 22.8%, the state has the highest proportion of first home buyers of the owner-occupier market across Australia. The average loan to first home buyers increased 3.0% over the quarter and 8.7% compared to the June quarter of the previous year, to \$340,500. Of all Australian first home buyers who purchased during the June quarter, 27.1% were from Western Australia.

Over the June quarter, the total number of loans (excluding refinancing) went up by 8.8% to 16,032 which is a 3.3% drop compared to the year before. The average loan increased 1.0% over the quarter, to \$350,624 – a 7.0% rise when compared to a year earlier.

Table 10: WESTERN AUSTRALIA			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	37.5	37.9	37.7
Average HLAI since December quarter 1996	38.6	38.6	38.6
Proportion of family income devoted to meeting average loan repayments	26.6%	26.4%	26.5%
Proportion of family income devoted to meeting median rents	24.4%	25.0%	26.4%
Median weekly family income	\$1,884	\$1,884	\$1,820
Average monthly loan repayment	\$2,174	\$2,153	\$2,091
Average loan	\$350,624	\$347,144	\$327,750
Total number of loans (excl. refinancing)	16,032	14,734	16,575
Number of loans to first home buyers	5,450	4,823	5,703
Average first home buyer loan	\$340,500	\$330,600	\$313,367
Banks			
Average loan	\$352,146	\$347,661	\$329,313
Building Societies			
Average loan	n/a	n/a	n/a
Other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change			
	HLAI	CPI Perth	
Since previous quarter	-1.1%	0.8%	
Since corresponding quarter last year	-0.5%	3.3%	

Chart 16

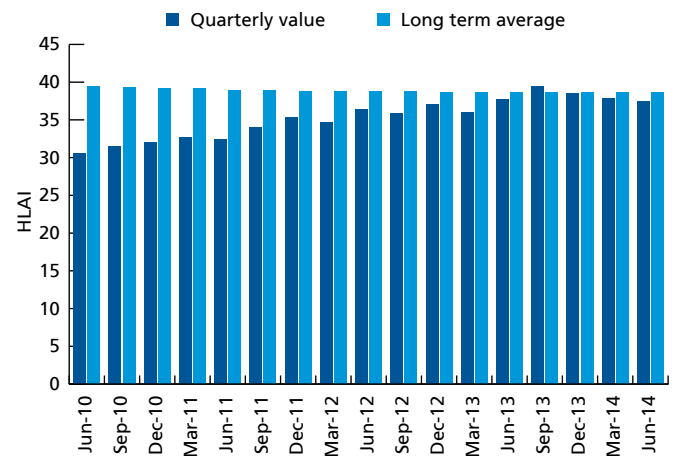
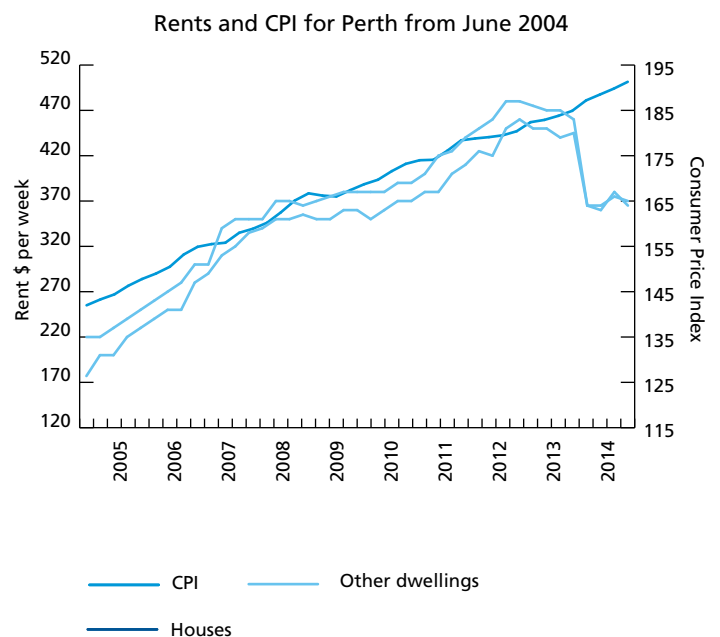


Chart 17



fast facts

Western Australia had a 13% increase in the number of loans to first home buyers over the June quarter

Tasmania

In Tasmania, the proportion of income required to meet home loan repayments decreased 0.2 percentage points to 25.0% over the June quarter. Compared to the figure last year, the state had the second largest improvement with the proportion falling 1.2 percentage points.

Tasmania recorded the best improvement in rental affordability across the country with the proportion of income required to meet the median rent payments falling 1.6 percentage points to 25.5%, down 0.8 percentage points over the year.

Tasmania recorded the largest increase in the number of loans to first home buyers over the quarter and also when compared to the June quarter of 2013, up by 21.9% and 26.6% respectively. The average loan to first home buyers rose 2.9% over the quarter and 7.9% compared to the June quarter of 2013, to \$224,833. First home buyers in Tasmania made up 19.5% of the owner-occupier market.

Over the quarter, the total number of new loans (excluding refinancing) increased 7.7% to 2,092. Compared to the June quarter of the previous year, Tasmania had the largest increase across Australia, up by 16.7%. At \$225,626, the average loan size declined by 0.8% over the June quarter but increased 1.1% compared to the corresponding quarter of 2013.

Table 11: TASMANIA

	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	40.0	39.7	38.2
Average HLAI since December quarter 1996	42.4	42.5	42.6
Proportion of family income devoted to meeting average loan repayments	25.0%	25.2%	26.2%
Proportion of family income devoted to meeting median rents	25.5%	27.1%	26.3%
Median weekly family income	\$1,292	\$1,293	\$1,253
Average monthly loan repayment	\$1,399	\$1,410	\$1,423
Average loan	\$225,626	\$227,365	\$223,133
Total number of loans (excl. refinancing)	2,092	1,943	1,792
Number of loans to first home buyers	523	429	413
Average first home buyer loan	\$224,833	\$218,500	\$208,367
Banks			
Average loan	\$235,177	\$235,445	\$230,130
Building Societies			
Average loan	n/a	n/a	n/a
other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change	HLAI	CPI Hobart	
Since previous quarter	0.8%	0.4%	
Since corresponding quarter last year	4.7%	2.8%	

Chart 18

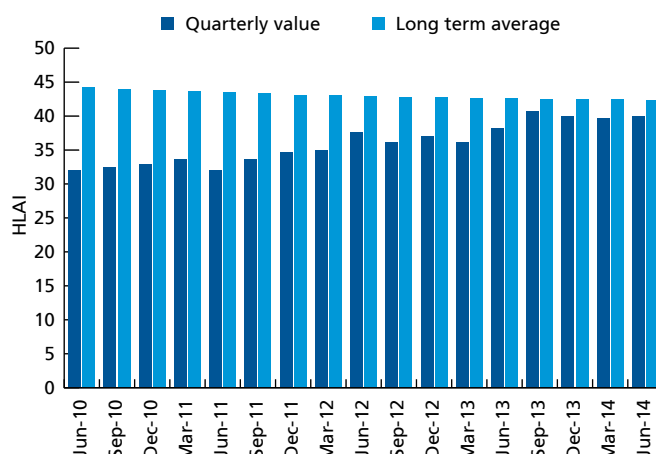
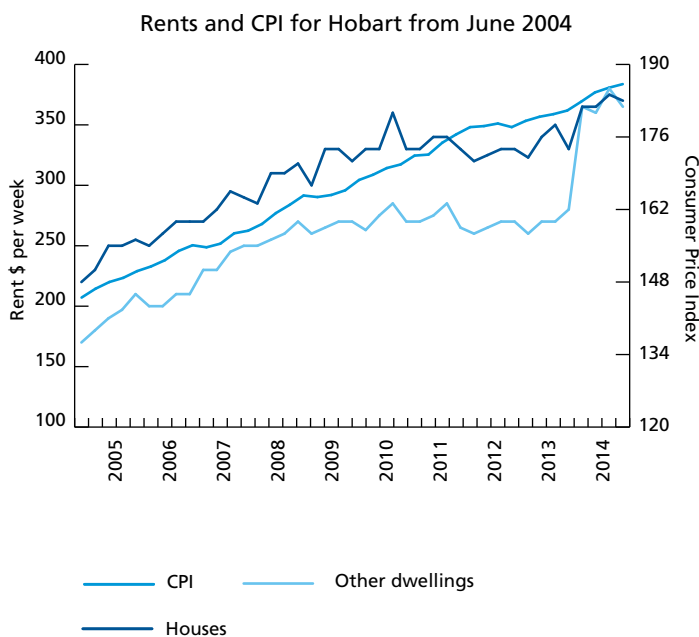


Chart 19



fast facts

Tasmania recorded the largest jump in the number of first home buyers over both the quarter and the year

Northern Territory

Over the quarter, the Northern Territory saw the biggest decline in housing affordability across the country with the proportion of income required to meet loan repayments rising 1.2 percentage points, to 27.7%. Compared to the June quarter of 2013, the proportion decreased by 0.3 percentage points.

The Northern Territory is the least affordable jurisdiction in which to rent with the proportion of income required to meet the median rent sitting at 34.7%. Rental affordability declined over the quarter with the figure rising 0.7 percentage points – an improvement of 0.7 percentage points compared to the year before.

The Northern Territory recorded an 18.4% increase in the number of first home buyers' loan commitments over the quarter – a 5.5% rise when compared to a year earlier. The average loan to first home buyers went up by 6.5% during the June quarter, showing a 24.3% increase compared to the same quarter a year earlier, to \$351,267. First home buyers make up 16.4% of the Territory's owner-occupier market.

The total number of loans (excluding refinancing) increased 7.6% over the June quarter and 6.0% when compared to the same quarter of 2013, to 762. The average loan went up by 4.4% over the quarter and by 5.1% when compared to the June quarter 2013, to \$369,917.

Chart 20

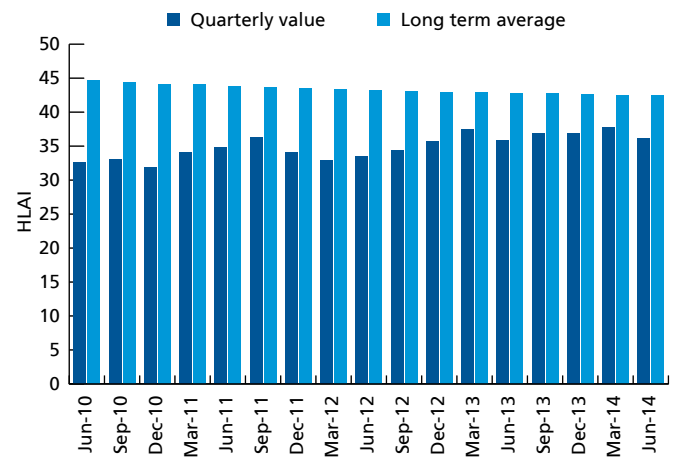
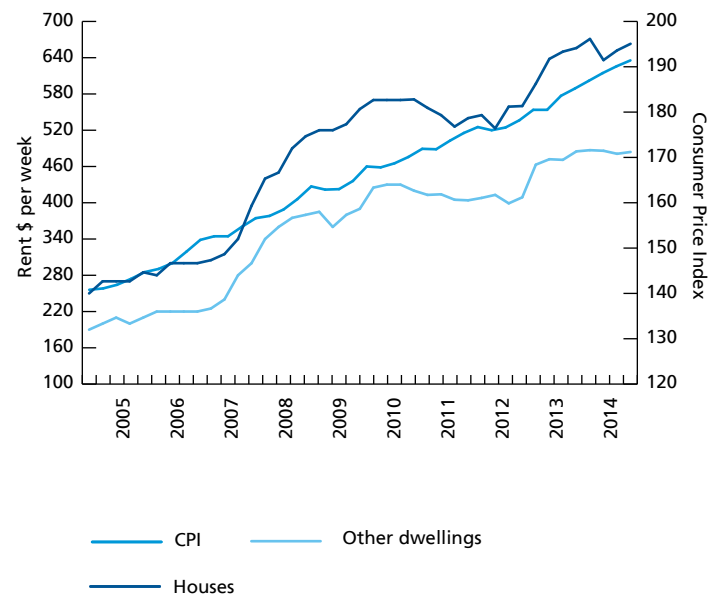


Table 12: NORTHERN TERRITORY			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	36.1	37.8	35.8
Average HLAI since December quarter 1996	42.4	42.5	42.8
Proportion of family income devoted to meeting average loan repayments	27.7%	26.5%	28.0%
Proportion of family income devoted to meeting median rents	34.7%	34.0%	35.4%
Median weekly family income	\$1,912	\$1,918	\$1,853
Average monthly loan repayment	\$2,294	\$2,199	\$2,244
Average loan	\$369,917	\$354,445	\$351,811
Total number of loans (excl. refinancing)	762	708	719
Number of loans to first home buyers	174	147	165
Average first home buyer loan	\$351,267	\$329,767	\$282,667
Banks			
Average loan	\$382,549	\$371,149	\$357,410
Building Societies			
Average loan	n/a	n/a	n/a
Other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change			
	HLAI	CPI Darwin	
Since previous quarter	-4.5%	0.7%	
Since corresponding quarter last year	0.8%	3.3%	

Chart 21

Rents and CPI for Darwin from June 2004



fast facts

First home buyers in the NT had the highest average home loan at \$351,267 for the June quarter

Australian Capital Territory

The Australian Capital Territory recorded no change in housing affordability over the June quarter while the proportion of income required to meet home loan repayments decreased 1.3 percentage points to 19.8% – the best annual improvement across the country. The ACT remains the most affordable state or territory in which to buy a home.

The ACT showed an improvement in rental affordability over the quarter and also when compared to the June quarter of 2013 with the proportion of income required to meet median rent falling 0.7 and 1.4 percentage points respectively, to 17.3%.

Over the quarter, the Australian Capital Territory recorded a 9.7% increase in the number of loans to first home buyers, however the territory had the second biggest fall when compared to the June quarter of 2013, down by 34.4%. During the quarter, there were 259 first home buyers in the ACT, or 10.8% of the Territory's owner-occupier market. The average loan for first home buyers fell 4.1% over the quarter and 3.9% when compared to a year earlier, to \$296,033.

The Territory had a 7.6% increase in the number of loans (excluding refinancing), to 1,774. When compared to the figure twelve months ago, that's an increase of 1.1%. The average loan size fell 0.5% over the quarter and by 0.1% compared to the year before, to \$344,632 – the only annual decline across the country.

Chart 22

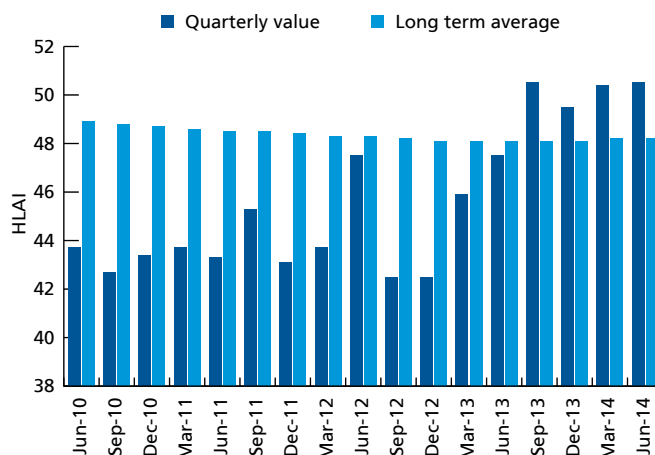


Chart 23

Rents and CPI for Canberra from June 2004

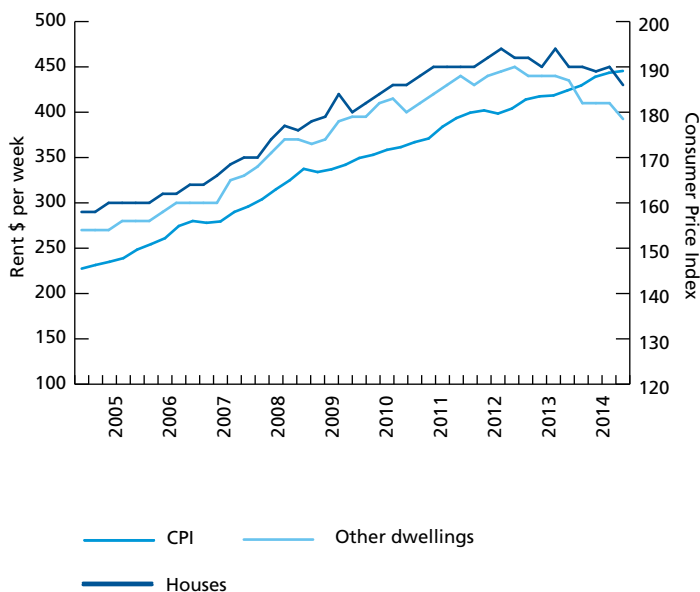


Table 13: AUSTRALIAN CAPITAL TERRITORY			
	Jun qtr 2014	Mar qtr 2014	Jun qtr 2013
Home Loan Affordability Indicator (HLAI)	50.5	50.4	47.5
Average HLAI since December quarter 1986	48.2	48.2	48.1
Proportion of family income devoted to meeting average loan repayments	19.8%	19.8%	21.1%
Proportion of family income devoted to meeting median rents	17.3%	18.0%	18.7%
Median weekly family income	\$2,491	\$2,499	\$2,412
Average monthly loan repayment	\$2,137	\$2,149	\$2,201
Average loan	\$344,632	\$346,396	\$345,083
Total number of loans (excl. refinancing)	1,774	1,648	1,754
Number of loans to first home buyers	259	236	395
Average first home buyer loan	\$296,033	\$308,767	\$308,200
Banks			
Average loan	\$343,909	\$347,837	\$346,038
Building Societies			
Average loan	n/a	n/a	n/a
other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change			
	HLAI	CPI Canberra	
Since previous quarter	0.2%	0.2%	
Since corresponding quarter last year	6.3%	2.2%	

fast facts

This quarter saw the ACT continue its long run as the most affordable state or territory in which to buy a home



Housing Affordability Report



Adelaide Bank/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 Adelaide Bank/REIA Housing Affordability Report are due to revisions in the database that may be necessary from time to time.

Home Loan Affordability Indicator: A ratio of family income to average loan payments. (An increase denotes easier affordability). The HLAI divided by a (constant) factor of 10 is the number of times by which median family income exceeds average home loan repayments in a full year. The reciprocal value of the HLAI is the proportion of family income that is required to repay the average home loan in a full year.

Loans: Average size and total number for first home buyers and all borrowers (excluding refinancing) are average data over the quarter, based on all lender data from the ABS.

Average Monthly Loan Repayment: Loan repayment figures are calculated from data provided by the ABS, Cannex Pollfax, and financial institutions across Australia. From the June quarter 2012, interest rates are calculated as weighted average interest rates for banks, building societies and other lenders.

Median Weekly Family Income: A family is defined as a married 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 *Bendigo Bank/REIA Real Estate Market Facts* publication.

Proportion of Family Income to Meet Rent Payments: The percentage of Median Weekly Family Income required to meet the median rent for a three bedroom house. Rents are obtained from *Bendigo Bank/REIA Real Estate Market Facts* publication.

Real Estate Institute of Australia

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

Fax: (02) 6285 2444

Website: www.reia.com.au

Email: reia@reia.com.au

Adelaide Bank

Adelaide Bank is a leading customer connected business, operating for more than 100 years. Adelaide Bank was established in January 1994, originating from the Co-operative Building Society of South Australia, which was Australia's largest building society at that time.

Adelaide Bank is now the dedicated intermediary lending business of Bendigo and Adelaide Bank Limited. We have a specialised focus on supporting intermediaries through continued product innovation and exceptional service levels.

Adelaide Bank's success is achieved by distributing mortgage products through partnerships with industry professionals. This offers our customers the freedom of choice when sourcing products that best meet their financial needs.

Adelaide Bank
Helpline within Australia: 1300 652 220
overseas: +61 8 8300 6000
www.adelaidebank.com.au

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by means of electronic, mechanical, photocopy, recording or otherwise, without the prior consent of the publishers.

© 2014 REAL ESTATE INSTITUTE OF AUSTRALIA

ISSN: 1447 6606

Registered by Australia Post. Publication No. PP 299436/00045



AdelaideBank

We care about housing affordability

Just as much as you

We've been assisting Australians with home loans for more than 100 years and we're pleased to support the work of the Real Estate Institute of Australia in preparing the quarterly Home Loan Affordability Report.

At Adelaide Bank we understand that a home loan is not just a mortgage. It's a first home, a long awaited investment property, a place to retire in comfort.

We recognise that each customer's needs are personal, that's why we provide their chosen broker with everything they need to deliver every time. We've been recognised nationally for our service, our great rates, our turn-around times and our smart home loan products.

If you'd like more information about our home loans visit adelaidebank.com.au

Terms, conditions, fees, charges and lending criteria apply. Information correct as at 06/08/2014 and is subject to change. Full details on application. Adelaide Bank a Division of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879. GPO Box 1048, Adelaide SA 5001. adelaidebank.com.au (S49592) (08/14)

adelaidebank.com.au