



Both housing affordability and rental affordability improves over the September quarter

State of the nation

The September quarter 2018 showed an improvement in housing affordability nationally with the proportion of income required to meet loan repayments decreasing to 31.4%, a decrease of 0.8 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 1.1 percentage points over the past year.

Over the quarter, housing affordability improved in all states and territories except Queensland where there was no change. The most improved state/territory was New South Wales where the proportion of income required to meet loan repayments decreased by 1.5 percentage points. Compared to the September quarter 2017, housing affordability declined in all states and territories.

Cash rate

During the September quarter, the Reserve Bank of Australia (RBA) maintained the official cash rate at 1.5%. The quarterly average variable standard interest rate remained stable at 5.2%. The quarterly average three-year fixed rate decreased to 4.1%.

First home buyers

The number of first home buyers decreased to 27,839, a decrease of 2.0% during the quarter and a decrease of 3.7% compared to the September quarter 2017.

First home buyers now make up 18.0% of the owner-occupier market and, if refinancing is excluded, the figure currently sits at 26.8%.

The number of first home buyers increased in Queensland, South Australia, Tasmania and the Northern Territory over the September quarter, with the largest increase in the Northern Territory (14.7%). Compared to the corresponding quarter 2017, the number of first home buyers increased in New South Wales, South Australia, Tasmania and the Northern Territory, with the largest increase in Tasmania (25.1%).

The average loan size to first home buyers decreased to \$344,133, a decrease of 0.5% over the September quarter but an increase of 7.4% over the past twelve months. Over the quarter, the average loan size to first home buyers increased in New South Wales and Queensland but decreased in all other states and territories. Compared to twelve months ago, it has increased in all states and territories.

Lending trends

The total number of loans (excluding refinancing) decreased to 104,012, a decrease of 4.8% over the September quarter and a decrease of 11.9% over the same quarter last year.

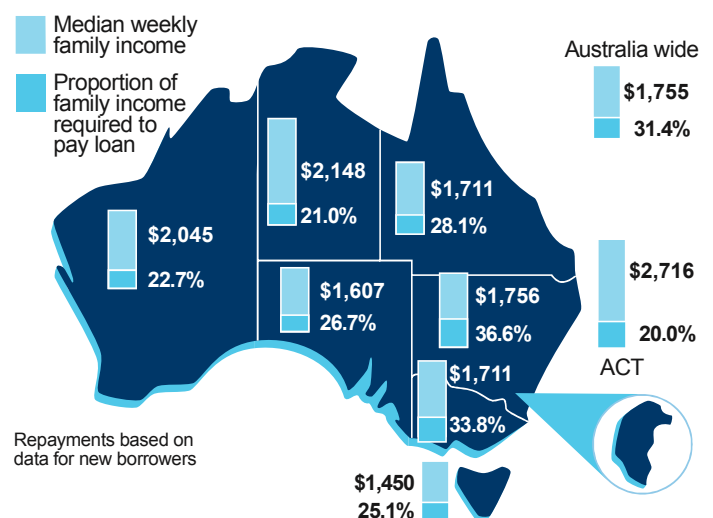
Over the quarter, the total number of loans (excluding refinancing) decreased in all states and territories, with the largest decrease in the Australian Capital Territory (-7.8%) and the smallest decrease in Tasmania (-2.5%). Compared to the corresponding quarter 2017, the number of loans increased in Tasmania but decreased in all other states and territories.

Over the September quarter, the average loan size decreased to \$402,632, a decrease of 1.8% over the quarter but an increase of 5.5% compared to a year ago.

During the quarter, the average loan size increased in Queensland but decreased in all other states and territories.

Compared to the September quarter 2017, the average loan size increased in all states and territories, ranging from 2.9% in Western Australia to 10.1% in Tasmania.

Proportion of family income required to meet loan repayments & median weekly family income





President's message



Welcome to the third edition of the Adelaide Bank/REIA Housing Affordability Report for 2018.

Housing affordability has shown a welcome improvement across Australia, except for Queensland where it has remained stable. Rental affordability improved in all states and territories except for Victoria and Tasmania. New South Wales showed the most improvement in housing affordability over the quarter and the Northern Territory showed the most improvement in rental affordability.

Over the quarter the proportion of median family income required to meet average loan repayments decreased by 0.8 percentage points to 31.4%, while the proportion of median family income required to meet rent payments decreased by 0.2 percentage points to 23.9%.

Across the country, the number of loans decreased by 4.8%, with decreases in all states and territories, the largest in the

Australian Capital Territory (-7.8%). New loans also decreased by 11.9% from the same quarter in 2017. All states and territories showed an annual decline in new loans except for Tasmania where there was a 2.7% increase. The decline ranged from 17.6% in Western Australia to 4.4% in South Australia.

Despite improved housing affordability, the number of first home buyers decreased by 2.0% over the quarter. However, the results are mixed around the country with large increases in the Northern Territory (14.7%) and a decline in Western Australia (-5.7%).

The decline in first home buyers is systematic of the credit squeeze that is emerging. While APRA's restrictions were designed to curb high risk lending practices the current practice of reducing loan amounts and increasing approval times across the board is becoming a constraint on economic growth.

Malcolm Gunning
President
Real Estate Institute of Australia

Sponsor's message



The improvement in housing affordability nationally is a welcome finding. In the two biggest markets, Victoria continues to lead with the highest number of first home buyer loans and housing affordability also showing an improvement in NSW for the September Quarter. WA showed the largest decrease in the number of loans to first home buyers yet had the highest proportion of first home buyers at 35.1%. I suspect that while WA showed the largest decrease in the actual number of loans, the high proportion of first home buyers in that State is probably due to the fact

that rent is very affordable at 16% of income, combined with a growing view that the Perth property market is beginning to pick up. Both factors are likely to help first homebuyers decide to take the plunge and enter the market. Tasmania is bucking the national trend with a 2.7% increase in loans. When you consider that rents in Tasmania are now 28.3% of income and loan repayments now at 25.1%, the decision to switch from renting to buying has never been easier, as I mentioned in the June Quarter HAR report. On these numbers, it is about \$50 per week cheaper to buy than rent in Tassie.

At Adelaide Bank, we are open for business and looking to help borrowers across all states and territories in all market segments - be they first time buyers, existing customers, owner occupiers or investors. We also offer bridging finance, which in markets like Perth where there has been an active 'upgrader market' recently, could be of interest to those buying their dream home before selling their existing home. Wherever people decide to live, Adelaide Bank strives to minimise the stress and hassle of home ownership by offering simple and easy to understand products to help people realise their property ownership dream sooner. Our continuing and widely recognised contribution to improving housing affordability is to keep the cost of lending as low as possible, while providing great service through Australia's growing network of mortgage brokers.

Darren Kasehagen
Head of Third Party Banking
Adelaide Bank

The national snapshot

Proportion of family income required to meet loan repayments

Table 1 shows the proportion of family income needed to meet loan repayments.

Table 1: Proportion of family income needed to meet loan repayments

	Sep qtr 2018	Jun qtr 2018	Sep qtr 2017
NSW	36.6%	38.1%	36.1%
VIC	33.8%	34.3%	32.2%
QLD	28.1%	28.1%	26.8%
SA	26.7%	27.0%	25.3%
WA	22.7%	23.9%	22.4%
TAS	25.1%	25.4%	23.3%
NT	21.0%	21.5%	19.4%
ACT	20.0%	20.9%	18.5%
AUS	31.4%	32.2%	30.3%

Chart 1 shows the movement in the proportion of family income required to meet average home loan repayments since the March quarter 2000. Chart 2 shows the movement in rental affordability.

Chart 1 Proportion of family income required to meet average loan repayments

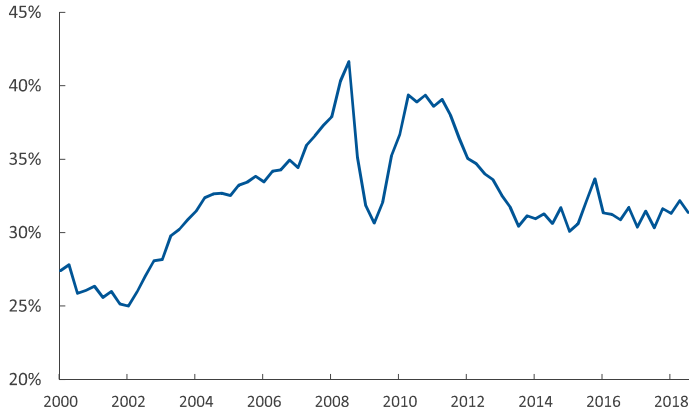


Chart 2 Proportion of family income required to meet average rent payments



Rental affordability

The Australian weighted average median rent for three-bedroom houses is calculated using Census data and median rents published in REIA Real Estate Market Facts.

In the September quarter 2018, rental affordability improved with the proportion of income required to meet rent payments decreasing to 23.9%, a decrease of 0.2 percentage points over the quarter and a decrease of 0.5 percentage points compared to the same quarter 2017.

Over the quarter, rental affordability improved in all states and territories except Victoria and Tasmania. When compared to the September quarter 2017 rental affordability improved in New South Wales, Queensland, Western Australia and the Northern Territory, but declined in Victoria, South Australia, Tasmania and the Australian Capital Territory.

New South Wales continues to be the least affordable state or territory in which to rent a property. The State's proportion of income required to meet rent repayments is 28.5%, 4.6 percentage points higher than the national level. Western Australia, where the proportion of income required to meet median rents decreased to 16.1%, is the most affordable state or territory in which to rent a property.

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

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

	Sep qtr 2018	Jun qtr 2018	Sep qtr 2017
NSW	28.5%	28.8%	29.8%
VIC	23.4%	23.3%	23.1%
QLD	21.9%	22.2%	22.8%
SA	21.8%	22.0%	21.7%
WA	16.1%	16.3%	16.4%
TAS	28.3%	27.6%	26.3%
NT	20.0%	22.6%	22.7%
ACT	18.4%	18.6%	18.1%
AUS	23.9%	24.1%	24.4%

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Proportion of family income to meet

	Sep 2018	Jun 2018	Sep 2017
Home loan repayments	31.4%	32.2%	30.3%
Rent payments	23.9%	24.1%	24.4%



First home buyers

The number of first home buyers decreased to 27,839, a decrease of 2.0% during the quarter and a decrease of 3.7% compared to the September quarter 2017.

The average loan size to first home buyers decreased to \$344,133, a decrease of 0.5% over the quarter but an increase of 7.4% over the past twelve months.

First home buyers make up 18.0% of the owner-occupier market, compared with 17.0% in the September quarter of 2017. If refinancing is excluded, they make up 26.8% of the market, compared with 24.5% in the September quarter of 2017.

Chart 3a shows the first home buyers' share of all dwellings financed and all dwellings financed (excluding refinancing) from the September quarter 2008 to the September quarter 2018.

Chart 3b shows the difference in average home loans for first home buyers compared to change-over buyers, which excludes refinancing.

Chart 3a First home buyers share of dwellings financed

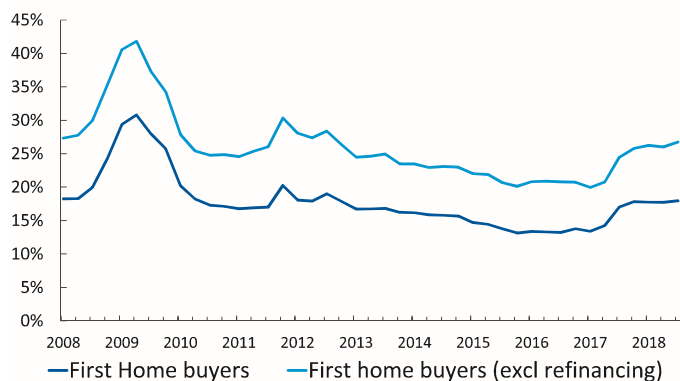
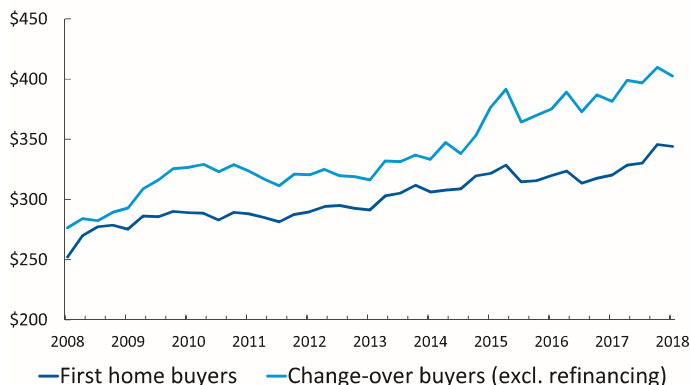


Chart 3b Average home loans for first and change-over buyers

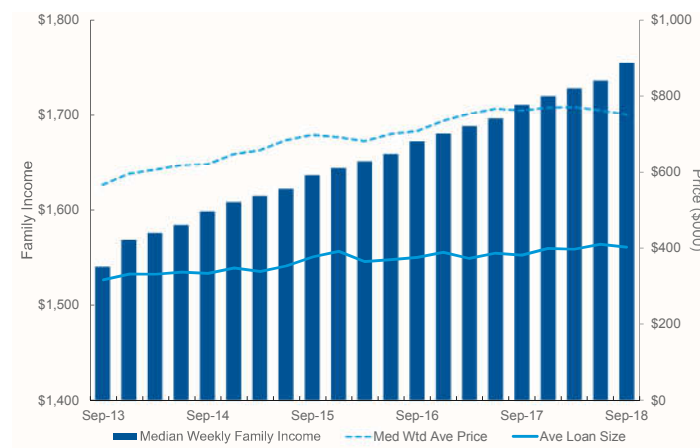


Factors influencing home loan affordability

- 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 price and family income



Median House Prices

The weighted average capital city median house price decreased to \$751,411, a decrease of 1.6% over the quarter and a decrease of 1.5% over the past twelve months. Over the September quarter, median house prices increased in Brisbane and Adelaide, remained steady in Melbourne and decreased in Sydney, Perth, Hobart, Darwin and Canberra.

Detailed data on median prices for houses and other dwellings is available in the REIA Real Estate Market Facts publication, which will be released on December 12, 2018.

Median family income and average monthly loan repayments

The national median weekly family income increased to \$1,755, an increase of 1.1% over the September quarter and an increase of 2.6% compared to the same quarter 2017.

During the September quarter, the average monthly loan repayment decreased to \$2,386, a decrease of 1.5% over the quarter but an increase of 6.1% compared to the corresponding quarter 2017.

The proportion of family income required to meet loan repayments decreased to 31.4% during the September quarter 2018, a decrease of 0.8 percentage points over the previous quarter but an increase of 1.1 percentage points over the previous year.

Average loan (all borrowers)

The total number of loans (excluding refinancing) decreased to 104,012, a decrease of 4.8% over the quarter and a decrease of 11.9% compared to the same quarter last year.

The average loan size decreased to \$402,632, a decrease of 1.8% over the September quarter but an increase of 5.5% compared with the September quarter 2017.

Interest rates

During the September quarter, the Reserve Bank of Australia (RBA) left the official cash rate at 1.5%. The gap between variable and three-year fixed rates was 1.1 percentage points. The September quarterly average variable standard interest rate remained stable at 5.2% over the quarter and when compared to the corresponding quarter 2017. The quarterly average three-year fixed rate decreased to 4.1%, a decrease of 0.1 percentage points during the quarter but the same as the corresponding quarter 2017.

Average quarterly variable interest rates were:

Banks – 5.2%, the same as the previous quarter.

Permanent Building Societies – 4.6%, the same as the previous quarter.

Other lenders – 3.7%, the same as the previous quarter.

The average fixed (3 year) interest rates were:

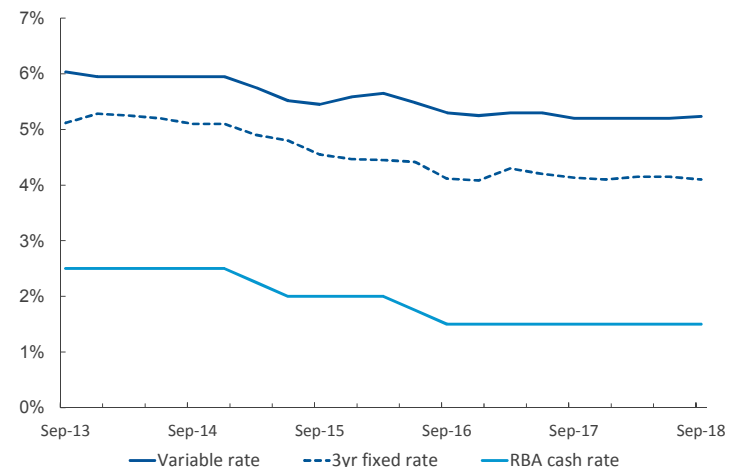
Banks – 4.1%, a decrease of 0.1 percentage points on the previous quarter.

Permanent Building Societies – 4.1%, the same as the previous quarter.

Other lenders – 4.0%, an increase of 0.3 percentage points on the previous 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 2018 and is compared with the preceding quarter and the corresponding quarter 2017. Percentage changes are shown in Table 4.

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

Table 3: Home loan affordability indicator

	Sep qtr 2018	Jun qtr 2018	Sep qtr 2017
NSW	27.3	26.3	27.7
VIC	29.5	29.2	31.1
QLD	35.5	35.6	37.3
SA	37.5	37.0	39.5
WA	44.0	41.8	44.6
TAS	39.9	39.4	43.0
NT	47.7	46.4	51.6
ACT	50.0	47.9	54.2
AUS	31.9	31.1	33.0



Table 4: Percentage change in HLAI

	Quarterly change	Annual change
NSW	3.8%	-1.4%
VIC	1.0%	-5.1%
QLD	-0.3%	-4.8%
SA	1.4%	-5.1%
WA	5.3%	-1.3%
TAS	1.3%	-7.2%
NT	2.8%	-7.6%
ACT	4.4%	-7.7%
AUS	2.6%	-3.3%

Chart 6 Home loan affordability indicator over time



A long-term series of the quarterly movements in the Australian CPI and the weighed average median three bedroom house rent for the eight Australian capital cities are shown in Chart 7.

Chart 7 Australian rent and CPI

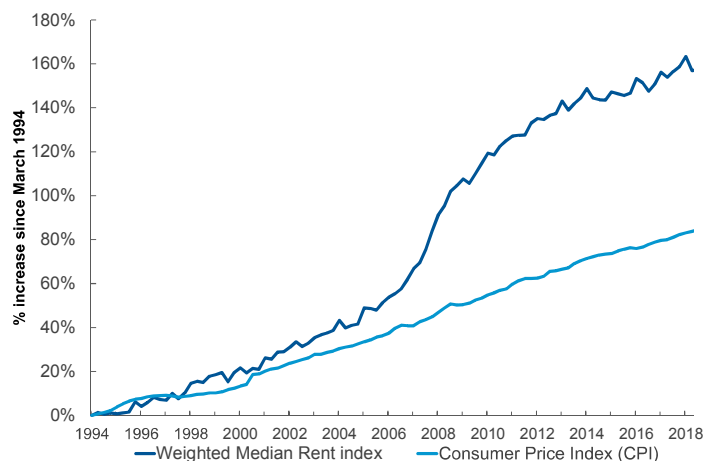


Table 5: Australia

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	31.9	31.1	33.0
Average HLAI since December quarter 1996	32.6	32.6	32.6
Proportion of family income devoted to meeting average loan repayments	31.4%	32.2%	30.3%
Proportion of family income devoted to meeting median rents	23.9%	24.1%	24.4%
Median weekly family income	\$1,755	\$1,737	\$1,711
Average monthly loan repayment	\$2,386	\$2,421	\$2,249
Average loan	\$402,632	\$409,858	\$381,537
Total number of loans (excl refinancing)	104,012	109,255	118,127
Number of loans to first home buyers	27,839	28,416	28,914
Average first home buyer loan	\$344,133	\$345,733	\$320,300
Banks			
Standard variable interest rate	5.2%	5.2%	5.2%
Fixed interest rate	4.1%	4.2%	4.1%
Building societies			
Standard variable interest rate	4.6%	4.6%	4.3%
Fixed interest rate	4.1%	4.1%	3.9%
Other lenders			
Standard variable interest rate	3.7%	3.7%	3.7%
Fixed interest rate	4.0%	3.7%	4.0%
Percentage change	HLAI	CPI	
Since previous quarter	2.6%	0.4%	
Since corresponding quarter last year	-3.3%	1.9%	

State by state

New South Wales

Over the September quarter, housing affordability in New South Wales improved with the proportion of income required to meet loan repayments decreasing to 36.6%, a decrease of 1.5 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 0.5 percentage points over the past year.

Rental affordability also improved in New South Wales over the September quarter with the proportion of income required to meet median rent payments decreasing to 28.5%, a decrease of 0.3 percentage points over the September quarter and a decrease of 1.3 percentage points compared to the same quarter last year.

In New South Wales, the number of loans to first home buyers decreased to 7,141, a decrease of 1.5% over the quarter but an increase of 5.4% compared to the September quarter 2017. Of the total number of first home buyers that purchased during the September quarter, 25.7% were from New South Wales while first home buyers make up 23.2% of the State's owner-occupier market. The average loan to first home buyers increased to \$389,733, an increase of 0.1% over the quarter and an increase of 7.3% compared to the same quarter last year.

The number of loans (excluding refinancing) in New South Wales decreased to 30,798, a decrease of 5.6% over the quarter and a decrease of 13.4% compared to the September quarter 2017. The average loan size decreased to \$469,859, a decrease of 3.1% over the quarter but an increase of 3.4% compared to the corresponding quarter last year. New South Wales has the largest average loan size across the country.

Table 6: New South Wales

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	27.3	26.3	27.7
Average HLAI since December quarter 1996	28.2	28.2	28.2
Proportion of family income devoted to meeting average loan repayments	36.6%	38.1%	36.1%
Proportion of family income devoted to meeting median rents	28.5%	28.8%	29.8%
Median weekly family income	\$1,756	\$1,736	\$1,711
Average monthly loan repayment	\$2,784	\$2,864	\$2,677
Average loan	\$469,859	\$484,839	\$454,332
Total number of loans (excl refinancing)	30,798	32,634	35,572
Number of loans to first home buyers	7,141	7,252	6,772
Average first home buyer loan	\$389,733	\$389,167	\$363,100
Percentage Change	HLAI	CPI	
Since previous quarter	3.8%	0.6%	
Since corresponding quarter last year	-1.4%	2.0%	

Chart 8 New South Wales HLAI

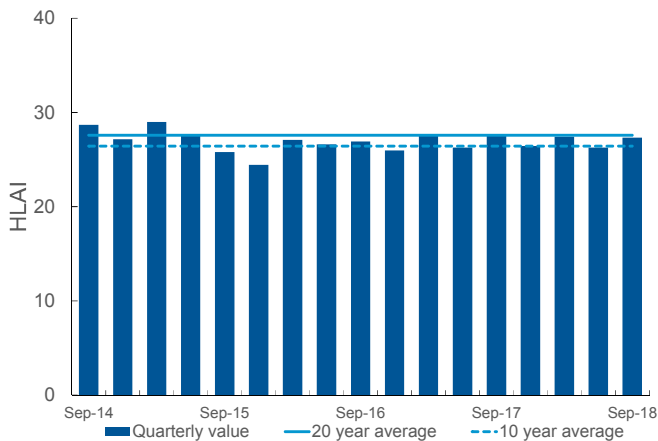
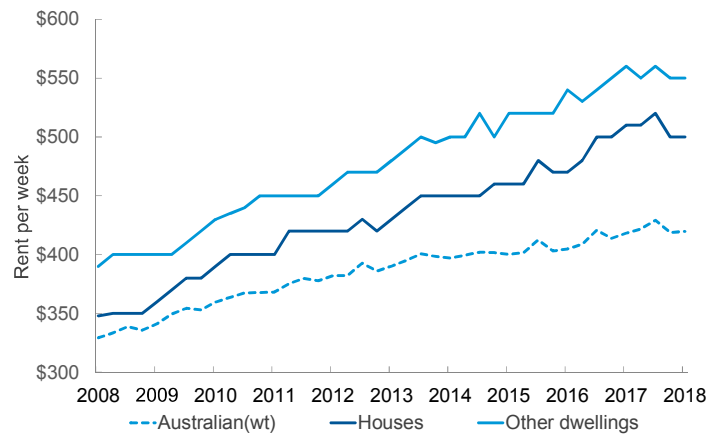


Chart 9 Median rents Sydney



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Housing affordability improved most in NSW with loan repayments as proportion of income decreasing by 1.5 percentage points.



Victoria

Over the September quarter, housing affordability improved in Victoria with the proportion of income required to meet loan repayments decreasing to 33.8%, a decrease of 0.5 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 1.6 percentage points over the past year.

Rental affordability in Victoria has declined marginally over the September quarter with the proportion of income required to meet median rent increasing to 23.4%, an increase of 0.1 percentage points over the quarter and an increase of 0.3 percentage points compared with the September quarter 2017.

The number of loans to first home buyers in Victoria decreased to 8,601, a decrease of 4.5% over the quarter and a decrease of 2.1% compared to the September quarter 2017. Of the total number of first home buyers that purchased during the September quarter, 30.9% were from Victoria while first home buyers make up 28.9% of the State's owner-occupier market. In the September quarter, the average loan to first home buyers decreased to \$363,533, a decrease of 0.6% over the quarter but an increase of 10.2% compared to the September quarter 2017.

In Victoria, the total number of loans (excluding refinancing) decreased to 29,740, a decrease of 5.5% during the quarter and a decrease of 11.4% compared to the September quarter 2017. The average loan size decreased to \$423,585, a decrease of 0.6% over the quarter but an increase of 7.7% when compared to the corresponding quarter 2017.

Table 7: Victoria

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	29.5	29.2	31.1
Average HLAI since December quarter 1996	33.0	33.1	33.2
Proportion of family income devoted to meeting average loan repayments	33.8%	34.3%	32.2%
Proportion of family income devoted to meeting median rents	23.4%	23.3%	23.1%
Median weekly family income	\$1,711	\$1,693	\$1,663
Average monthly loan repayment	\$2,510	\$2,516	\$2,317
Average loan	\$423,585	\$426,027	\$393,221
Total number of loans (excl refinancing)	29,740	31,465	33,581
Number of loans to first home buyers	8,601	9,010	8,783
Average first home buyer loan	\$363,533	\$365,600	\$329,933
Percentage Change	HLAI	CPI	
Since previous quarter	1.0%	0.2%	
Since corresponding quarter last year	-5.1%	2.2%	

Chart 10 Victoria HLAI

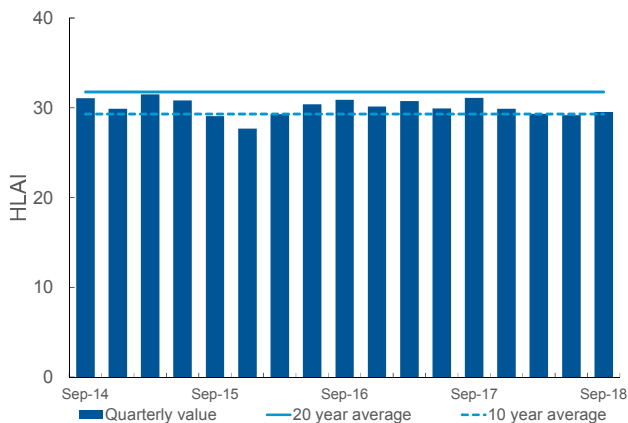
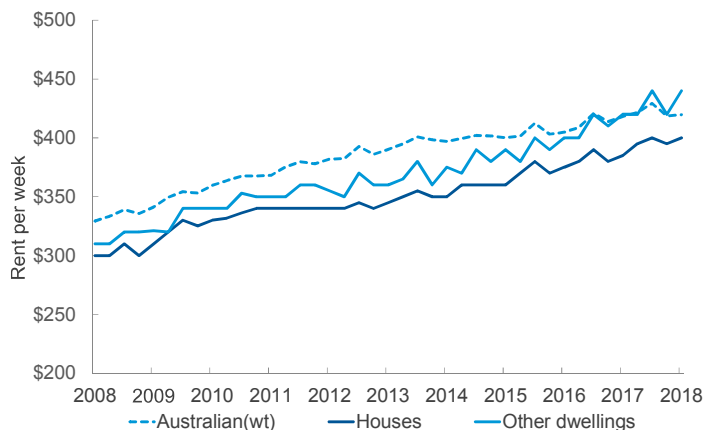


Chart 11 Median rents Melbourne



fast facts

Victoria had the highest number of loans to first home buyers.

Queensland

Housing affordability in Queensland remained steady with the proportion of income required to meet loan repayments remaining unchanged at 28.1% over the September quarter. However, housing affordability has declined over the past year as the proportion of income required to meet loan repayments increased by 1.3 percentage points.

Rental affordability in Queensland improved over the quarter with the proportion of income required to meet the median rent decreasing to 21.9%, a decrease of 0.3 percentage points over the quarter and a decrease of 0.9 percentage points compared to the same quarter 2017.

Over the September quarter, the number of loans to first home buyers in Queensland increased to 5,879, an increase of 1.6% over the quarter but a decrease of 6.2% compared to the same quarter of 2017. Of all Australian first home buyers over the quarter, 21.1% were from Queensland while the proportion of first home buyers in the State's owner-occupier market was 27.4%. The average loan size to first home buyers increased to \$307,367, an increase of 2.1% during the quarter and an increase of 5.5% compared to the September quarter 2017.

The number of loans (excluding refinancing) decreased in Queensland to 21,429, a decrease of 2.6% over the quarter and a decrease of 10.9% compared to the September quarter of the previous year. The average loan size increased to \$352,124, an increase of 0.8% during the quarter and an increase of 7.3% compared to the September quarter 2017.

Chart 12 Queensland HLAI

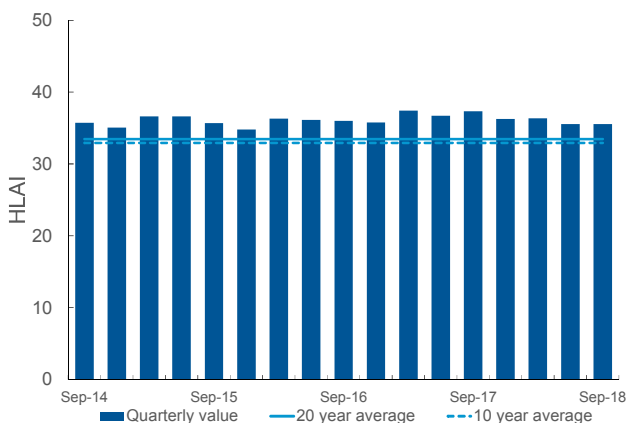
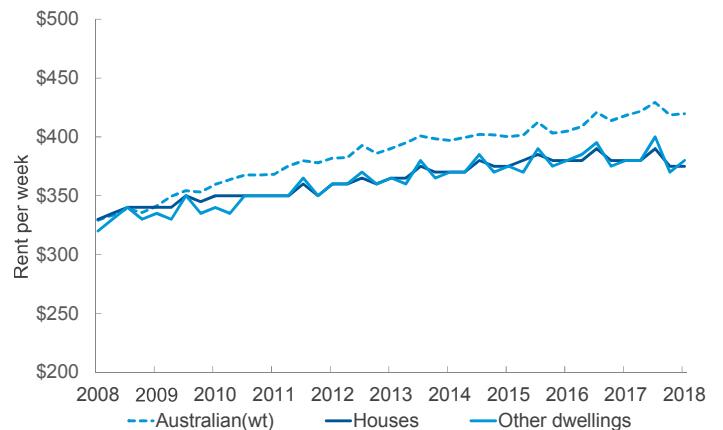


Table 8: Queensland

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	35.5	35.6	37.3
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%	26.8%
Proportion of family income devoted to meeting median rents	21.9%	22.2%	22.8%
Median weekly family income	\$1,711	\$1,693	\$1,667
Average monthly loan repayment	\$2,087	\$2,062	\$1,934
Average loan	\$352,124	\$349,165	\$328,132
Total number of loans (excl refinancing)	21,429	21,998	24,062
Number of loans to first home buyers	5,879	5,786	6,269
Average first home buyer loan	\$307,367	\$301,033	\$291,467
Percentage Change	HLAI	CPI	
Since previous quarter	-0.3%	0.4%	
Since corresponding quarter last year	-4.8%	1.8%	

Chart 13 Median rents Brisbane



fast facts

Queensland was the only state or territory in which housing affordability did not improve in the September quarter.



South Australia

Over the September quarter, housing affordability in South Australia improved with the proportion of income required to meet monthly loan repayments decreasing to 26.7%, a decrease of 0.3 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 1.4 percentage points over the past year.

Rental affordability in South Australia improved over the quarter with the proportion of income required to meet rent payments decreasing to 21.8%, a decrease of 0.2 percentage points over the quarter. However, compared with the September quarter 2017, rental affordability has marginally declined with proportion of income required to meet median rent increasing by 0.1 percentage points.

Over the September quarter, the number of loans to first home buyers in South Australia increased to 1,468, an increase of 1.9% over the quarter and an increase of 5.9% compared to the September quarter 2017. Of all Australian first home buyers over the quarter, 5.3% were from South Australia while the proportion of first home buyers in the state's owner-occupier market was 21.3%. The average loan size to first home buyers decreased to \$281,100, a decrease of 1.2% over the quarter but an increase of 3.4% when compared to a year earlier.

In South Australia, the total number of loans (excluding refinancing) decreased to 6,884, a decrease of 4.5% over the quarter and a decrease of 4.4% compared to the September quarter 2017. The average loan size decreased to \$313,491, a decrease of 0.7% over the quarter but an increase of 7.6% compared to the same time last year.

Table 9: South Australia

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	37.5	37.0	39.5
Average HLAI since December quarter 1996	38.7	38.7	38.7
Proportion of family income devoted to meeting average loan repayments	26.7%	27.0%	25.3%
Proportion of family income devoted to meeting median rents	21.8%	22.0%	21.7%
Median weekly family income	\$1,607	\$1,591	\$1,567
Average monthly loan repayment	\$1,858	\$1,865	\$1,718
Average loan	\$313,491	\$315,577	\$291,296
Total number of loans (excl refinancing)	6,884	7,208	7,202
Number of loans to first home buyers	1,468	1,441	1,386
Average first home buyer loan	\$281,100	\$284,433	\$271,767
Percentage Change	HLAI	CPI	
Since previous quarter	1.4%	0.3%	
Since corresponding quarter last year	-5.1%	1.8%	

Chart 14: South Australia HLAI

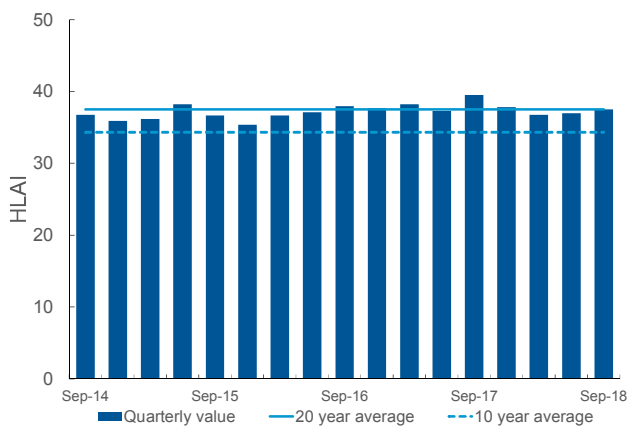
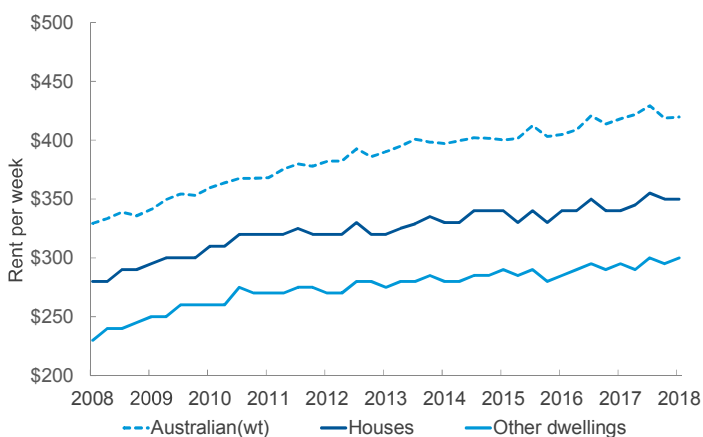


Chart 15 Median rents Adelaide



fast facts

In South Australia both housing affordability and rental affordability improved over the September quarter.

Western Australia

Over the September quarter, housing affordability in Western Australia improved with the proportion of income required to meet loan repayments decreasing to 22.7%, a decrease of 1.2 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 0.3 percentage points over the past year.

Rental affordability in Western Australia has improved during the September quarter with the proportion of income required to meet the median rent decreasing to 16.1%, a decrease of 0.2 percentage points over the quarter and a decrease of 0.3 percentage points compared with the September quarter 2017.

The number of first home buyers in Western Australia decreased to 3,540 in the September quarter, a decrease of 5.7% over the quarter and a decrease of 20.1% compared to the same time last year. Of all Australian first home buyers over the quarter, 12.7% were from Western Australia while the proportion of first home buyers in the state's owner-occupier market was 35.1%. The average loan to first home buyers decreased to \$308,533, a decrease of 3.2% over the quarter but an increase of 1.6% compared to the September quarter 2017.

The total number of loans (excluding refinancing) in Western Australia decreased to 10,095, a decrease of 4.8% over the quarter and a decrease of 17.6% compared to the same time last year. The average loan size decreased to \$339,943, a decrease of 4.6% over the quarter but an increase of 2.9% compared to the September quarter 2017.

Chart 16 Western Australia HLAI

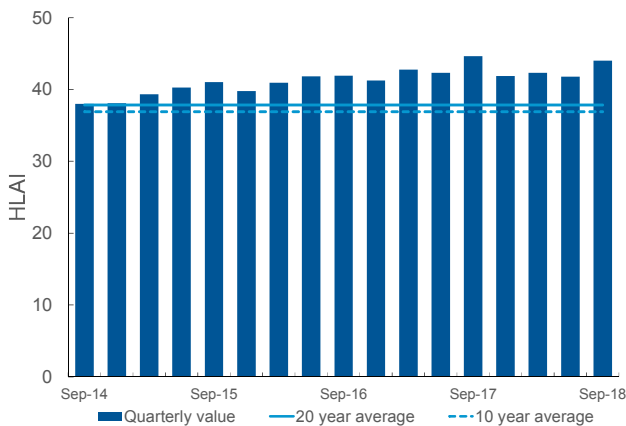
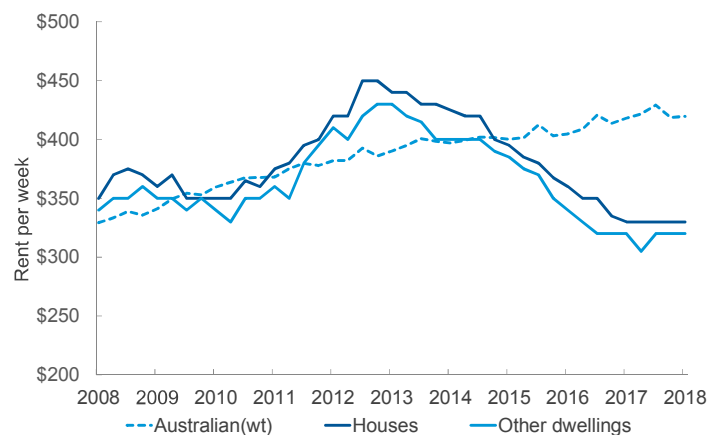


Table 10: Western Australia

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	44.0	41.8	44.6
Average HLAI since December quarter 1996	38.7	38.6	38.5
Proportion of family income devoted to meeting average loan repayments	22.7%	23.9%	22.4%
Proportion of family income devoted to meeting median rents	16.1%	16.3%	16.4%
Median weekly family income	\$2,045	\$2,028	\$2,007
Average monthly loan repayment	\$2,014	\$2,105	\$1,948
Average loan	\$339,943	\$356,381	\$330,341
Total number of loans (excl refinancing)	10,095	10,609	12,254
Number of loans to first home buyers	3,540	3,754	4,432
Average first home buyer loan	\$308,533	\$318,600	\$303,667
Percentage Change	HLAI	CPI	
Since previous quarter	5.3%	0.5%	
Since corresponding quarter last year	-1.3%	1.2%	

Chart 17 Median rents Perth



fast facts

Western Australia had the largest decrease in the number of loans to first home buyers, yet has the highest proportion of first home buyers.



Tasmania

Over the September quarter, housing affordability in Tasmania improved with the proportion of income required to meet loan repayments decreasing to 25.1%, a decrease of 0.3 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 1.8 percentage points over the past year.

Rental affordability in Tasmania declined over the quarter with the proportion of income required to meet median rents increasing to 28.3%, an increase of 0.7 percentage points over the quarter and an increase of 2.0 percentage points compared with the September quarter 2017.

The number of first home buyers in Tasmania increased to 483, an increase of 5.5% over the quarter and an increase of 25.1% compared to the same quarter of the previous year. Of all Australian first home buyers over the quarter, 1.7% were from Tasmania while the proportion of first home buyers in the state's owner-occupier market was 21.3%. The average loan to first home buyers decreased to \$266,967, a decrease of 2.9% over the quarter but an increase of 8.7% compared to the same quarter 2017.

The total number of new loans (excluding refinancing) in Tasmania decreased to 2,264, a decrease of 2.5% over the quarter but an increase of 2.7% compared to the corresponding quarter 2017. The average loan size decreased to \$265,830, a decrease of 0.3% over the quarter but an increase of 10.1% compared to the same time last year. Tasmania continues to have the lowest average loan size across the country.

Chart 18 Tasmania HLAI

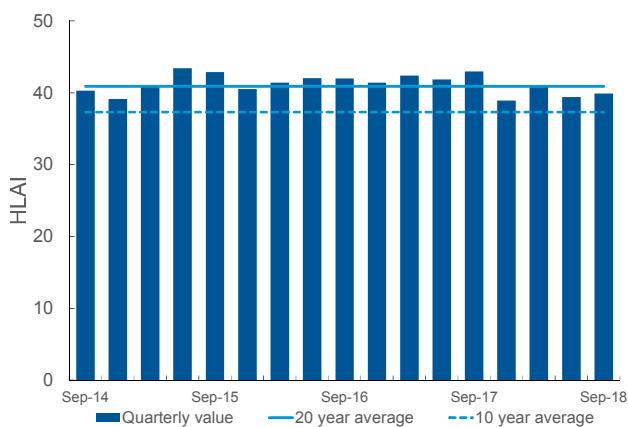
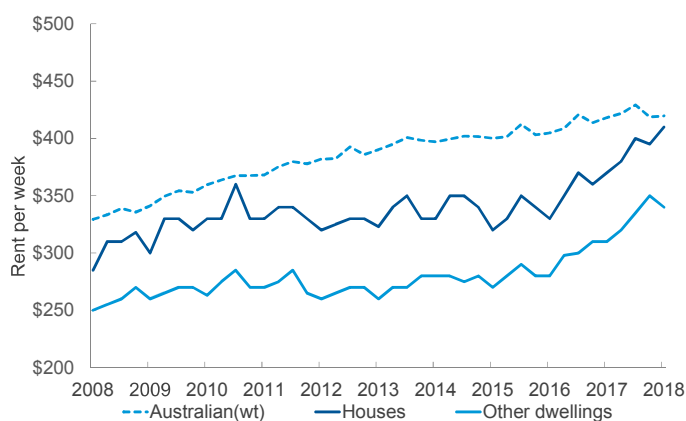


Table 11: Tasmania

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	39.9	39.4	43.0
Average HLAI since December quarter 1996	41.9	41.9	42.0
Proportion of family income devoted to meeting average loan repayments	25.1%	25.4%	23.3%
Proportion of family income devoted to meeting median rents	28.3%	27.6%	26.3%
Median weekly family income	\$1,450	\$1,432	\$1,409
Average monthly loan repayment	\$1,575	\$1,575	\$1,421
Average loan	\$265,830	\$266,675	\$241,361
Total number of loans (excl refinancing)	2,264	2,323	2,204
Number of loans to first home buyers	483	458	386
Average first home buyer loan	\$266,967	\$275,000	\$245,600
Percentage Change	HLAI	CPI	
Since previous quarter	1.3%	0.6%	
Since corresponding quarter last year	-7.2%	2.7%	

Chart 19 Median rents Hobart



fast facts

Tasmania had the largest decline in both housing affordability and rental affordability over the past year.

Northern Territory

Over the September quarter, housing affordability in the Northern Territory improved with the proportion of income required to meet loan repayments decreasing to 21.0%, a decrease of 0.5 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 1.6 percentage points over the past year.

Rental affordability in the Northern Territory has also improved over the quarter with the proportion of income required to meet the median rent decreasing to 20.0%, a decrease of 2.6 percentage points over the quarter and a decrease of 2.7 percentage points compared with the September quarter 2017.

The number of loans to first home buyers in the Northern Territory increased to 203, an increase of 14.7% over the September quarter and an increase of 1.5% compared to the September quarter 2017. Of all Australian first home buyers over the quarter, 0.7% were from the Northern Territory while the proportion of first home buyers in the Territory's owner-occupier market was 34.6%. The average loan size to first home buyers decreased to \$311,533, a decrease of 1.7% over the quarter but an increase of 3.9% compared to the same time last year.

The number of new loans (excluding refinancing) in the Northern Territory decreased to 587, a decrease of 4.7% over the quarter and a decrease of 15.5% compared to the September quarter 2017. The average loan size decreased to \$329,578, a decrease of 2.0% over the quarter but an increase of 10.0% compared to the September quarter 2017.

Table 12: Northern Territory

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	47.7	46.4	51.6
Average HLAI since December quarter 1996	42.3	42.3	42.1
Proportion of family income devoted to meeting average loan repayments	21.0%	21.5%	19.4%
Proportion of family income devoted to meeting median rents	20.0%	22.6%	22.7%
Median weekly family income	\$2,148	\$2,129	\$2,107
Average monthly loan repayment	\$1,953	\$1,986	\$1,768
Average loan	\$329,578	\$336,235	\$299,511
Total number of loans (excl refinancing)	587	616	695
Number of loans to first home buyers	203	177	200
Average first home buyer loan	\$311,533	\$316,833	\$299,833
Percentage Change	HLAI	CPI	
Since previous quarter	2.8%	0.6%	
Since corresponding quarter last year	-7.6%	1.3%	

Chart 20 Northern Territory HLAI

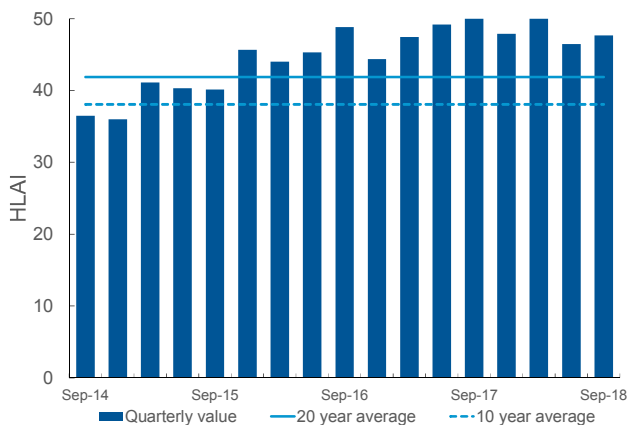
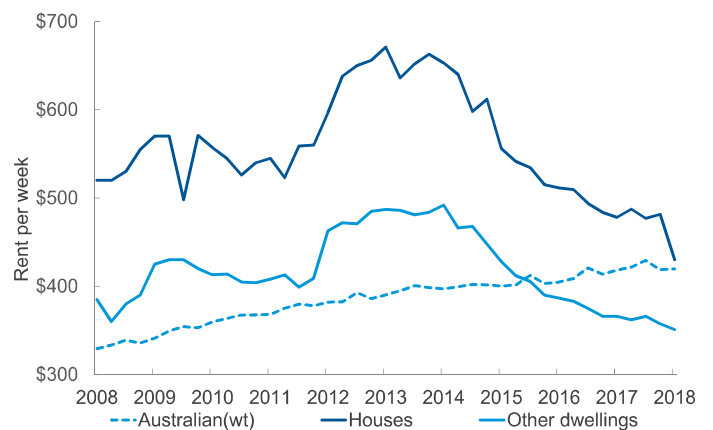


Chart 21 Median rents Darwin



fast facts

Northern Territory was the state and territory with most improvement in rental affordability over the quarter.



Australian Capital Territory

Over the September quarter, housing affordability in the Australian Capital Territory improved with the proportion of income required to meet loan repayments decreasing to 20.0%, a decrease of 0.9 percentage points over the quarter. However, compared with the September quarter 2017, housing affordability has declined with proportion of income required to meet monthly loan repayments increasing by 1.5 percentage points over the past year.

Rental affordability in the Australian Capital Territory has also improved over the quarter with the proportion of income required to meet the median rent decreasing to 18.4%, a decrease of 0.2 percentage points over the quarter. However, compared with the September quarter 2017, rental affordability has declined with proportion of income required to meet the median rent increasing by 0.3 percentage points over the past year.

The number of loans to first home buyers in the Australian Capital Territory decreased to 524, a decrease of 2.6% over the quarter and a decrease of 23.6% compared to the September quarter 2017. Of all Australian first home buyers over the quarter, 1.9% were from the Australian Capital Territory while the proportion of first home buyers in the Territory's owner-occupier market was 23.7%. The average loan for first home buyers decreased to \$320,300, a decrease of 4.5% over the quarter but an increase of 10.3% compared to the corresponding quarter 2017.

The number of loans (excluding refinancing) in the Australian Capital Territory decreased to 2,215, a decrease of 7.8% over the quarter and a decrease of 13.4% compared to the September quarter 2017. The average loan size decreased to \$397,144, a decrease of 3.5% over the quarter but an increase of 10.1% compared to the September quarter 2017.

Chart 22 Australian Capital Territory HLAI

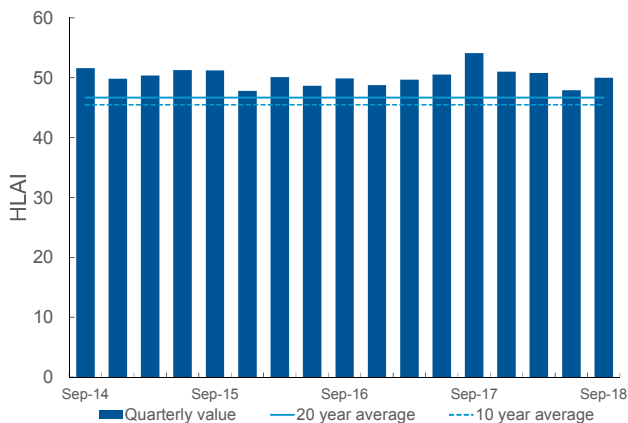
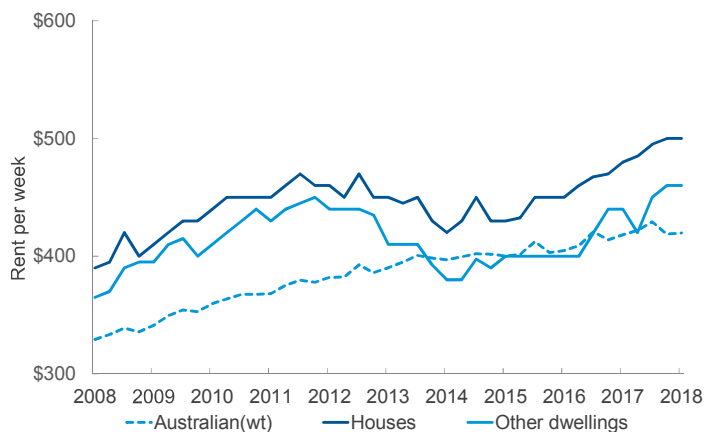


Table 13: Australian Capital Territory

	Sep 2018	Jun 2018	Sep 2017
Home Loan Affordability Indicator (HLAI)	50.0	47.9	54.2
Average HLAI since December quarter 1996	47.0	47.0	46.9
Proportion of family income devoted to meeting average loan repayments	20.0%	20.9%	18.5%
Proportion of family income devoted to meeting median rents	18.4%	18.6%	18.1%
Median weekly family income	\$2,716	\$2,690	\$2,652
Average monthly loan repayment	\$2,353	\$2,433	\$2,122
Average loan	\$397,144	\$411,654	\$360,600
Total number of loans (excl refinancing)	2,215	2,402	2,557
Number of loans to first home buyers	524	538	686
Average first home buyer loan	\$320,300	\$335,400	\$290,367
Percentage Change	HLAI	CPI	
Since previous quarter	4.4%	0.6%	
Since corresponding quarter last year	-7.7%	2.5%	

Chart 23 Median rents Canberra



fast facts

The Australian Capital Territory had the highest decrease in number of loans (excluding refinancing) (-7.8%).



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, 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 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 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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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.

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