

Affordability reaches its best level in twelve months

The third quarter of 2014 showed an improvement in housing affordability nationally with the proportion of income required to meet loan repayments decreasing by 0.5 percentage points to 30.4%.

When compared to the June quarter, with the exception of Queensland where no change was recorded, all states and territories saw improvements in housing affordability. Western Australia showed the greatest change with the proportion of income required to meet loan repayments falling by 0.7 percentage points, to 25.9%. With all the media reports about booming house prices in Sydney, it comes as no surprise that New South Wales (NSW) remained the least affordable state for homebuyers with the proportion of income required to meet loan repayments 4.1 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 19.4%.

During the September quarter, the Reserve Bank of Australia (RBA) left the cash rate on hold at 2.5% – one of the longest periods of interest rate stability. The quarterly average variable standard interest rate remained unchanged over the quarter and also when compared to the corresponding quarter last year, at 5.6%. The quarterly average three year fixed rate lost 0.2 percentage points over the quarter and also when compared to a year earlier and is sitting now at 4.9%.

First home buyers shrunk once again, making up only 12.0% of the owner-occupier market compared to 12.7% in the June quarter. While this is only a small drop over the quarter, it is well below the long-run average of 19.7%. The figure is the lowest since the Australian Bureau of Statistics started collecting figures on first home buyers. The Australian Bureau of Statistics has announced that a preliminary investigation had been conducted 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 fell 0.7 percentage point over the quarter, to 18.3%. This is the lowest level since 1991.

The number of new finance commitments to first home buyers decreased 4.8% to 19,109 in the September quarter. Compared to the same quarter of 2013, new finance commitments to first home buyers went down 10.2%.

Over the September quarter, the number of new finance commitments to first home buyers increased in New South Wales, Victoria, Queensland, the Northern Territory and the Australian Capital Territory. Following the abolition of the First Home Owner Grant (FHOG), unsurprisingly South Australia recorded the biggest quarterly drop in the number of loans to first home buyers, down by 26.8%. The largest increase was recorded in the ACT, up by 7.3%.

Compared to a year ago, the number of loans to first home buyers increased in New South Wales, Queensland, Tasmania and the Northern Territory with the latter having the biggest jump across

the country. The ACT had the largest drop when compared to the September quarter of the previous year, down by 30.3% as a result of removal of availability of the FHOG from 1 September of 2013.

The average loan size to first home buyers increased 0.5% over the September quarter and by 6.2% compared to the same time last year, to \$306,000.

Over the quarter, the average loan size to first home buyers increased in New South Wales, Victoria, Queensland and the Australian Capital Territory. The New South Wales' rise of 2.7% was the nation's largest while declines of 5.2% and 5.1% were recorded in Tasmania and the Northern Territory respectively.

Compared to the September quarter of 2013, with the exception of the ACT, increases in the average loan size to first home buyers increased across the country. The largest increase was recorded in the Northern Territory, up by 12.9%.

The total number of loans (excluding refinancing) decreased 0.9% over the quarter but increased 0.5% compared to the same time last year, to 104,515.

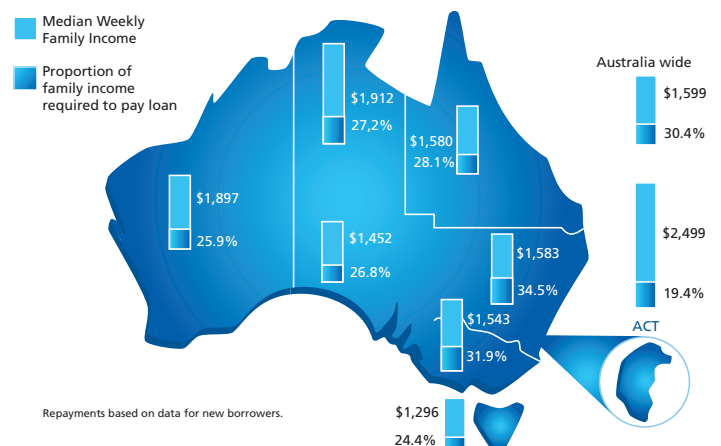
New South Wales, South Australia, Western Australia, and Tasmania contributed to the quarterly decline while the Northern Territory had the largest rise, up by 14.8%.

Compared to the September quarter of last year, New South Wales, Western Australia and the Australian Capital Territory had declines in the number of loans (excluding refinancing). As with the quarterly change, the largest jump was recorded in the Northern Territory, up by 17.6%.

Over the third quarter of 2014, the average loan size declined 0.6%, to \$339,683. This represents an increase of 5.7% compared to a year earlier.

With the exception of Queensland and South Australia, all jurisdictions recorded declines in the average loan size over the quarter. Western Australia and Tasmania had the largest decline, down by 2.1% for both states.

Compared to the corresponding quarter of 2013, with the exception of the ACT where no change was recorded, all states and territories had increases in the average loan size with the largest in Victoria.





President's Message September Quarter 2014



Welcome to the Adelaide Bank/REIA Housing Affordability Report.

This edition of the Adelaide Bank/REIA Housing Affordability Report for the September Quarter 2014 has some good news for potential home buyers – and just in time for Christmas!

Nationally, the third quarter of 2014 showed an improvement in housing affordability with the proportion of

income required to meet loan repayments decreasing by 0.5 percentage points to 30.4%. This year, so far, has also seen the Reserve Bank of Australia (RBA) leave the cash rate on hold at 2.5% – one of the longest periods of interest rate stability.

Although, in some states, potential buyers probably don't feel that real estate is within their reach given the recent price surges in selected regions and unsurprisingly, New South Wales remains the least affordable state for homebuyers with the proportion of income required to meet loan repayments 4.1 percentage points above the national average.

However there was more positive news across Australia with all jurisdictions seeing an improvement in housing affordability.

Queensland was the only exception to this rule, with the sunshine state recording no change when compared to the last quarter.

The moderating house price growth in Western Australia (WA) has yielded some good results for those wanting to enter the housing market with WA boasting the largest proportion of first home buyers, which made up 20.7% of the WA owner-occupied market. Nationally, 25.1% of all first home buyers who purchased in the September quarter were from WA.

Unfortunately, South Australia recorded a significant drop in the number of first home buyers following the State Government's decision to remove the First Home Buyer Grant for established dwellings.

This decline in SA contributed to a nationally downward trend for first home buyers, who now make up only 12.0% of the owner-occupier market compared to 12.7% in the June quarter. While this is only a small drop over the quarter, it is well below the long-run average of 19.7%.

The removal of first home buyer grants for established dwellings in most jurisdictions is very disappointing, especially when new research in the Genworth HomeBuyers Confidence Index Report suggests that first home buyers are becoming more burdened with debt and increasingly using personal loans and credit cards to finance their deposit.

REIA strongly supports this very important grant system for first home buyers and we will continue to advocate for their reintroduction across Australia for both new and established dwellings.

Peter Bushby
REIA President

Sponsor's Message



This edition of the Adelaide Bank/REIA Housing Affordability Report shows that in the September quarter of 2014, affordability has improved, but an important question remains: For how much longer can this continue?

On current projections, in 40 years, an additional 20 million people will be living in Australia.

So where will they all live? If history is any guide, mostly in Sydney and Melbourne. This must change. The Housing Industry Association estimates that we need to build 180,000 homes per year to get close to keeping up with demand. We may have met that target this year, but now appear to be moving back below this level according to the ABS. When demand exceeds supply, prices go up. With three levels of

government all 'helping' to manage the land supply and taxation situation, bottlenecks result.

I'd like to see more of the 'vision thing' with policies and infrastructure set in place to provide sustainable employment opportunities in cities such as Canberra and Adelaide and in bigger towns on the coastal fringes where intra-state migration is occurring.

There is a debate going on in the ACT at present over land releases and the redevelopment of government housing in Canberra - arguably a beautiful, liveable city that could easily take population pressure off some of the other cities. If it's the 'tone at the top' that sets the stage for a country or indeed, an organisation, Canberra needs to be seen to be setting more of an example. In the meantime, Adelaide Bank will continue to assist borrowers by doing what we can to keep the cost of borrowing low, developing innovative new lending products 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

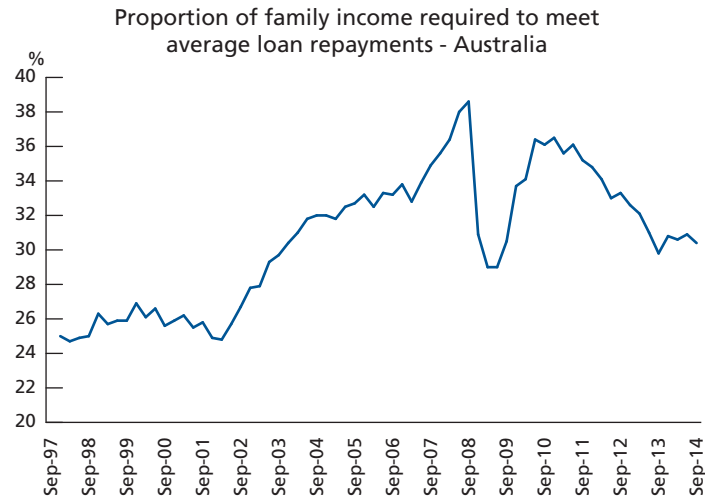
Damian Percy
General Manager Third Party Lending
Adelaide Bank

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 September 1997.

Chart 1



	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
NSW	34.5%	35.3%	33.8%
VIC	31.9%	32.2%	30.9%
QLD	28.1%	28.1%	27.6%
SA	26.8%	27.1%	26.5%
WA	25.9%	26.6%	25.4%
TAS	24.4%	25.0%	24.6%
NT	27.2%	27.7%	27.2%
ACT	19.4%	19.8%	19.8%
AUS	30.4%	30.9%	29.8%

Rental affordability

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.

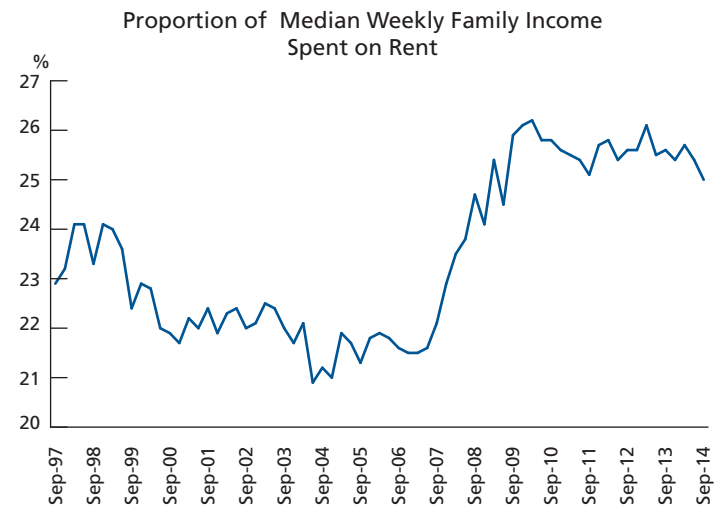
Over the September quarter 2014, rental affordability improved with the proportion of income required to meet rent payments decreasing 0.4 percentage point to 25.0%. Compared to the same quarter of 2013, a decrease of 0.6 percentage point.

Over the quarter, with the exception of the Northern Territory where no change was recorded, all states and territories saw rental affordability improving. South Australia and Western Australia had the best improvement over the quarter, down by 0.7 percentage points for both states. When compared to the September quarter of the previous year, New South Wales recorded a slight decline in rental affordability with the proportion of income required to meet loan repayments going up by 0.1 percentage point.

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% – 9.7 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 16.8% of family income required to meet rent payments.

Table 2 shows rental affordability expressed as the proportion of median weekly family income required to meet weekly rent for a three bedroom house.

Chart 2



fast facts

Proportion of family income required to meet:

	September 2014	June 2014	September 2013
Home loan repayments	30.4%	30.9%	29.8%
Rent payments	25.0%	25.4%	25.6%

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

	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
NSW	28.4%	28.8%	28.3%
VIC	22.7%	22.8%	23.2%
QLD	23.4%	23.6%	23.9%
SA	22.7%	23.4%	23.2%
WA	23.7%	24.4%	25.8%
TAS	25.5%	25.5%	25.5%
NT	34.7%	34.7%	35.8%
ACT	16.8%	17.3%	18.4%
AUS	25.0%	25.4%	25.6%

First Home Buyers

The number of new finance commitments to first home buyers decreased 4.8% to 19,109 in the September quarter. Compared to the same quarter of 2013, new finance commitments to first home buyers dropped by 10.2%.

The average loan size to first home buyers increased 0.5% over the September quarter and by 6.2% compared to the same time last year, to \$306,000.

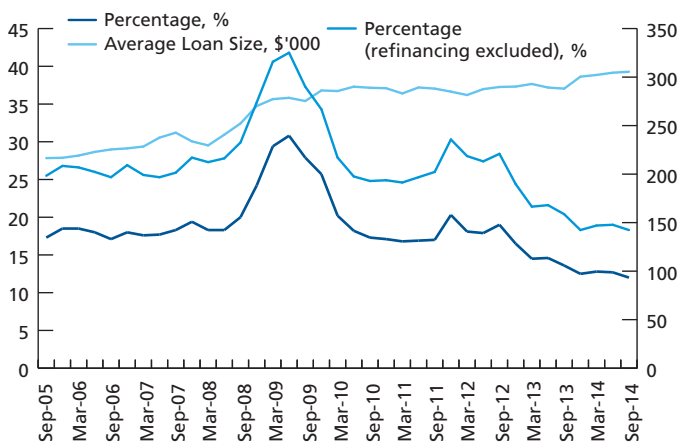
First home buyers made up 12.0% of the owner-occupier market compared to 12.7% in the June quarter. The figure is the lowest since the Australian Bureau of Statistics started collecting figures on first home buyers.

If refinancing is excluded, the number of first home buyers as a proportion of the owner-occupier market fell 0.7 percentage points over the quarter, to 18.3%. This is the lowest level since 1991.

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

Chart 3

First Home Buyers' Share of All Dwellings Financed



Factors Influencing Home Loan Affordability

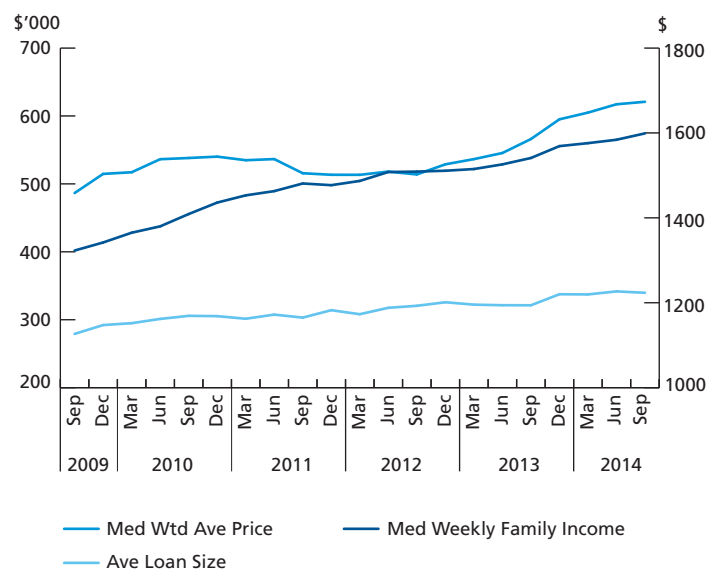
A range of factors influence home loan affordability:

- 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

House prices and income



Median House Prices

The Australian median house price rose by 0.7% over the September quarter, to \$620,901.

The median house price rose on the back of Sydney's rise of 3.8% while the rest of the capitals saw either declines or no change over the quarter. Hobart had the biggest quarterly fall across the capitals, down by 5.3%.

Compared to the September quarter of the previous year, the median house price increased 9.9% with all the capitals contributing to the rise.

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 0.9% to \$1,599 during the September quarter of 2014. This represents a 3.7% increase when compared to the same quarter of 2013.

During the September quarter, the average monthly loan repayment was \$2,106—a decrease of 0.6% over the quarter and a rise of 5.7% when compared to the corresponding quarter of the previous year.

The proportion of family income required to meet loan repayments declined to 30.4%, up from 30.9% in the June quarter, however when compared to the September quarter of 2013, the figure increased by 0.6 percentage points.

Average Loan (All Borrowers)

The total number of new lending commitments (excluding refinancing) issued nationally over the September quarter declined 0.9%, to 104,515. This represents a rise of 0.5% compared to a year earlier.

The average loan size of new lending commitments (excluding refinancing) decreased by 0.6% to \$339,683 – a 5.7% rise when compared to the September 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 widened to 0.7 percentage points. The quarterly average variable standard interest rate remained unchanged over the quarter and also when compared to the corresponding quarter last year, at 5.6%. The quarterly average three year fixed rate lost 0.2 percentage points over the quarter and also when compared to a year earlier and is sitting now at 4.9%.

Average quarterly variable interest rates were:

Banks—5.7%, a 0.1 percentage point increase over the quarter.

Permanent Building Societies—5.3%, a decline of 0.2 percentage points during the September quarter.

Other lenders—4.9%, a decline of 0.1 percentage point over the quarter.

The average fixed (3 year) interest rates were:

Banks—5.0%, a 0.1 percentage point decrease over the quarter.

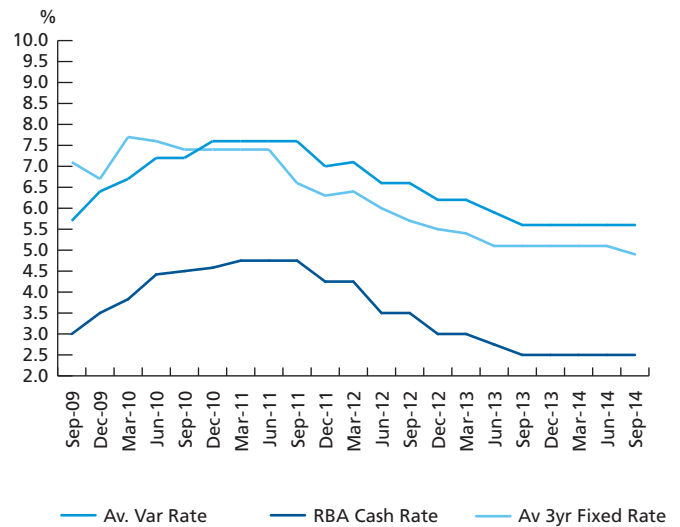
Permanent Building Societies—4.9%, a decline of 0.2 percentage points during the September quarter.

Other lenders—4.9%, 0.1 percentage point lower compared to the June 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

Quarterly interest rates



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 September 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 September quarter 1997 is shown in Chart 6.

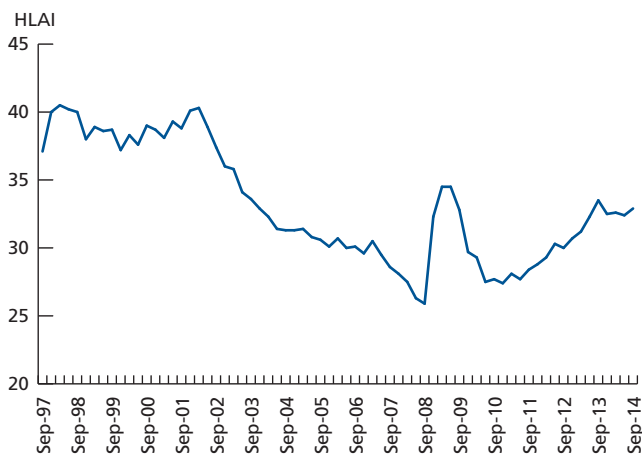
Table 3: Home Loan Affordability Indicators

	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
NSW	29.0	28.3	29.6
VIC	31.4	31.0	32.4
QLD	35.6	35.6	36.2
SA	37.3	37.0	37.7
WA	38.6	37.5	39.4
TAS	41.0	40.0	40.7
NT	36.8	36.1	36.8
ACT	51.6	50.5	50.5
AUS	32.9	32.4	33.5

	% Change: Sep'14 – Jun'14	% Change: Sep'14 – Sep'13
NSW	2.5	-2.0
VIC	1.3	-3.1
QLD	0.0	-1.7
SA	0.8	-1.1
WA	2.9	-2.0
TAS	2.5	0.7
NT	1.9	0.0
ACT	2.2	2.2
AUS	1.5	-1.8

Chart 6

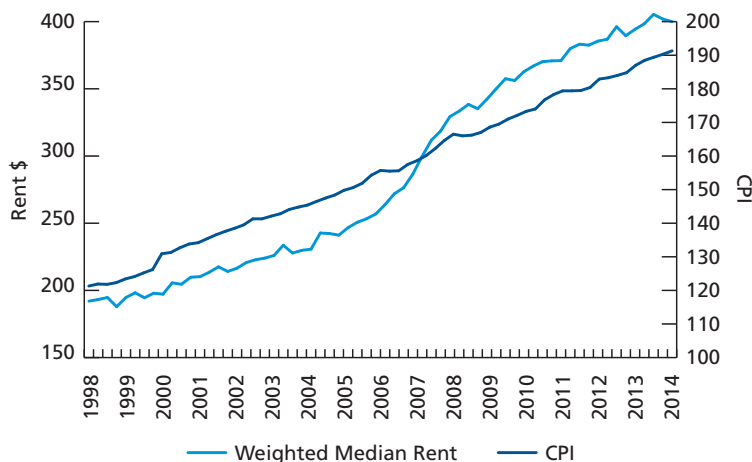
Home loan affordability indicator over time



	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	32.9	32.4	33.5
Average HLAJ since December quarter 1996	33.4	33.4	33.5
Proportion of family income devoted to meeting average loan repayments	30.4%	30.9%	29.8%
Proportion of family income devoted to meeting median rents	25.0%	25.4%	25.6%
Median weekly family income	\$1,599	\$1,584	\$1,541
Average monthly loan repayment	\$2,106	\$2,119	\$1,993
Average loan	\$339,683	\$341,748	\$321,295
Total number of loans (excl refinancing)	104,515	105,466	104,016
Number of loans to first home buyers	19,109	20,080	21,273
Average first home buyer loan	\$306,000	\$304,500	\$288,100
Banks			
Average loan	\$344,513	\$348,561	\$326,318
Standard variable interest rate	5.7%	5.6%	5.6%
Fixed interest rate	5.0%	5.1%	5.1%
Building Societies			
Average loan	\$263,627	\$261,861	\$255,658
Standard variable interest rate	5.3%	5.5%	5.5%
Fixed interest rate	4.9%	5.1%	5.0%
Other Lenders			
Average loan	\$294,991	\$276,213	\$265,090
Standard variable interest rate	4.9%	5.0%	5.0%
Fixed interest rate	4.9%	5.0%	5.0%
Percentage Change	HLAI	CPI	
Since previous quarter	1.5%	0.5%	
Since corresponding quarter last year	-1.8%	2.3%	

Chart 7

Australian Rent and CPI from September Quarter 1998



New South Wales

New South Wales recorded an improvement in housing affordability with the proportion of income required to meet loan repayments falling 0.8 percentage point to 34.5% – an increase of 0.7 percentage points compared to the September quarter of 2013. With the proportion of income required to meet loan repayments 4.1 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. The proportion of income required to meet median rent payments decreased 0.4 percentage points over the quarter, to 28.4%. Compared to the corresponding quarter of 2013, this is an increase of 0.1 percentage point.

Of the total number of first home buyers who purchased during the September quarter, 18.9% were from New South Wales. The number of loans to first home buyers increased 4.7% to 3,614. When compared to the figure a year earlier, an increase of 8.8%. First home buyers make up only 7.9% of the state's owner-occupier market – the lowest level across the nation. The average loan to first home buyers increased 2.7% over the quarter – a rise of 9.1% when compared to the September quarter of 2013, to \$327,767.

New South Wales recorded a 2.2% decrease in the number of loans (excluding refinancing), down by 2.2%, to 28,153. Compared to twelve months earlier, the figure went down by 1.6%. Compared to three months ago, the average loan size decreased 0.9% but at \$381,970 the figure is 6.4% above its level of the September quarter of the previous year.

Table 6: New South Wales

Table 6: NEW SOUTH WALES			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	29.0	28.3	29.6
Average HLAI since December quarter 1996	29.5	29.5	29.6
Proportion of family income devoted to meeting average loan repayments	34.5%	35.3%	33.8%
Proportion of family income devoted to meeting median rents	28.4%	28.8%	28.3%
Median weekly family income	\$1,583	\$1,562	\$1,519
Average monthly loan repayment	\$2,368	\$2,390	\$2,226
Average loan	\$381,970	\$385,468	\$358,843
Total number of loans (excl. refinancing)	28,153	28,795	28,619
Number of loans to first home buyers	3,614	3,451	3,322
Average first home buyer loan	\$327,767	\$319,300	\$300,333
Banks			
Average loan	\$392,499	\$397,584	\$367,778
Building Societies			
Average loan	\$266,925	\$266,017	\$258,311
Other Lenders			
Average loan	\$305,352	\$288,395	\$282,499
Percentage Change		HLAI	CPI Sydney
Since previous quarter		2.5%	0.6%
Since corresponding quarter last year		-2.0%	2.2%

Chart 8

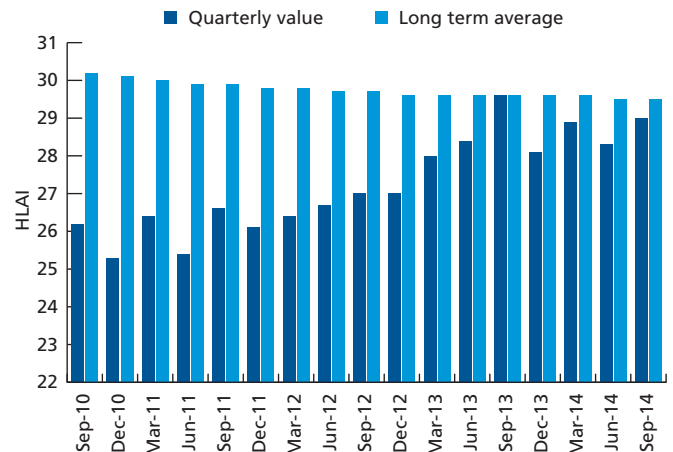
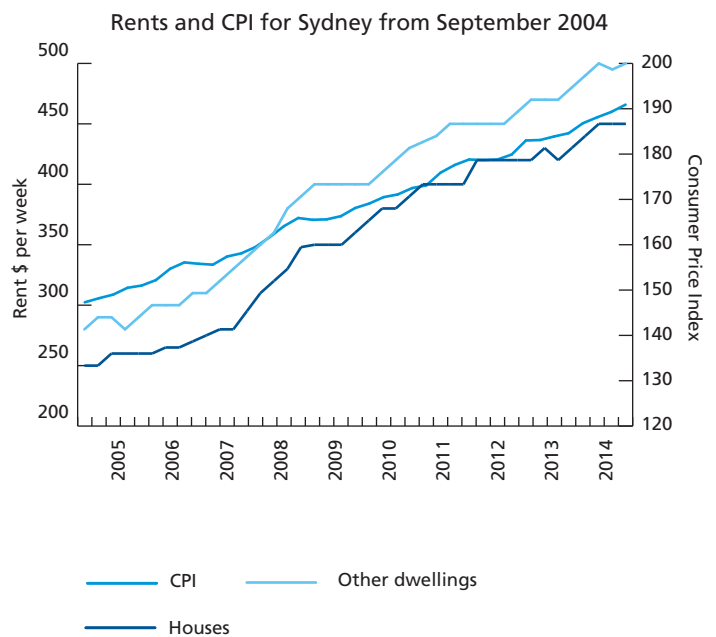


Chart 9



fast facts

In NSW, the average loan size to first home buyers increased by 9.1% compared to the September quarter 2013. It remains the least affordable state/ territory in which to buy a home.

Victoria

Over the quarter, Victoria showed an improvement in housing affordability, with the proportion of income required to meet loan repayments going down by 0.3 percentage point, to 31.9%. Compared to a year earlier, this is a downturn in housing affordability with the figure rising 1.0 percentage point.

Rental affordability improved over the quarter (and also when compared to the corresponding quarter of the previous year) with the proportion of income required to meet median rents going down by 0.1 and 0.5 percentage points respectively, to 22.7%.

Of the total number of first home buyers that purchased during the September quarter, 26.4% were from Victoria. During the quarter, the number of loans to first home buyers increased 0.2%, to 5,048, however when compared to the same quarter of the previous year, the state had a 24.2% fall – the third largest across the country. In Victoria, first home buyers make up 11.9% of the state's owner-occupier market and in the September quarter, the average loan to first home buyers was \$298,067. This is a slight rise of 0.2% over the quarter and an increase of 5.2% when compared to the figure of last year.

In Victoria, the total number of loans (excluding refinancing) went up 1.0% during the quarter and 0.2% compared to the September quarter of the previous year to 27,380. At \$343,587, the average loan size decreased 0.4% over the quarter but increased 7.0% when compared to the corresponding quarter of 2013—the largest annual rise across the country.

Chart 10

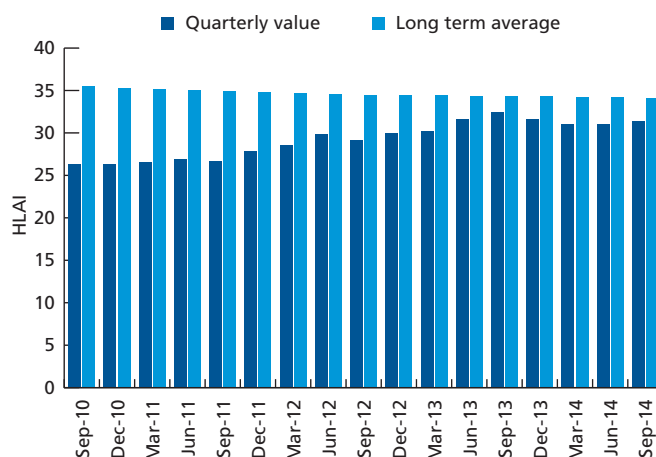


Chart 11

Rents and CPI for Melbourne from September 2004

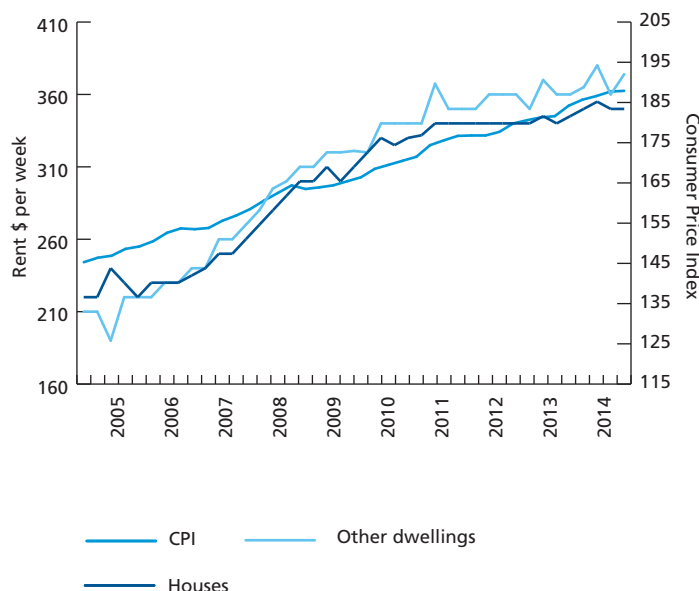


Table 7: VICTORIA			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	31.4	31.0	32.4
Average HLAI since December quarter 1996	34.1	34.2	34.3
Proportion of family income devoted to meeting average loan repayments	31.9%	32.2%	30.9%
Proportion of family income devoted to meeting median rents	22.7%	22.8%	23.2%
Median weekly family income	\$1,543	\$1,532	\$1,488
Average monthly loan repayment	\$2,130	\$2,139	\$1,991
Average loan	\$343,587	\$344,978	\$321,083
Total number of loans (excl. refinancing)	27,380	27,105	27,334
Number of loans to first home buyers	5,048	5,036	6,658
Average first home buyer loan	\$298,067	\$297,467	\$283,433
Banks			
Average loan	\$345,506	\$348,137	\$323,767
Building Societies			
Average loan	n/a	\$265,090	n/a
Other Lenders			
Average loan	n/a	\$276,003	\$257,786
Percentage Change			
Since previous quarter	HLAI	CPI Melb	
Since corresponding quarter last year	-3.1%	2.0%	

fast facts

Of all Australian first home buyers in the September quarter, 26.4% were from Victoria.

Queensland

Housing affordability in Queensland remained unchanged over the quarter but worsened compared to the September quarter of the previous year with the proportion of income required to meet home loan repayments going up by 0.5 percentage points over the last twelve months, to 28.1%.

Rental affordability in Queensland improved over the quarter and when compared to the September quarter of 2013. At 23.4%, the proportion of the median family income required to meet the median rent went down by 0.2 percentage points over the quarter and 0.5 percentage points for the year.

Over the September quarter, the number of loans to first home buyers in Queensland increased 2.3%, to 3,422 – a rise of 3.8% when compared to the corresponding quarter last year. Of all Australian first home buyers over the quarter, 17.9% were from Queensland while the proportion of first home buyers of Queensland’s owner-occupier market was 11.1%. The average loan size to first home buyers increased 1.7% during the quarter and 4.9% compared to a year earlier, to \$286,767.

The total number of loans (excluding refinancing) increased 3.1% over the quarter and 4.1% compared to the September quarter of last year, to 22,182. Over the quarter, the average loan size rose by 1.0% to \$310,231 – a 5.4% increase compared to the year before.

Chart 12

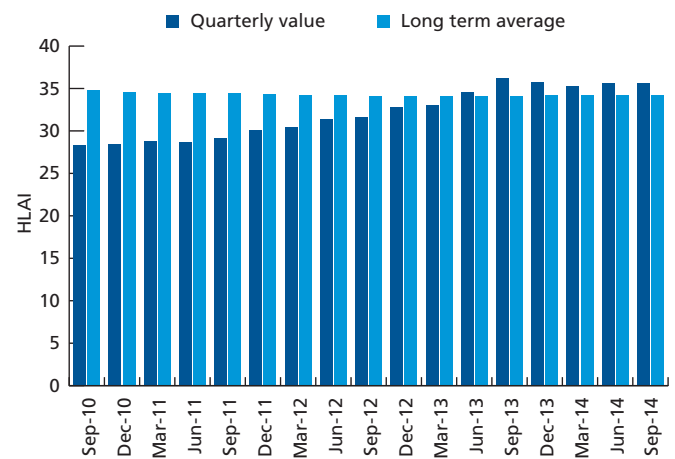


Chart 13

Rents and CPI for Brisbane from September 2004

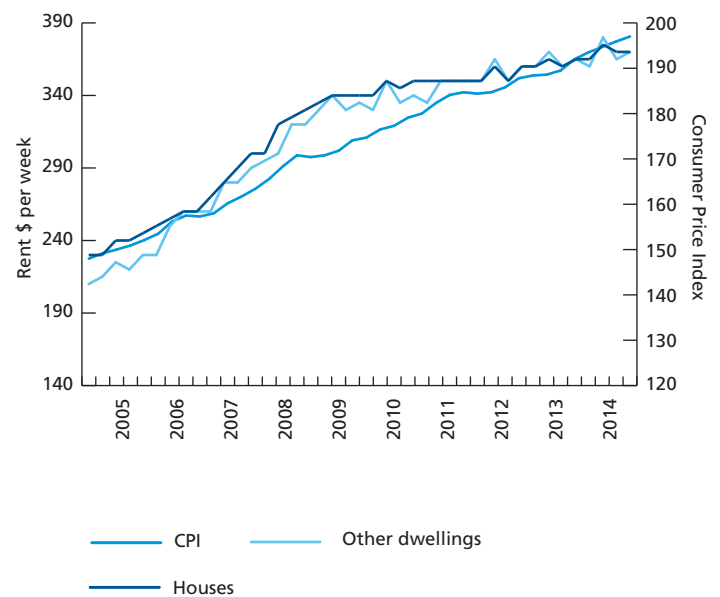


Table 8: QUEENSLAND			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	35.6	35.6	36.2
Average HLAI since December quarter 1996	34.2	34.2	34.1
Proportion of family income devoted to meeting average loan repayments	28.1%	28.1%	27.6%
Proportion of family income devoted to meeting median rents	23.4%	23.6%	23.9%
Median weekly family income	\$1,580	\$1,567	\$1,525
Average monthly loan repayment	\$1,924	\$1,905	\$1,826
Average loan	\$310,231	\$307,196	\$294,423
Total number of loans (excl. refinancing)	22,182	21,508	21,302
Number of loans to first home buyers	3,422	3,345	3,297
Average first home buyer loan	\$286,767	\$281,867	\$273,433
Banks			
Average loan	\$311,695	\$311,590	\$296,501
Building Societies			
Average loan	n/a	n/a	n/a
Other Lenders			
Average loan	n/a	n/a	n/a
Percentage Change			
Since previous quarter	HLAI	CPI Brisbane	
Since corresponding quarter last year	-1.7%	2.6%	

fast facts

Housing affordability in Queensland remained unchanged over the quarter despite improvements in all other states.

South Australia

Housing affordability in South Australia improved over the September quarter with the proportion of income required to meet monthly loan repayments falling 0.3 percentage points, to 26.8%. Compared to the September quarter of 2013, the figure increased 0.3 percentage points.

Rental affordability improved with the proportion of income required to meet rent payments declining 0.7 percentage points over the quarter and 0.5 percentage points compared to the September quarter of 2013, to 22.7%.

Over the September quarter, the number of loans to first home buyers in South Australia fell 26.8% to 1,349. The fall is not unexpected following the state's government removal of the FHOG to buyers of established homes from 1 July 2014. The state had a 26.6% fall when compared to the same quarter of 2013. Of all Australian first home buyers over the quarter, 7.1% were from South Australia while the proportion of first home buyers of South Australia's owner-occupier market was 13.3%. The average loan size to first home buyers declined slightly over the quarter, down by 0.8% while a 5.1% rise was recorded when compared to a year earlier, to \$248,267.

The total number of loans decreased 5.2% over the quarter but increased 1.1% when compared to the September quarter of 2013, to 7,014. The average loan size gained 0.6% over the quarter and also 6.1% when compared to the year before and is now \$271,725.

Chart 14

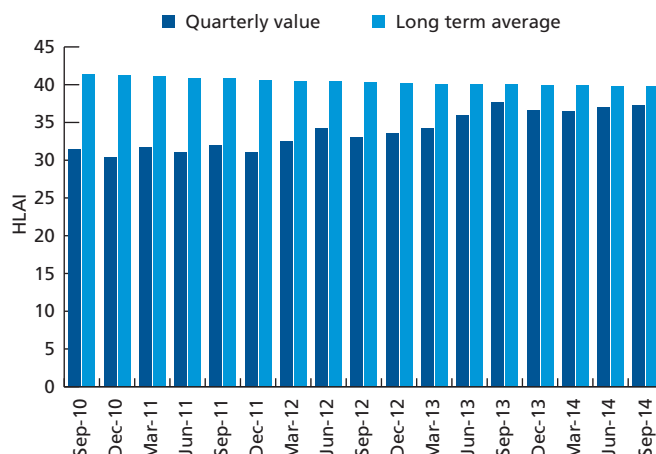


Chart 15

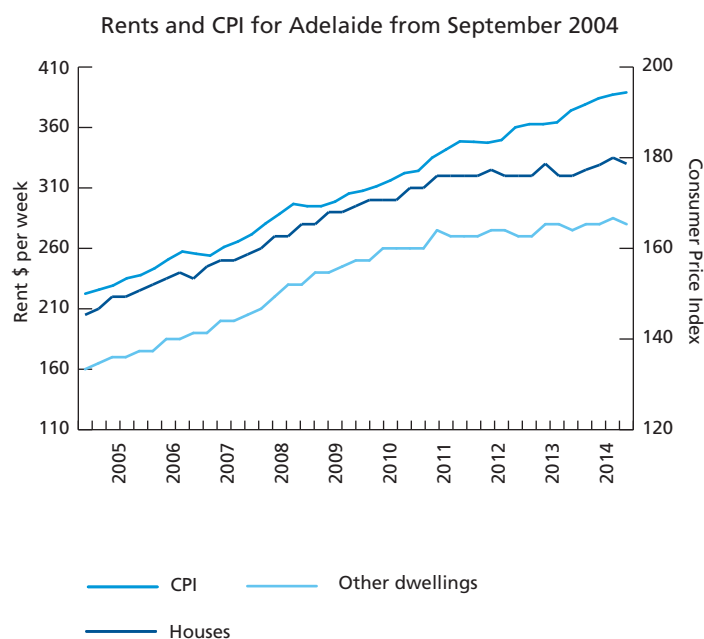


Table 9: SOUTH AUSTRALIA			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	37.3	37.0	37.7
Average HLAI since December quarter 1996	39.8	39.8	40.0
Proportion of family income devoted to meeting average loan repayments	26.8%	27.1%	26.5%
Proportion of family income devoted to meeting median rents	22.7%	23.4%	23.2%
Median weekly family income	\$1,452	\$1,429	\$1,382
Average monthly loan repayment	\$1,685	\$1,676	\$1,589
Average loan	\$271,725	\$270,213	\$256,219
Total number of loans (excl. refinancing)	7,014	7,398	6,940
Number of loans to first home buyers	1,349	1,842	1,837
Average first home buyer loan	\$248,267	\$250,333	\$236,233
Banks			
Average loan	\$280,655	\$280,916	\$263,928
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	0.8%	0.4%	
Since corresponding quarter last year	-1.1%	2.1%	

fast facts

South Australia recorded the largest quarterly drop in the number of first home buyers nationally following the removal of the first home buyer grant for established homes.

Western Australia

Western Australia had an improvement in housing affordability over the quarter with the proportion of income required to meet loan repayments decreasing 0.7 percentage points to 25.9% – a 0.5 percentage point increase when compared to the figure last year.

Rental affordability in Western Australia improved with the proportion of family income required to meet the median rent going down by 0.7 percentage points over the quarter and 2.1 percentage points when compared to the year before, to 23.7%.

Western Australia had a 12.0% decrease in the number of loans to first home buyers over the September quarter, to 4,798. Compared to the same quarter of 2013, the figure decreased 8.3%. At 20.7%, the state boasts the highest proportion of first home buyers of the owner-occupier market across Australia. The average loan to first home buyers decreased 1.7% over the quarter but went up by 5.6% compared to the September quarter of the previous year, to \$334,867. Of all Australian first home buyers who purchased during the September quarter, 25.1% were from Western Australia.

Over the September quarter, the total number of loans (excluding refinancing) went down by 6.5% to 14,997 which is a 2.1% drop compared to the year before. The average loan decreased 2.1% over the quarter, to \$343,363 – a 5.0% rise when compared to a year earlier.

Table 10: WESTERN AUSTRALIA			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	38.6	37.5	39.4
Average HLAI since December quarter 1996	38.6	38.6	38.6
Proportion of family income devoted to meeting average loan repayments	25.9%	26.6%	25.4%
Proportion of family income devoted to meeting median rents	23.7%	24.4%	25.8%
Median weekly family income	\$1,897	\$1,884	\$1,841
Average monthly loan repayment	\$2,129	\$2,174	\$2,028
Average loan	\$343,363	\$350,624	\$326,940
Total number of loans (excl. refinancing)	14,997	16,032	15,322
Number of loans to first home buyers	4,798	5,450	5,233
Average first home buyer loan	\$334,867	\$340,500	\$317,233
Banks			
Average loan	\$343,134	\$352,146	\$329,461
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	2.9%	0.5%	
Since corresponding quarter last year	-2.0%	2.6%	

Chart 16

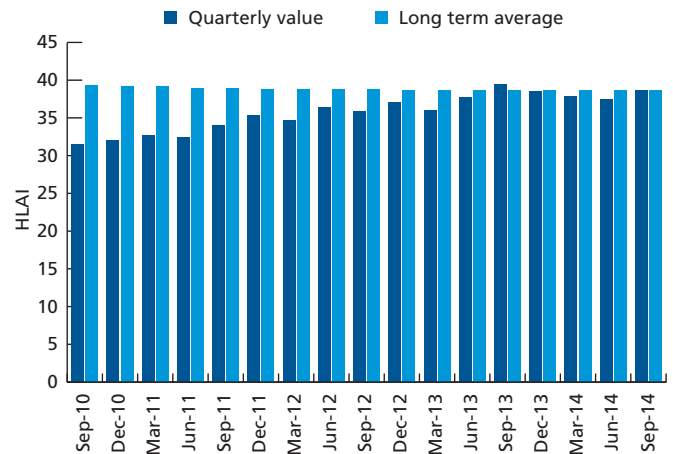
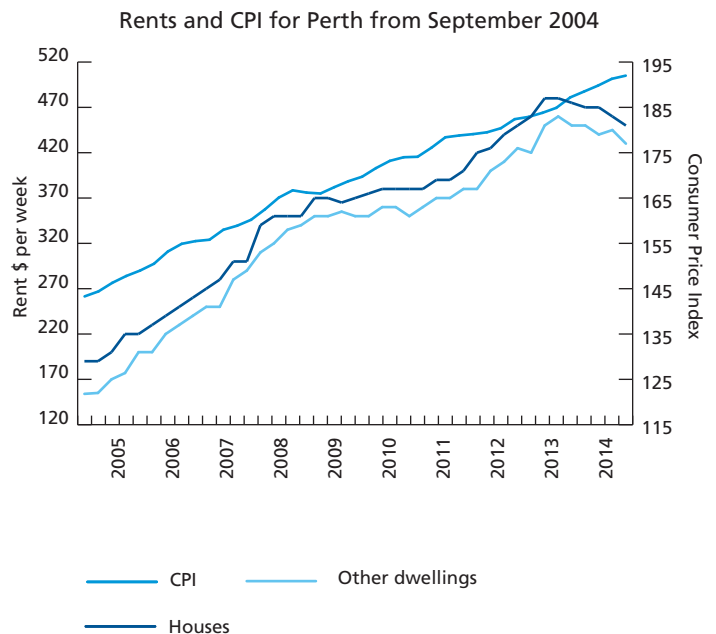


Chart 17



fast facts

During the quarter, first home buyers made up 20.7% of Western Australia's owner-occupier market – the largest proportion across the country – with 25.1% of all Australian first home buyers from WA.

Tasmania

In Tasmania, the proportion of income required to meet home loan repayments decreased 0.6 percentage points to 24.4% over the September quarter. Compared to the figure last year, the proportion fell 0.2 percentage points

Tasmania recorded no change in rental affordability over the quarter and also when compared to the September quarter of 2013 with the proportion of income to meet median rents sitting at 25.5%.

Tasmania recorded a 20.8% fall in the number of loans to first home buyers over the quarter, to 414. When compared to the September quarter of 2013, a rise of 9.2%. The average loan to first home buyers fell 5.2% over the quarter but increased 1.9% compared to the September quarter of 2013, to \$213,233. First home buyers in Tasmania made up 15.6% of the state's owner-occupier market.

Over the quarter, the total number of new loans (excluding refinancing) decreased 3.0% to 2,029. Compared to the September quarter of the previous year, Tasmania had the second largest increase across Australia, up by 10.9%. At \$220,875, the average loan size declined by 2.1% over the September quarter but increased 1.5% compared to the corresponding quarter of 2013.

Chart 18

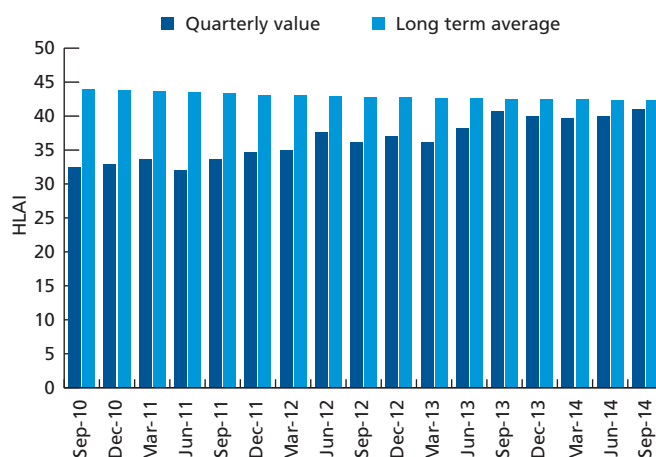


Chart 19

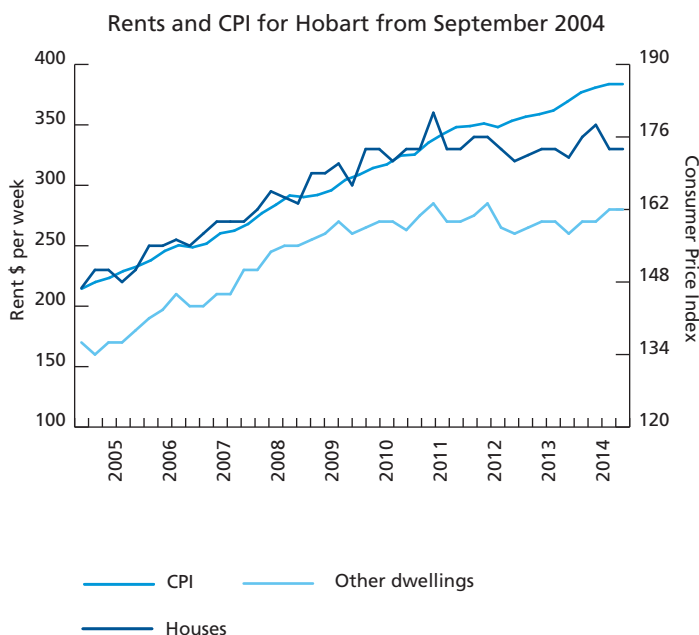


Table 11: TASMANIA			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	41.0	40.0	40.7
Average HLAI since December quarter 1996	42.4	42.4	42.5
Proportion of family income devoted to meeting average loan repayments	24.4%	25.0%	24.6%
Proportion of family income devoted to meeting median rents	25.5%	25.5%	25.5%
Median weekly family income	\$1,296	\$1,292	\$1,266
Average monthly loan repayment	\$1,370	\$1,399	\$1,349
Average loan	\$220,875	\$225,626	\$217,549
Total number of loans (excl. refinancing)	2,029	2,092	1,830
Number of loans to first home buyers	414	523	379
Average first home buyer loan	\$213,233	\$224,833	\$209,333
Banks			
Average loan	\$227,168	\$235,177	\$221,739
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	2.5%	0.1%	
Since corresponding quarter last year	0.7%	1.9%	

fast facts

The average loan size to first home buyers in Tasmania decreased over the quarter by 5.2% to \$213,233.

Northern Territory

Over the September quarter, the Northern Territory saw an improvement in housing affordability with the proportion of income required to meet loan repayments decreasing 0.5 percentage points, to 27.2%. Compared to the same quarter of 2013, the proportion remained unchanged.

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 remained unchanged over the quarter but improved when compared to the year before with the proportion falling 1.1 percentage point.

The Northern Territory recorded a 6.9% increase in the number of first home buyers' loan commitments over the quarter – a 25.7% rise when compared to a year earlier, to 186. The average loan to first home buyers went down by 5.1% during the September quarter, showing a 12.9% increase compared to the same quarter a year earlier, to \$333,300. First home buyers make up 15.5% of the Territory's owner-occupier market.

The total number of loans (excluding refinancing) increased 14.8% over the September quarter and 17.6% when compared to the same quarter of 2013, to 875 – the largest jump across the nation. The average loan went down by 1.8% over the quarter but increased by 2.3% when compared to the September quarter 2013, to \$363,401.

Chart 20

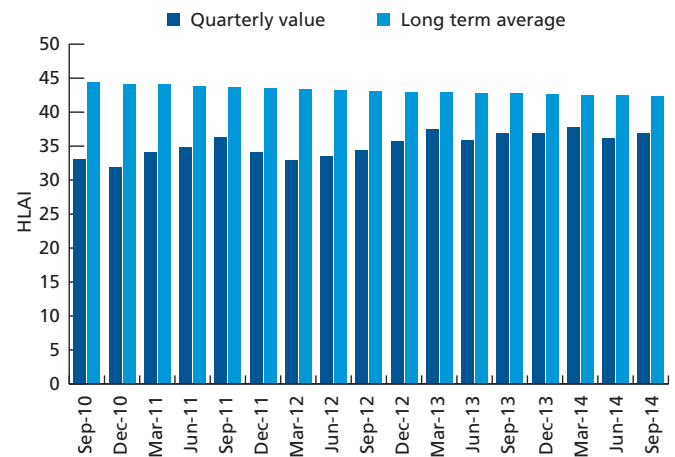


Chart 21

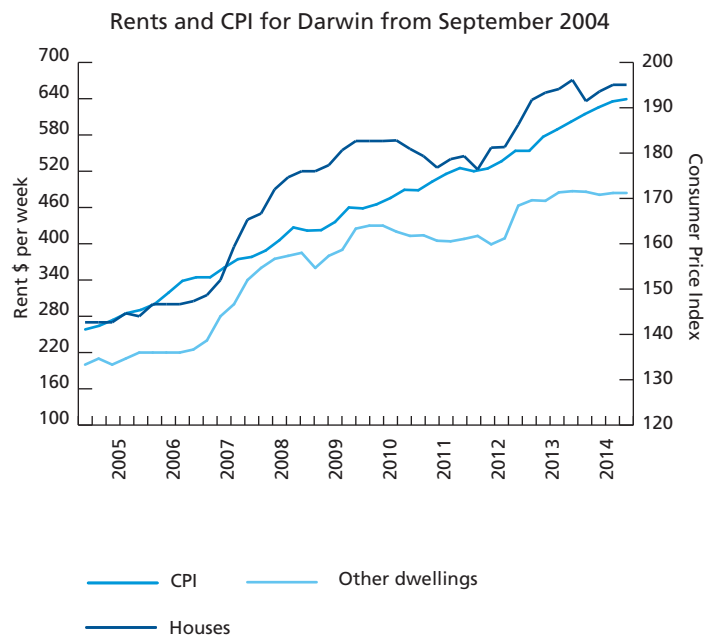


Table 12: NORTHERN TERRITORY			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	36.8	36.1	36.8
Average HLAI since December quarter 1996	42.3	42.4	42.7
Proportion of family income devoted to meeting average loan repayments	27.2%	27.7%	27.2%
Proportion of family income devoted to meeting median rents	34.7%	34.7%	35.8%
Median weekly family income	\$1,912	\$1,912	\$1,872
Average monthly loan repayment	\$2,253	\$2,294	\$2,204
Average loan	\$363,401	\$369,917	\$355,398
Total number of loans (excl. refinancing)	875	762	744
Number of loans to first home buyers	186	174	148
Average first home buyer loan	\$333,300	\$351,267	\$295,167
Banks			
Average loan	\$370,836	\$382,549	\$360,316
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	1.9%	0.2%	
Since corresponding quarter last year	0.0%	2.7%	

fast facts

The Northern Territory recorded the largest jump in the number of loans over the quarter and the year.

Australian Capital Territory

The Australian Capital Territory recorded an improvement in housing affordability with the proportion of income required to meet home loan repayments decreasing 0.4 percentage points over the quarter and also when compared to the September quarter of 2013, to 19.4%. 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 September quarter of 2013 with the proportion of income required to meet median rent falling 0.5 and 1.6 percentage points respectively, to 16.8%.

Over the quarter, the Australian Capital Territory recorded a 7.3% increase in the number of loans to first home buyers, however the territory had the biggest fall when compared to the September quarter of 2013, down by 30.3%. During the quarter, there were 278 first home buyers in the ACT, or 10.9% of the Territory's owner-occupier market. The average loan for first home buyers went up 1.8% over the quarter but declined 4.8% when compared to a year earlier, to \$301,500.

The Territory had a 6.3% increase in the number of loans (excluding refinancing), to 1,885. When compared to the figure twelve months ago, that's a drop of 2.1%. The average loan size fell 1.8% over the quarter, to \$338,459 – no change compared to the corresponding quarter of 2013.

Chart 22

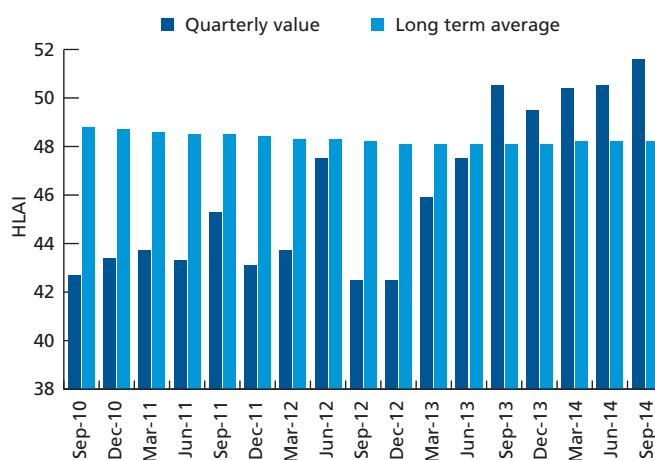


Chart 23

Rents and CPI for Canberra from September 2004

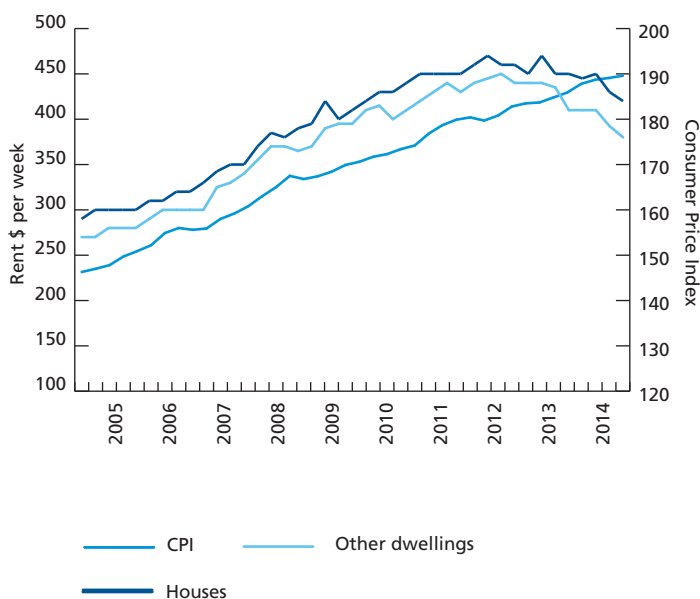


Table 13: AUSTRALIAN CAPITAL TERRITORY			
	Sep qtr 2014	Jun qtr 2014	Sep qtr 2013
Home Loan Affordability Indicator (HLAI)	51.6	50.5	50.5
Average HLAI since December quarter 1986	48.2	48.2	48.1
Proportion of family income devoted to meeting average loan repayments	19.4%	19.8%	19.8%
Proportion of family income devoted to meeting median rents	16.8%	17.3%	18.4%
Median weekly family income	\$2,499	\$2,491	\$2,445
Average monthly loan repayment	\$2,099	\$2,137	\$2,100
Average loan	\$338,459	\$344,632	\$338,567
Total number of loans (excl. refinancing)	1,885	1,774	1,925
Number of loans to first home buyers	278	259	399
Average first home buyer loan	\$301,500	\$296,033	\$316,733
Banks			
Average loan	\$338,158	\$343,909	\$340,387
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	2.2%	0.4%	
Since corresponding quarter last year	2.2%	2.0%	

fast facts

The Australian Capital Territory remains the most affordable state or territory in which to buy a home or rent.



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.

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ISSN: 1447 6606

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





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