

Housing in reach

Affordability improves

HOUSING is more affordable now than it has been in 12 years despite rising house prices, according to research by an industry lobby group and Australia's biggest bank.

The Housing Industry Association and Commonwealth Bank say housing is increasingly affordable thanks to low interest rates and easing in the pace of house price growth.

Affordability is at its most favourable level since March 2002, according to latest reading of the Affordability Index compiled by the association and the bank.

The index, which takes account of median house prices, home loan rates and average weekly earnings among other factors, climbed 7.5 points nationally in the year to March.

HIA senior economist Shane Garrett said that meant affordability was now "10.8 per cent more favourable" than a year ago.

"Increases in home prices over the past year have been

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significant," Mr Garrett said.

"However, the impact of lower interest rates and continued earnings growth has ensured that home purchase affordability has improved over the past year for existing homeowners and those on the cusp of entering the market in the short term."

Affordability had improved in Sydney and Perth but deteriorated in Adelaide, Hobart and Brisbane and remained flat in Melbourne.

Affordability was more favourable for existing houses than new ones.

"The Reserve Bank of Australia has signalled that interest rates are set to remain low for some time," Mr Garrett said. "As home price pressures ease off, we expect homeowner affordability to remain reasonably favourable for the foreseeable future."

AAP