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**Public Affairs**

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**Australian housing severely unaffordable**  
*At least 10 years until a return to affordable housing*

Australian house prices have moved from being affordable to severely unaffordable in the last 10 years and it will take at least another 10 years of flat house prices coupled with income growth for houses to regain an affordable status.

This is the key finding of the AMP.NATSEM Income and Wealth Report: *The Great Australian Dream – Just a Dream?* which examines housing affordability in Australia using two measures: housing stress, based on the proportion of income spent on housing costs like mortgage and rent; and the house price to household income ratio – the higher the ratio, the less affordable the housing.

The report found median house prices grew 147 per cent to \$417,000 while median after-tax incomes only increased 50 per cent to \$57,000 from 2001 to 2011, pushing the price to income ratio from an affordable 4.7 to a severely unaffordable 7.3 today<sup>1</sup>.

In 2001, more than 50 per cent of all suburbs in Australia's five major capital cities were affordable but today only four per cent are affordable and not one of these affordable suburbs is in inner city areas.

Sydney is the most expensive place to buy a house with a median price of \$510,000, while Hobart is the cheapest with a median price of \$326,000.

Sydney is also the least affordable capital city in Australia, with a typical home costing 8.4 times the average Sydney household income. Darwin is the most affordable with houses at six times the median income.

The decline in housing affordability is not confined to the capital cities. Non-capital city (regional) areas in four out of Australia's seven states and territories have experienced the greatest rate of house price growth.

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<sup>1</sup> House prices are based on prices collected by RP Data on 'all' dwelling transactions over the 12 months to March 2011.

As a result, all non-capital city areas are now unaffordable. Regional NSW is the most unaffordable with house prices at 7.9 times the median income.

AMP Financial Services Managing Director Craig Meller said households that are in housing stress are devoting a large portion of their after-tax income to housing costs.

“Buying a home and paying off the mortgage is putting Australians under considerable stress. It can be a struggle to get into the market and when people do, many have little funds left over for essentials, let alone a family holiday,” Mr Meller said.

“But Australians have not been deterred, with many entering the property market or preparing to do so every day. Some are downsizing or saving for longer, others are making sacrifices. In doing so, people are looking to secure their financial futures by holding tight to the Australian dream - to be a home owner.”

NATSEM lead author of the report, Principal Research Fellow Ben Phillips said that unaffordable housing has become an Australia-wide issue.

“It’s no longer just capital cities that are facing affordability issues. Affordability levels in Wollongong, Newcastle, Mandurah and the Gold and Sunshine Coast are now on par with major capital cities,” Mr Phillips said.

“Housing stress<sup>2</sup> is most strongly felt by those buying a home, with 31 per cent stressed, or those renting, with 30 per cent stressed. Nearly one in 10 buyer households spend at least half their after-tax income on housing, which pushes them into the severely housing stressed category.”

### ***Other key report findings***

#### **Houses are 50 per cent larger than they were 25 years ago**

Australia’s average new dwelling size for a detached house is around 250 square metres. This is about 50 per cent larger than 25 years ago when the typical middle ring suburbs were established (ABS 2010).

#### **Sydney is the most expensive capital city, Hobart is the cheapest**

Sydney has the highest median house price at \$510,000 followed by Canberra (\$485,000), Melbourne and Perth (\$485,000), Darwin (\$454,000), Brisbane (\$439,000) and Adelaide (\$385,000). Hobart is the least expensive capital city with a median house price of \$326,000.

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<sup>2</sup> Here we are referencing the “30 only” rule, which is where a household spends more than 30 per cent of their after-tax income on housing costs, they are deemed to be in stress.

**Sydney is the least affordable capital city, while Darwin is the most affordable**

Sydney's median house price is 8.4 times the median income. Melbourne houses are at 7.9 times the median income, Adelaide at 7.7, Perth at 7.2, Brisbane at 6.7, Hobart at 6.5 and Canberra at 6.2. Darwin is the most affordable capital with prices at six times the median income.

**Regional (non-capital city) areas experienced stronger house price growth than capitals in four states**

In four out of Australia's seven states and territories, the non-capital city (regional) areas experienced stronger house price growth than the capitals from 2001 to 2011. These States are the Northern Territory, where regional house price growth is at 221 per cent, regional Tasmania at 213 per cent, regional Victoria at 149 per cent and regional NSW at 146 per cent.

**The most expensive regional (non-capital city) area is NT and the cheapest is in SA**

The most expensive regional areas are in the mining states of Western Australia (\$380,000) and the Northern Territory (\$385,000). The cheapest are in South Australia (\$250,000) and Tasmania (\$260,000).

**Major non-capital cities have also gone from being largely affordable to unaffordable**

In 2001, of the 17 major non-capital cities studied in depth in the report, only the Gold and Sunshine Coast of Queensland were unaffordable. Today, only Albury-Wodonga and Latrobe Valley are affordable. That is, 15 of the 17 major non-capital cities are now unaffordable.

**Australia has one of the least affordable housing markets in the world**

The 2011 International Housing Affordability Survey conducted in Australia, Canada, Ireland, Hong Kong, New Zealand, the United Kingdom and the United States showed that Australia was the second most expensive of these countries with a median price to income ratio of 6.1. Only Hong Kong was more unaffordable with a ratio of 11.4.

**Sydney is the most housing stressed capital city**

Sydney households face the most housing stress with 28 per cent spending more than 30 per cent of after-tax income on housing expenses. Perth comes in second at 23 per cent, followed by Brisbane (19 per cent), Melbourne (18 per cent), Adelaide (16 per cent), ACT/NT (17 per cent) and Hobart (13 per cent).

Sydney households have the highest proportion of those in severe housing stress, with 9.4 per cent paying more than 50 per cent of after-tax income on housing costs, compared to 5.3 per cent in Melbourne.

**Of non-capital city areas, Queensland has the most stressed households**

Of non-capital city areas, Queensland has the most stressed households (22 per cent). Tasmania has the least housing-stressed households in non-capital city areas – just 9.9 per cent.


**First home buyers (FHBs) are the most housing stressed of any group**

Sixty per cent of FHB households pay more than 30 per cent of after-tax income on housing. The mortgages of FHBs more than doubled over the 10 years, from an average of \$131,000 in 2001 to

\$280,000 in 2011. FHBs are also older with 37 per cent under 30 today compared to 39 per cent in 2001.

**Single persons and single parent households are at a great risk of living in housing stress**

Nearly one third of single parents (32 per cent) and 28 per cent of single persons are living in housing stress, compared to 21 per cent of couples with children and just 13 per cent of couples without children.

Since 2002, AMP and NATSEM have produced a series of reports that open windows on Australian society, the way we live and work – and our financial and personal aspirations. AMP publishes these reports to help the community make informed financial and lifestyle decisions and to contribute to important social and economic policy debate. 

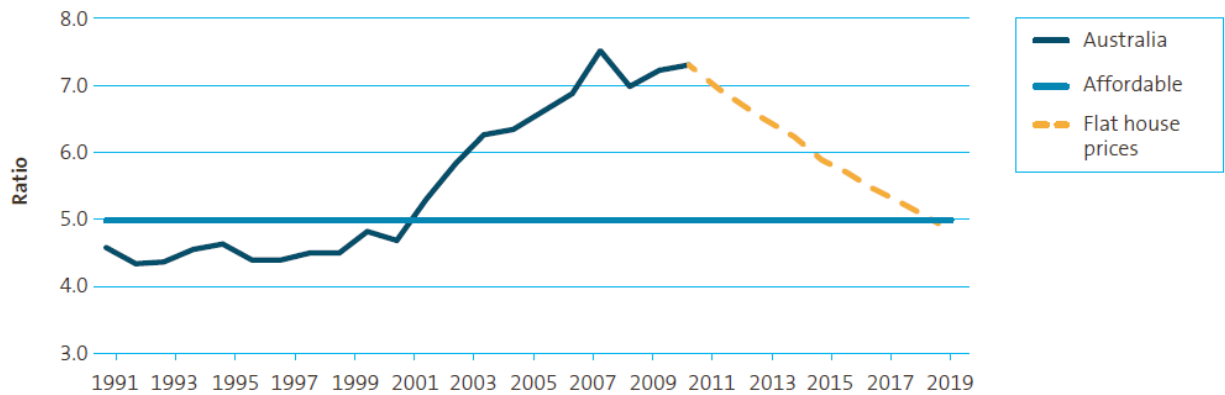
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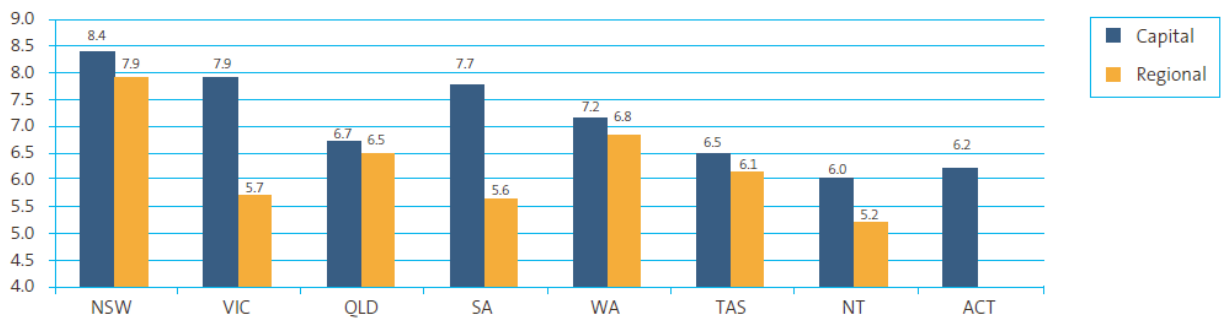
## Appendix

Figure 2 - Australian median house price to after-tax income ratio (P/I)

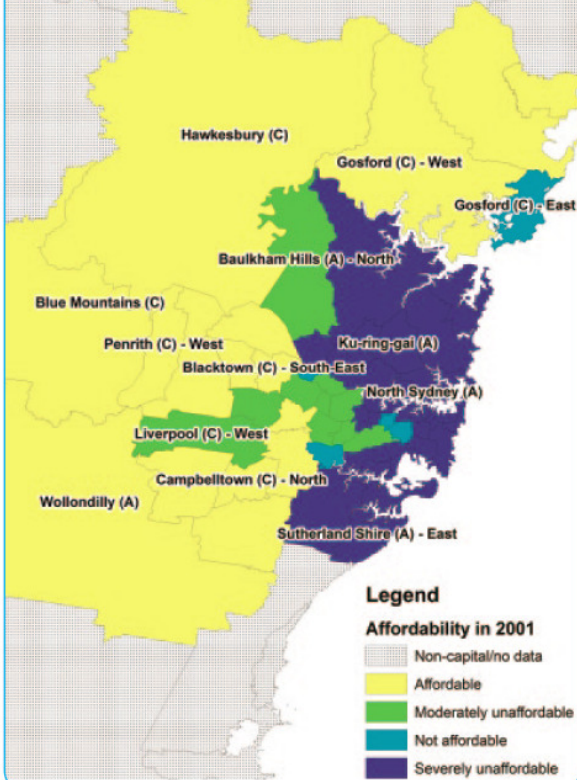


Source: NATSEM calculations.

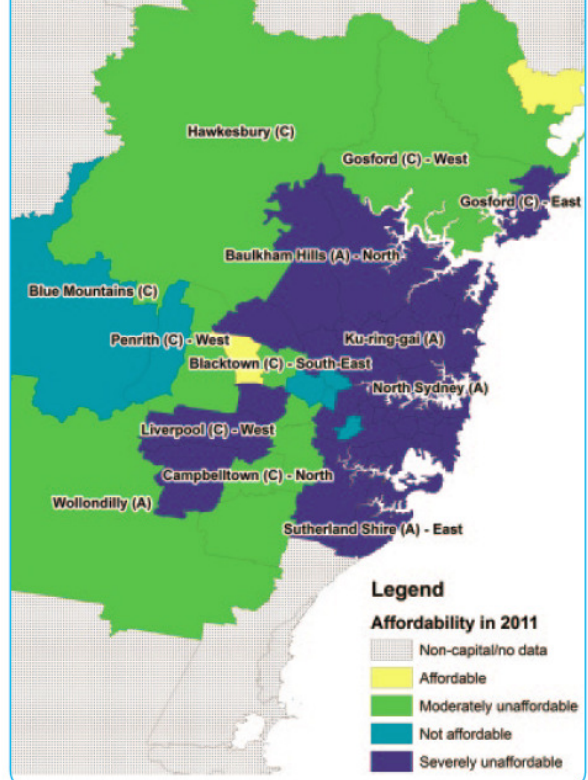
Figure 5 - Affordability ratio, capital city and regions, March 2011



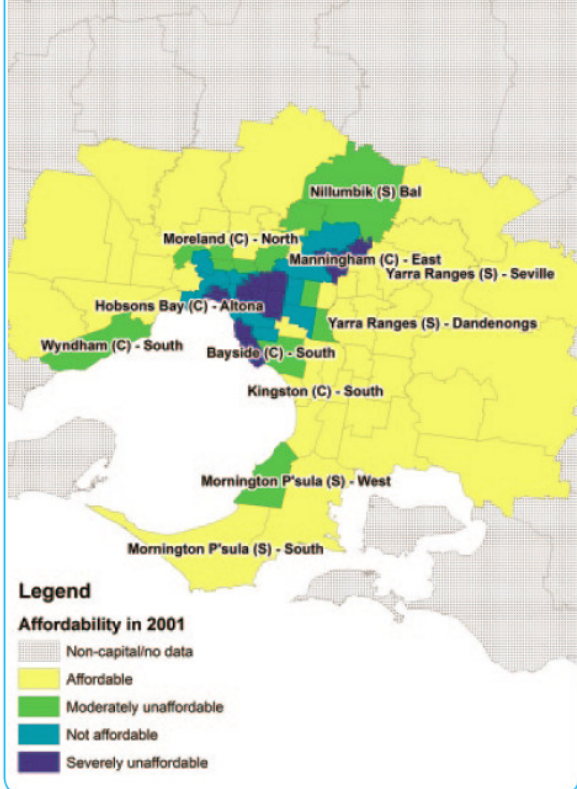
Sydney 2001



Sydney 2011



Melbourne 2001



Melbourne 2011

