Housing affordability hits worst level in at least three decades according to new PropTrack Housing Affordability Index

REA Group’s data business PropTrack today launched a new comprehensive measure of the share of homes that households can afford to purchase. The PropTrack Housing Affordability Index analyses affordability and accessibility across different household income distributions, locations and ages.

**Key take outs:**

- Housing affordability is now at its worst level in at least three decades, driven by the sharp rise in mortgage rates and increasing home prices.
- Households earning the median income can afford the smallest share of homes since 1995 when records began, at just 13% of homes sold in the past year.
- Affordability is toughest in New South Wales, Tasmania and Victoria. A typical-income household can afford just 7% of homes sold in New South Wales.
- Low- and middle-income households are facing incredibly stretched affordability. A household earning $64,000 per year can afford just 3% of homes.
- Servicing a mortgage is close to as hard as it has ever been, only just below the peak reached in 1989. A household earning average income would need to spend a third of their income on mortgage repayments to buy a median-priced home.

PropTrack senior economist and report co-author, Angus Moore, said: “Surging home prices throughout the pandemic and rapidly rising interest rates over the past year have brought housing affordability to its worst level in at least three decades. The situation is especially challenging for lower-income households and first-home buyers.

“Mortgage interest rates have increased extremely rapidly from the record lows in 2020 and 2021, following RBA rate hikes that began in May 2022. This has caused the sharpest increase in mortgage rates since the mid-1980s and has reduced borrowing capacities by as much as 30% for new borrowers.

“At the same time, existing borrowers, which make up around a third of Australian households, have faced sharp increases in mortgage repayments. A typical recent borrower now faces repayments as much as 50% higher than in early 2022.

“In August, home prices rose for the eighth consecutive month. This means there are now far fewer homes for which mortgage repayments are affordable than was the case over the past few years.

“Household incomes have risen since the pandemic and improved labour market conditions have drawn more people into employment and boosted wages growth. However, this has been insufficient to offset higher home prices and, critically, the surge in mortgage rates.”
Additional report findings:

- While affordability has decreased for all households, it’s incredibly stretched for 25–34-year-olds who can afford fewer than 30% of homes.
- Housing accessibility – how long it takes new buyers to save a deposit – has become even more challenging than pre-pandemic due to sharp home price growth. It is a substantially larger hurdle today than it was in previous decades.
- The average household would need to save 20% of their income for more than five and a half years to save a 20% deposit on a median priced home.
- Queensland and Western Australia remain the most affordable states, which may continue to drive demand for homes.

For more information and to view the full report please visit realestate.com.au/insights or click here.

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For more information:
Sophie Flavell
REA Group Media & Partnerships Manger
M: +61 438 089 165

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