Housing Affordability Report

2024

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Executive Summary

The PropTrack Housing Affordability Report shows **housing affordability is at a record low**. The report highlights why housing is such a big issue for Australians as we prepare for the 'Housing Election' in 2025.

These findings are based on the PropTrack Housing Affordability Index – **the most comprehensive measure of housing affordability in Australia** – which assesses the share of homes households across the whole income distribution can afford to purchase.

Affordability is worst in **New South Wales**, **Tasmania** and **Victoria**.

The deterioration in housing affordability in 2023-24 was caused by continued high mortgage rates, combined with home prices that increased a further 6.6% over the year.

This report **quantifies the state of housing affordability across the country and for different household groups**. First-home buyers, who often rely on high levels of borrowing to enter the housing market, are finding it particularly tough. **A typical renting household could afford to buy just 11% of homes** sold across the country. On top of that, accessing the market is hard: a deposit takes 6.5 years to save.

Housing affordability is expected to start to ease when interest rates fall – as soon as within the next six months. But meaningful improvement – returning to a period where a typical household could afford half of homes – requires changes on many fronts to build more homes across the country.

Owen Wilson

Chief Executive Officer,
REA Group

Housing affordability is one of the biggest issues facing Australians in 2024 and more needs to be done to ensure housing is accessible to all Australians over the longer term.

Housing affordability across the country is at a record low. That is the clear conclusion of the 2024 PropTrack Housing Affordability Report.

A median-income household can afford just 14% of homes sold across the country over the past year and first-home buyers are finding it particularly tough. Breaking into home ownership has never been more difficult, with it taking many years to save a deposit at current price levels, and extremely high mortgage burdens once this hurdle is overcome.

An unwelcome trend impacting the equality of Australian home ownership is the increasing role of family wealth in determining both which Australians can buy a home, as well as when they can access the market.

While higher interest rates are a big factor in record-low housing affordability in 2024, differences in affordability across the country shows this isn't the only factor.

We urgently need to build more homes. While the National Cabinet agreement to build 1.2m new well-located homes is a welcome target, much more needs to be done at all levels of government, in collaboration with the construction industry, to reach this goal.

Taxation changes could go a long way to increase first-home buyer numbers and make more homes available for young families. Record-high stamp duty burdens extend how long first-home buyers have to save and discourage existing owners from rightsizing to their current housing needs. Sensible tax reform of the housing market is a viable and effective approach to meaningfully impact housing affordability for a large portion of the population.

While this report shows the disappointing state of housing affordability across the country, it has been encouraging to see wide-ranging support for changes to preserve access to housing for all Australians – a crucial part of our way of life.

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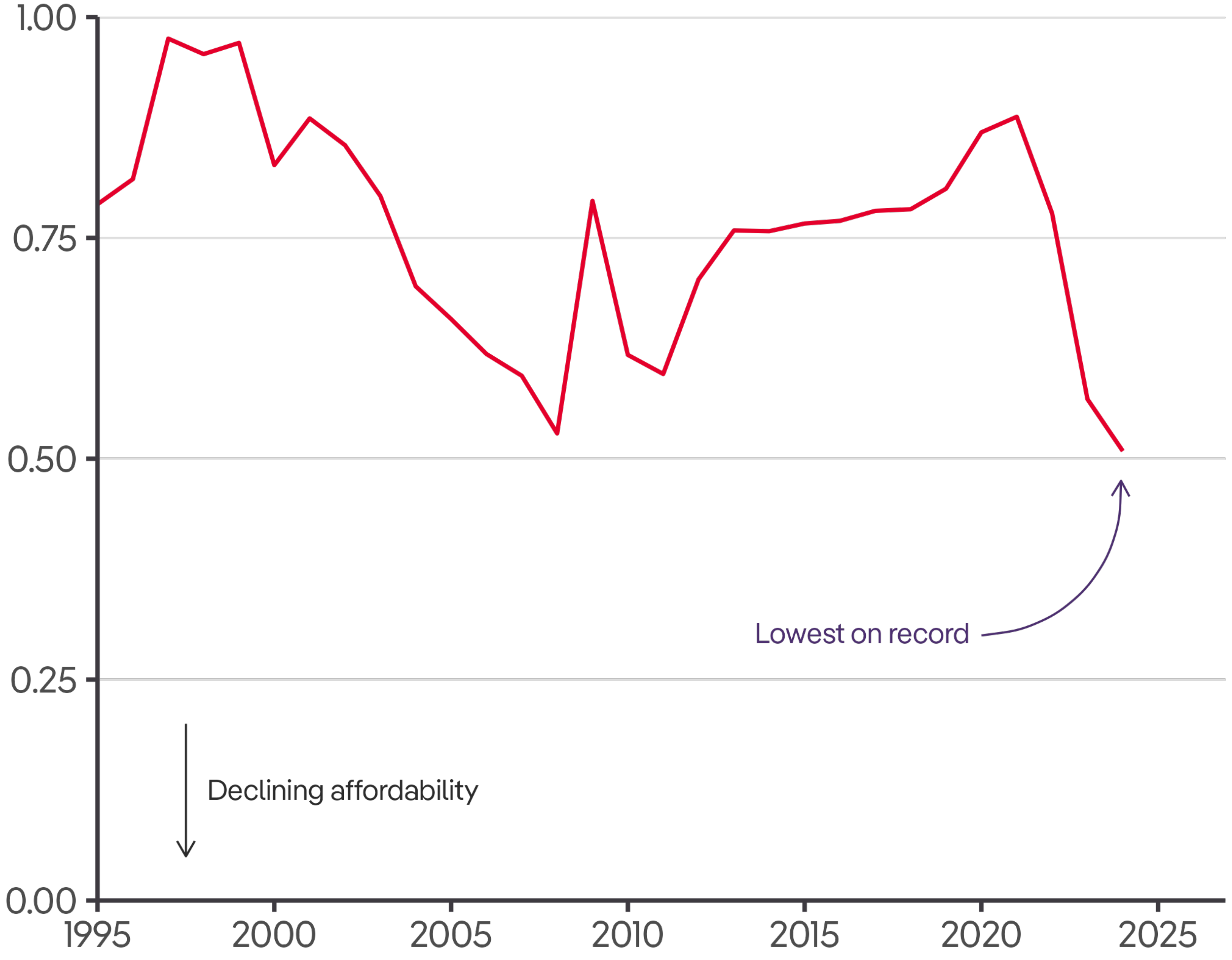


Sources: PropTrack, ABS, RBA

Housing affordability at a record low

The PropTrack Housing Affordability Report shows affordability is a significant issue affecting Australians in 2024.

Continued rapid increases in home prices, along with interest rates at the highest levels in the past decade, have resulted in the worst housing affordability conditions on record.

The PropTrack Housing Affordability Index shows that in 2023-24 households across the income distribution could afford the smallest share of homes since 1994-95, when our records began.

This marks a rapid deterioration since the onset of the pandemic and noticeably worse than recorded just a year ago.

Affordability slowly improved in the decade following the Global Financial Crisis and was markedly higher in 2020 and 2021 – the most affordable conditions since the late 1990s and early 2000s – due to interest rates falling to record lows.

But the sharpest increase in interest rates in history from mid 2022 has had a drastic impact on housing affordability which, along with higher prices, now means buying a home is harder than ever.

Housing affordability is worst for those in New South Wales, Tasmania and Victoria

The PropTrack Housing Affordability Index shows that households in New South Wales, Tasmania and Victoria face the toughest housing affordability, while South Australia recorded the biggest decline in affordability over the past year.

With a median house now costing $1.5 million in Sydney, it is no surprise New South Wales is the least affordable state, with a median-income household able to afford just one in 10 homes.

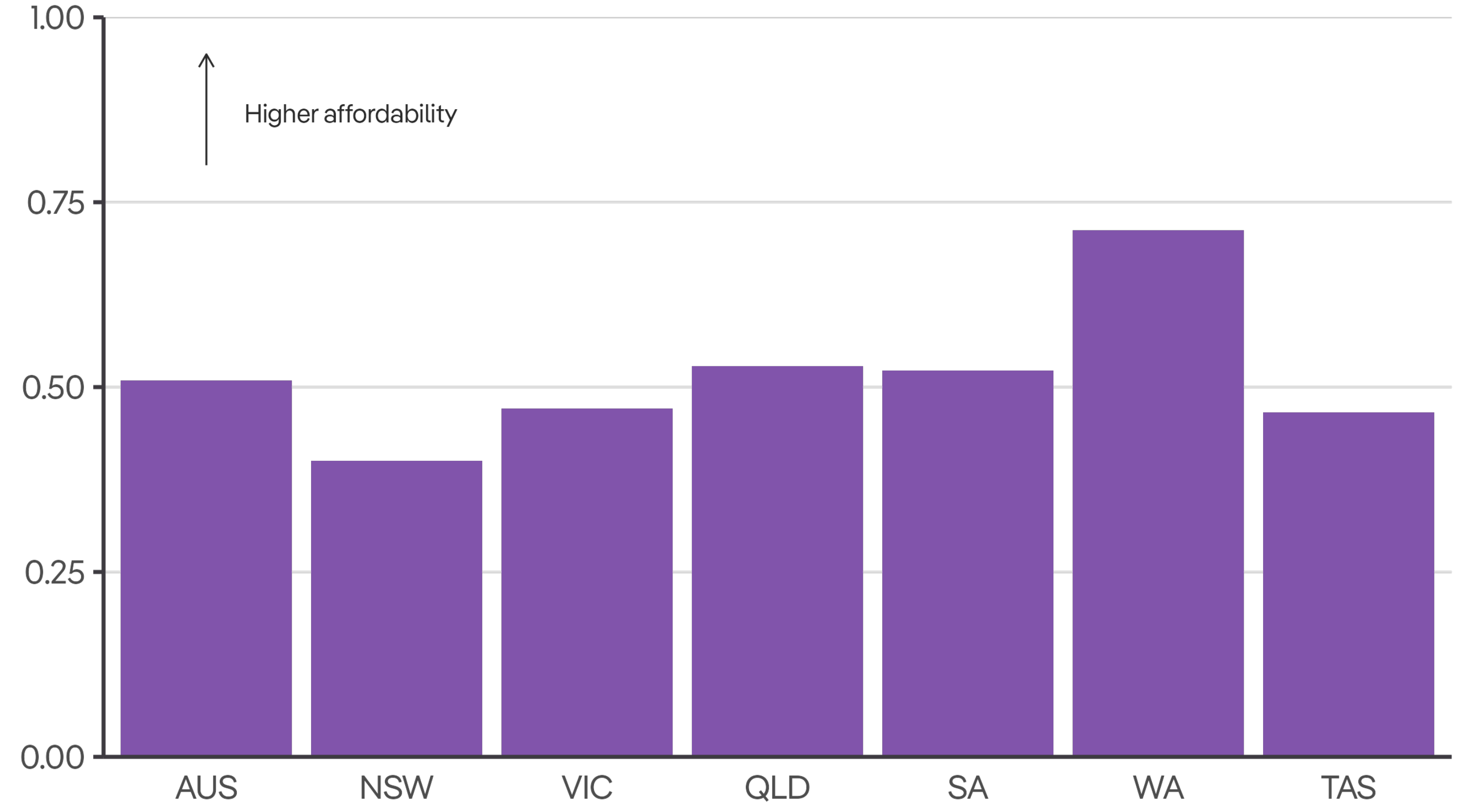
Despite lower home prices, Victorian housing affordability is below the national average. While housing affordability across the income distribution is better than in New South Wales, a median-income household can still only afford 12% of homes sold over the past year.

Tasmania ranks as the second least affordable state. Affordability is a key constraint on the market, with a median-income household now able to afford fewer than one in 10 homes sold over the past year.

Western Australia is far and away the most affordable state. The opportunity to buy a home remains a key incentive to many making the move west, contributing to rapid price growth over the past year.

PropTrack Housing Affordability Index

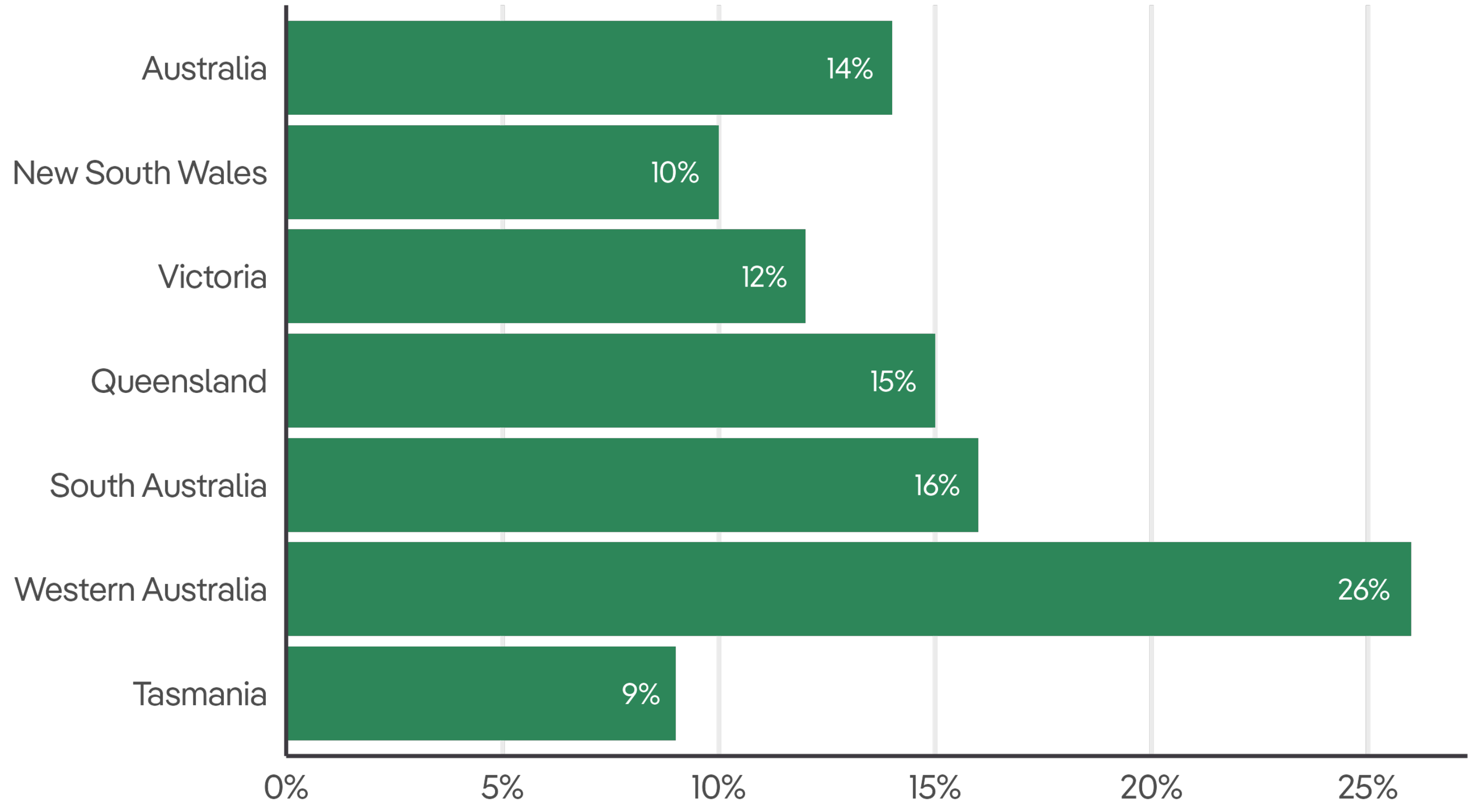
By state, 2023-24



Sources: PropTrack, ABS, RBA

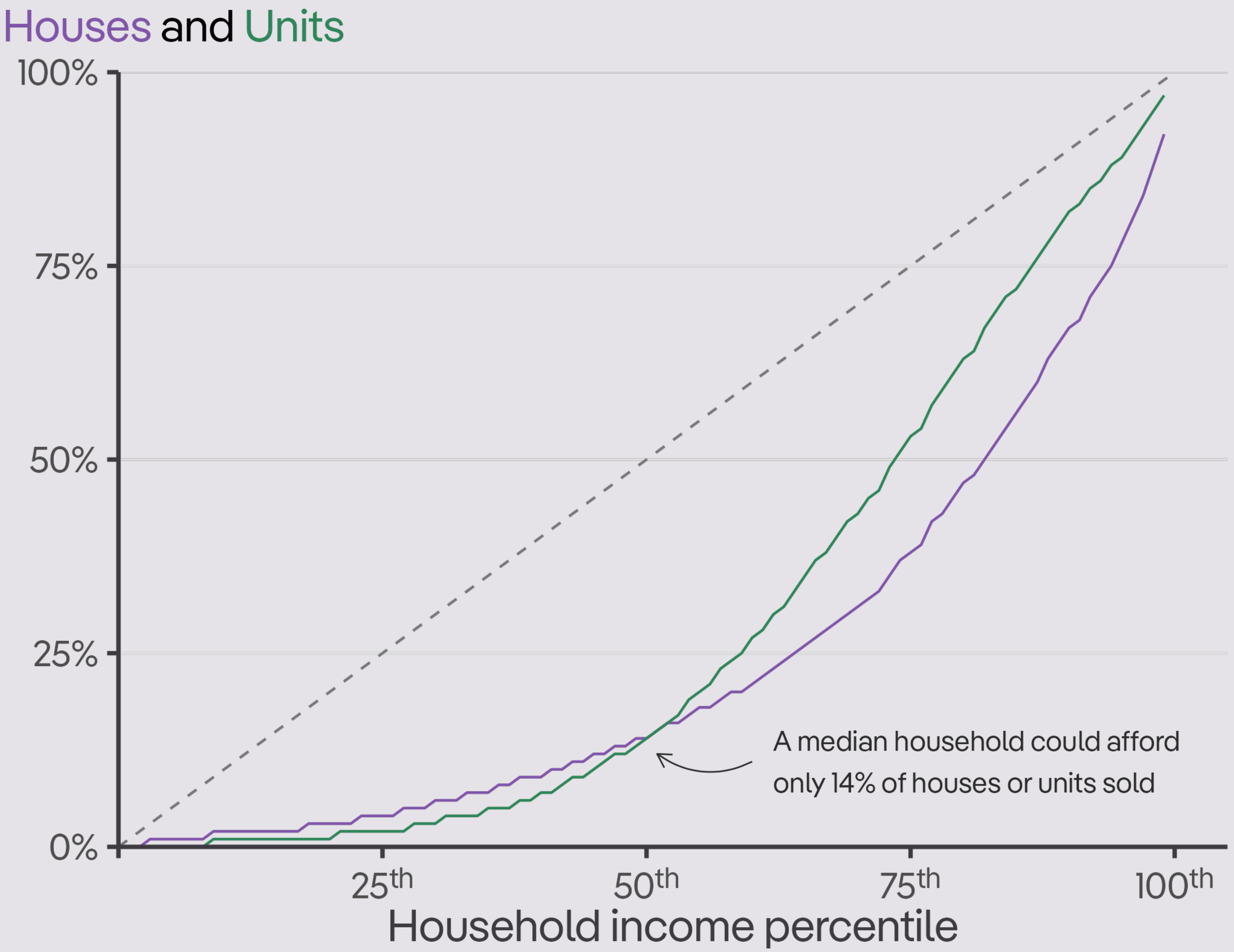
Affordable share of homes for median income households

By state, 2023-24



Sources: PropTrack, ABS, RBA

Affordable share of home sales 2023-24



Sources: PropTrack, ABS, RBA

What the PropTrack Affordability Index measures

Methodology summary[1]

- Measures **what share of home sales** households across the income distribution can afford
- Based on a household spending **25% of their pre-tax income** on mortgage repayments
- Assumes access to a 20% deposit and the costs of purchasing (such as stamp duty)

The PropTrack Affordability Index summarises the capacity for households of different incomes to afford homes across Australia.

It is based on the share of homes households at each decile of the income distribution can afford to buy each year.

As an example, a ‘typical’ or median-income household, earning just over $112,000 a year, could afford to make loan repayments on just 14% of houses or units sold in the past year.

This is then combined into the single Index measure of affordability. A measure of 1.00 means all households can afford homes in proportion to their income.

1. Full methodological details for all metrics used in the report available on p.32

The Index shows households of different incomes can afford the smallest share of homes on record

The PropTrack Housing Affordability Index assesses the ability for households of different incomes to purchase homes – and the results are dire, regardless of income level.

A median (or typical) household, earning just over $112,000 a year, could afford just 14% of all homes sold across the country. This is the lowest share since records began in 1994-95.

This is a significant decline from just three years ago, when a median-income household could afford 43% of homes sold in 2020-21. These were the best conditions for housing affordability since the early 2000s.

You now need to be a high-income household, earning $213,000 a year (in the top 20% of income earners), to be able to afford to buy half of homes sold in Australia over the past year.

Low-income Australians are effectively locked out of buying in the current housing market. A family at the 20th income percentile could afford to buy just 3% of homes.

Rising incomes since the pandemic have been insufficient to offset increases in home prices and critically, the surge in mortgage rates, for households at all income levels.

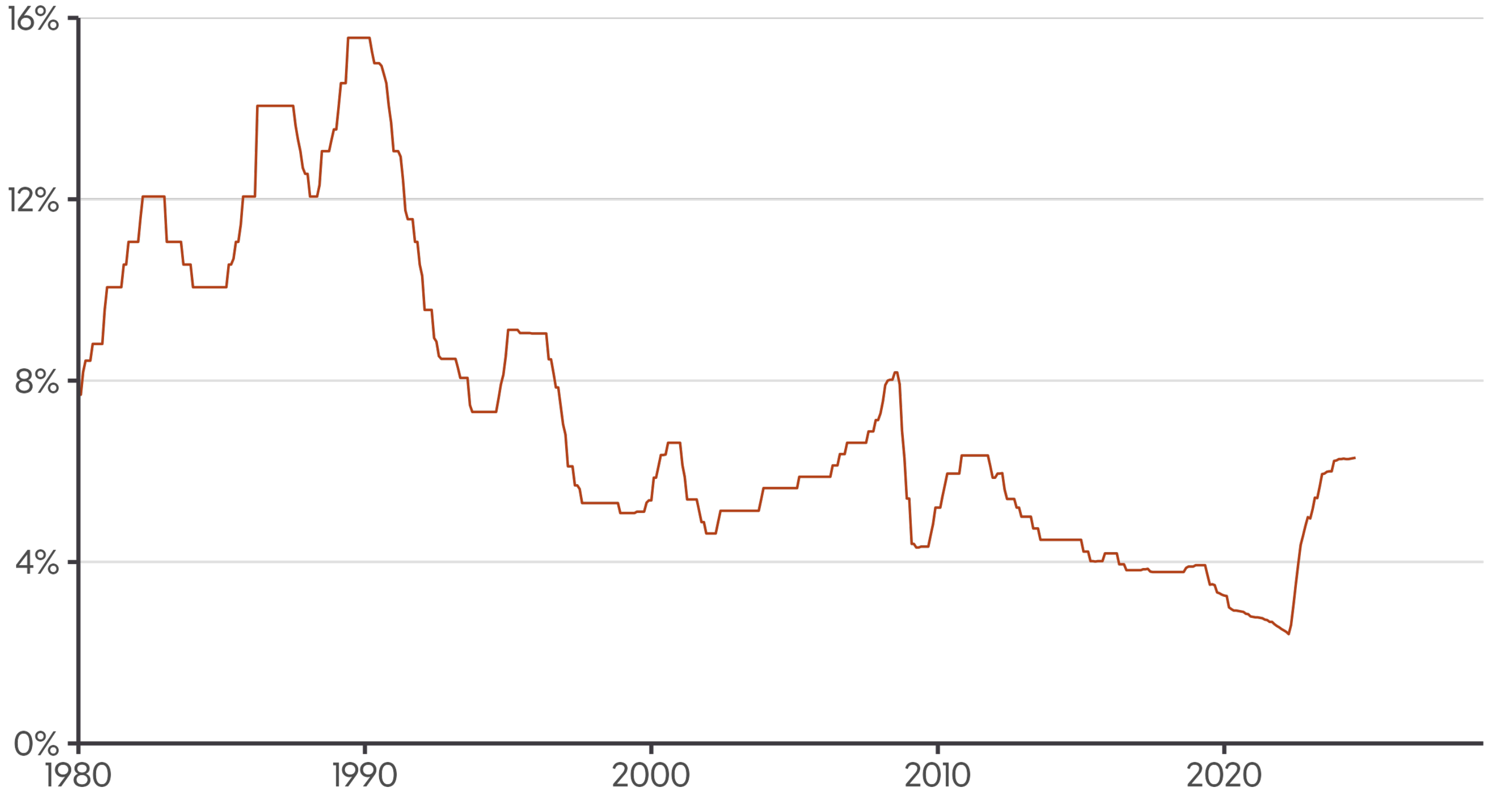
Affordability for households over time

Affordable share of home sales, by household income

Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

Mortgage interest rates

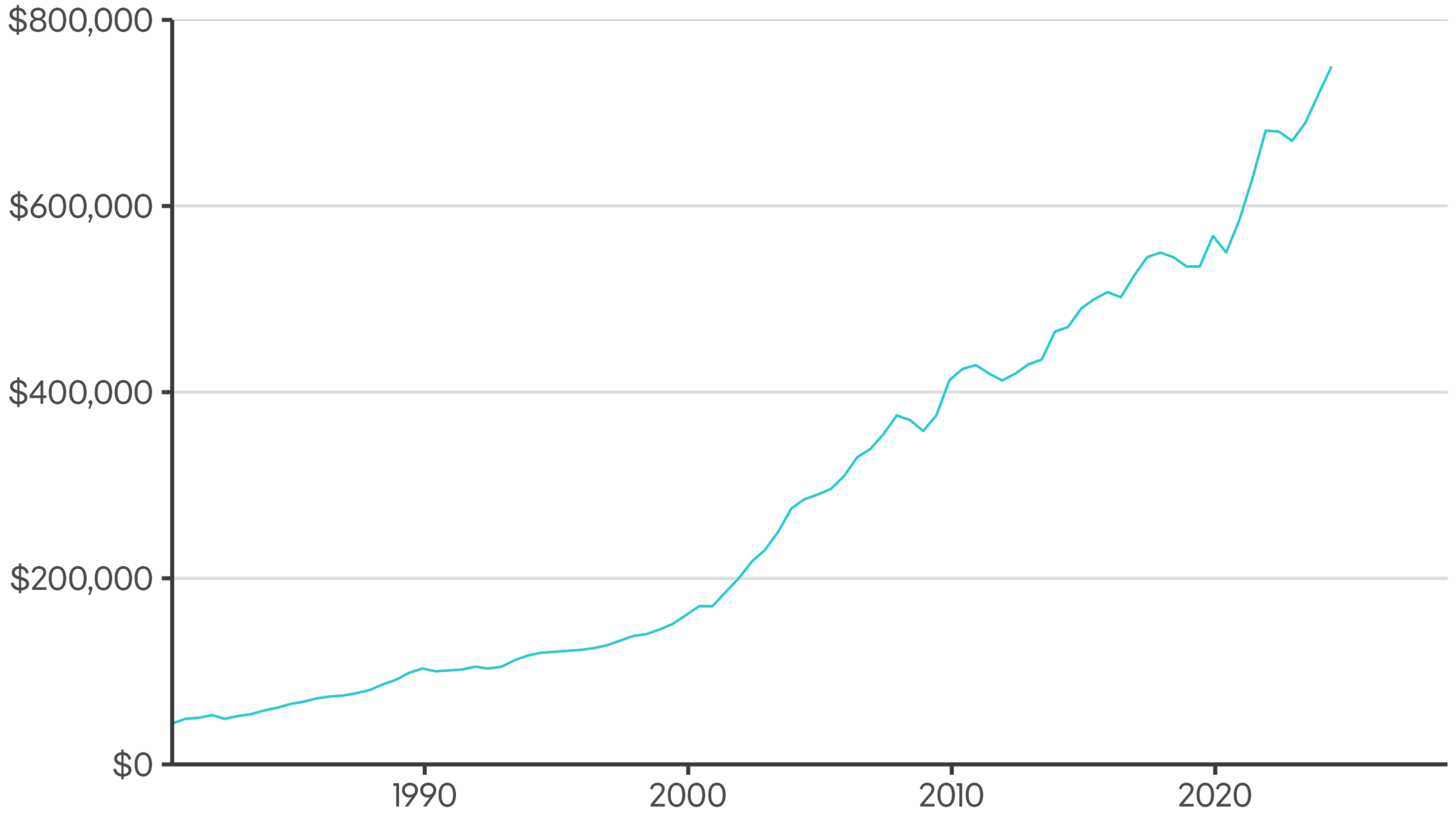
New variable owner-occupier rate



Source: RBA
Note: backcast before July 2019 using standard variable rates

Home prices

National median



Source: PropTrack

Unchanged mortgage rates and higher prices have worsened affordability

Two factors have combined to reduce housing affordability for households of all income levels in 2023-24 compared with last year.

First, mortgage interest rates were slightly higher over the past year, rising just above 6%. Within that period, the Reserve Bank increased rates just once, in November 2023, but this followed the sharpest increase in rates on record starting in May 2022, which have left mortgage interest rates at the highest level since 2011.

Higher interest rates have reduced borrowing capacities by as much as 30% for new borrowers in less than two years. At the same time, repayments for existing borrowers have increased as much as 50% over the same short period.

Second, home prices have continued to grow. Over the 2023-24 financial year, home prices increased a further 6.6% – equivalent to around a $50,000 increase of the national median price. This rate of growth remains above the average rate of growth seen over the past few decades, highlighting the challenging balance of supply and demand across the market despite record low levels of housing affordability.

Mortgage costs are as high as seen in 2008

Other simple measures of housing affordability also show the impact of higher interest rates and home prices.

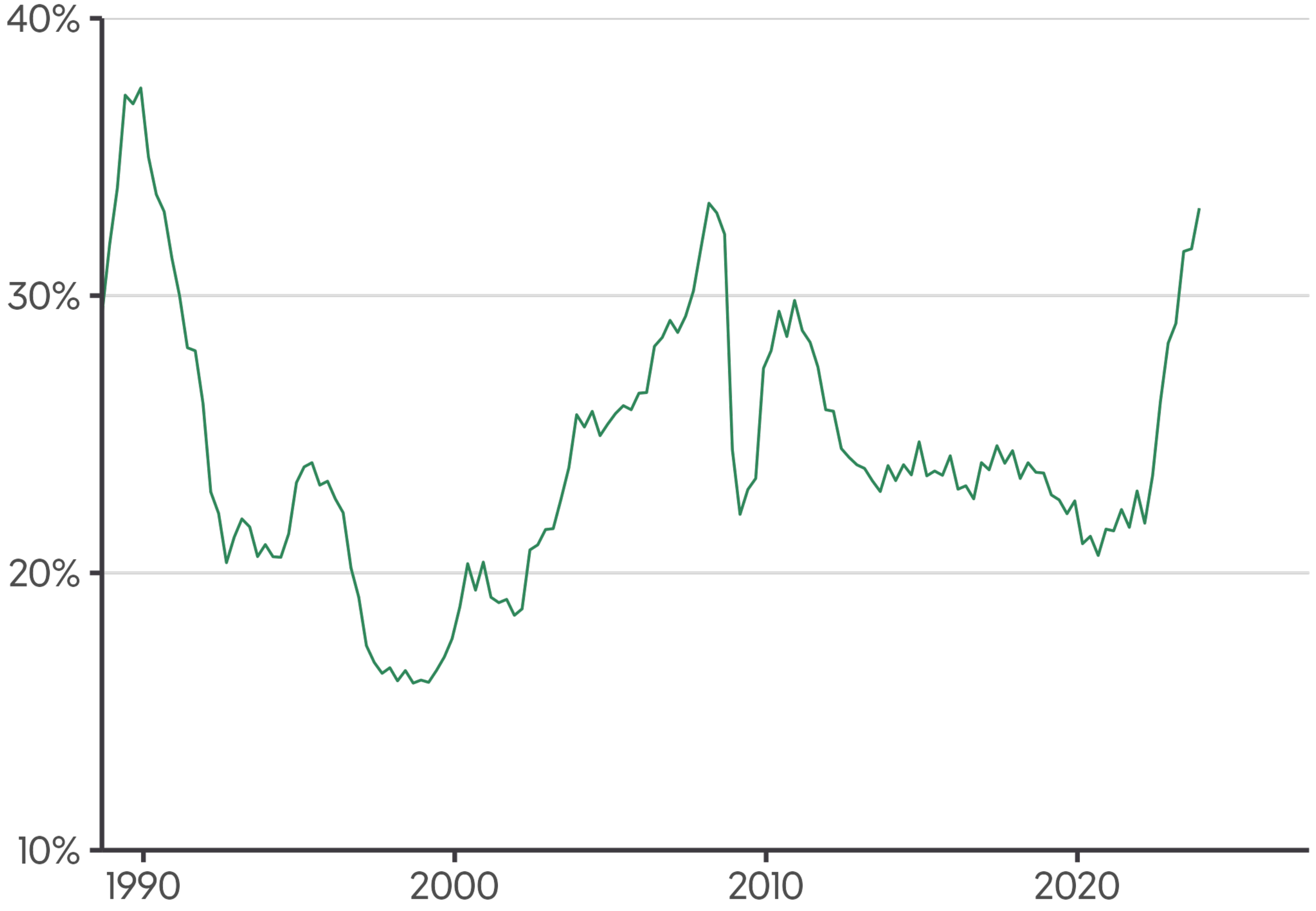
An average-income household would need to spend about a third of their income on mortgage repayments to buy a median-priced home.

Higher home prices means that this is the highest level of mortgage costs since 2008, when mortgage rates briefly reached 8%, and not far from the historical peaks seen in 1989 and 1990, when mortgage interest rates exceeded 15%.

This measure, while limited to consideration of average-income households and the typical home (which has changed considerably throughout time), gives a stark view of the difficulty for households servicing a mortgage in the current housing market.

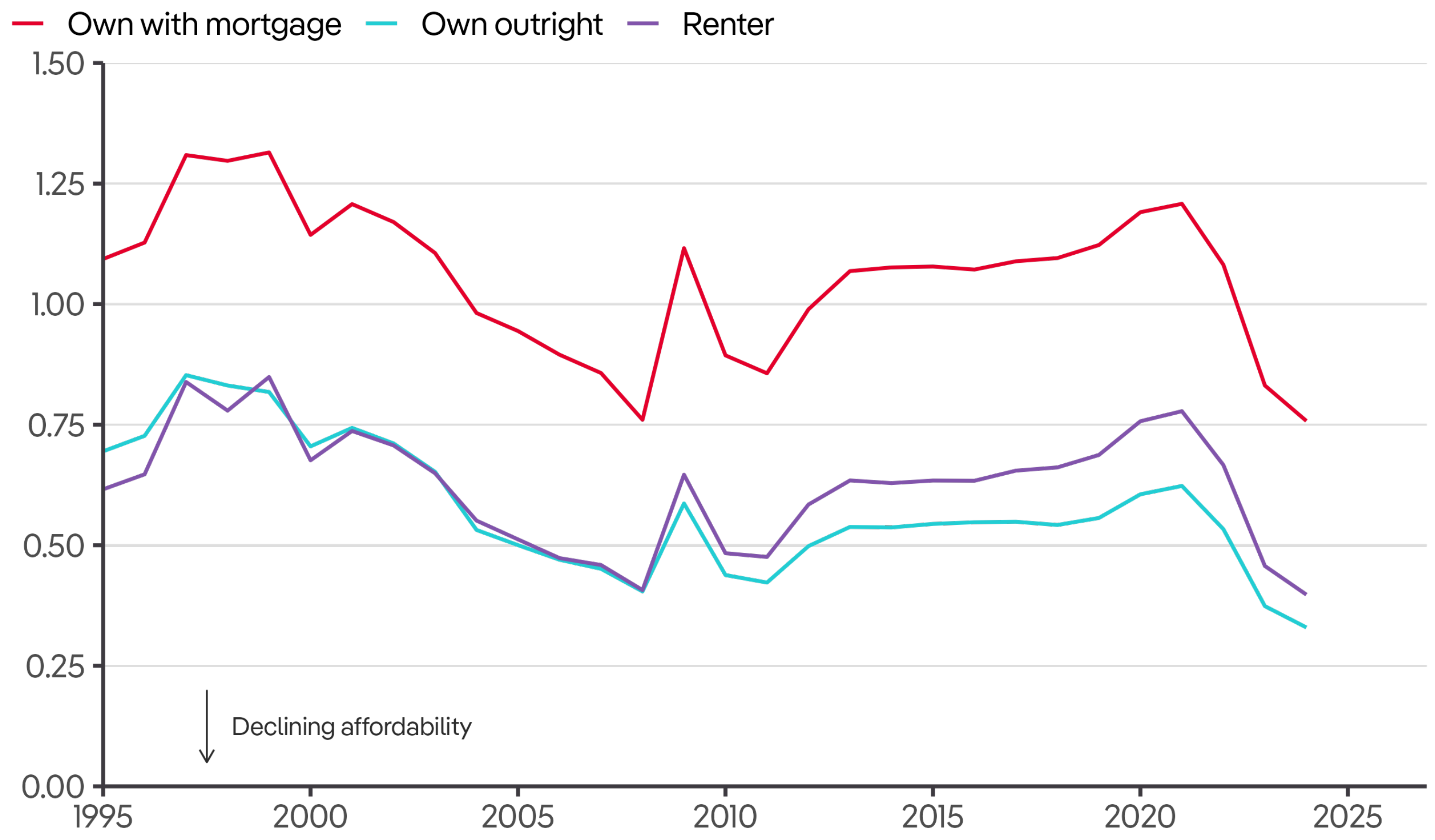
Mortgage repayments as a share of income

Australia



Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

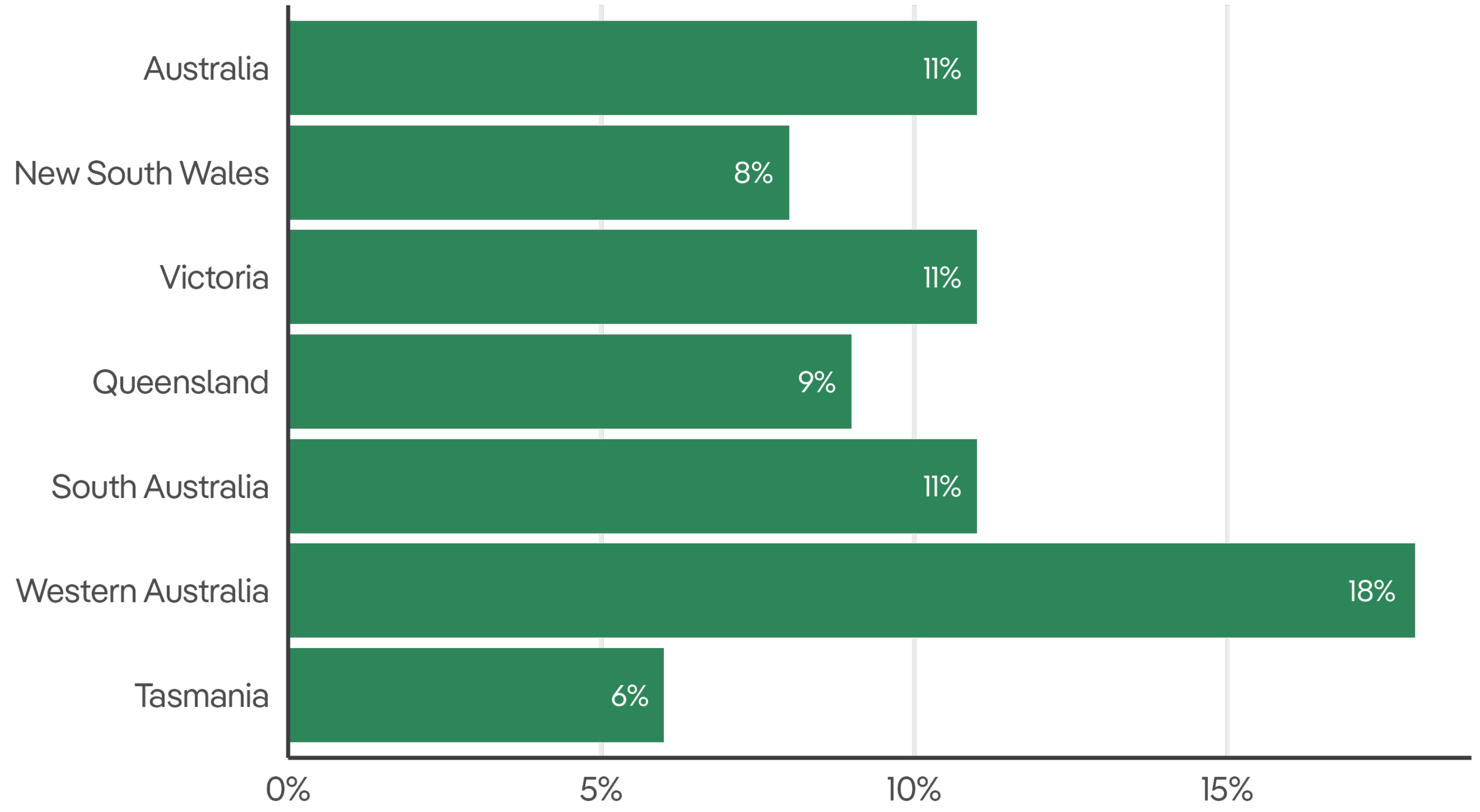
PropTrack Housing Affordability Index



Sources: PropTrack, ABS, RBA

Renters can afford to purchase very few homes

Affordable share of homes for median income households by state, 2023-24



Sources: PropTrack, ABS, RBA

Affordability for first-home buyers is particularly challenging

The PropTrack Housing Affordability Index allows a comparison of housing affordability for different household groups.

Focusing on the ability for first-home buyers (renters looking to buy) to enter the housing market highlights the difficulty of the current market.

Renters have much less favourable housing affordability as measured by the Affordability Index than those who already own a home with a mortgage.

A median-income renting household could afford just 11% of homes sold over the past year (and just 9% of houses), and as low as 6% of homes sold in Tasmania. By way of comparison, the median household with a mortgage could afford 34% of homes sold over the past year.

These results highlight how important existing wealth is for participating in home ownership – with so few homes affordable to typical-income renters, many are relying on family help to crack into the market.

Saving a deposit is another big challenge for first-home buyers

Even for those first-home buyers who can afford to make mortgage repayments on their first home, being able to save a deposit (while paying rent) remains a high barrier for many first-time buyers.

An average-income 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.[1]

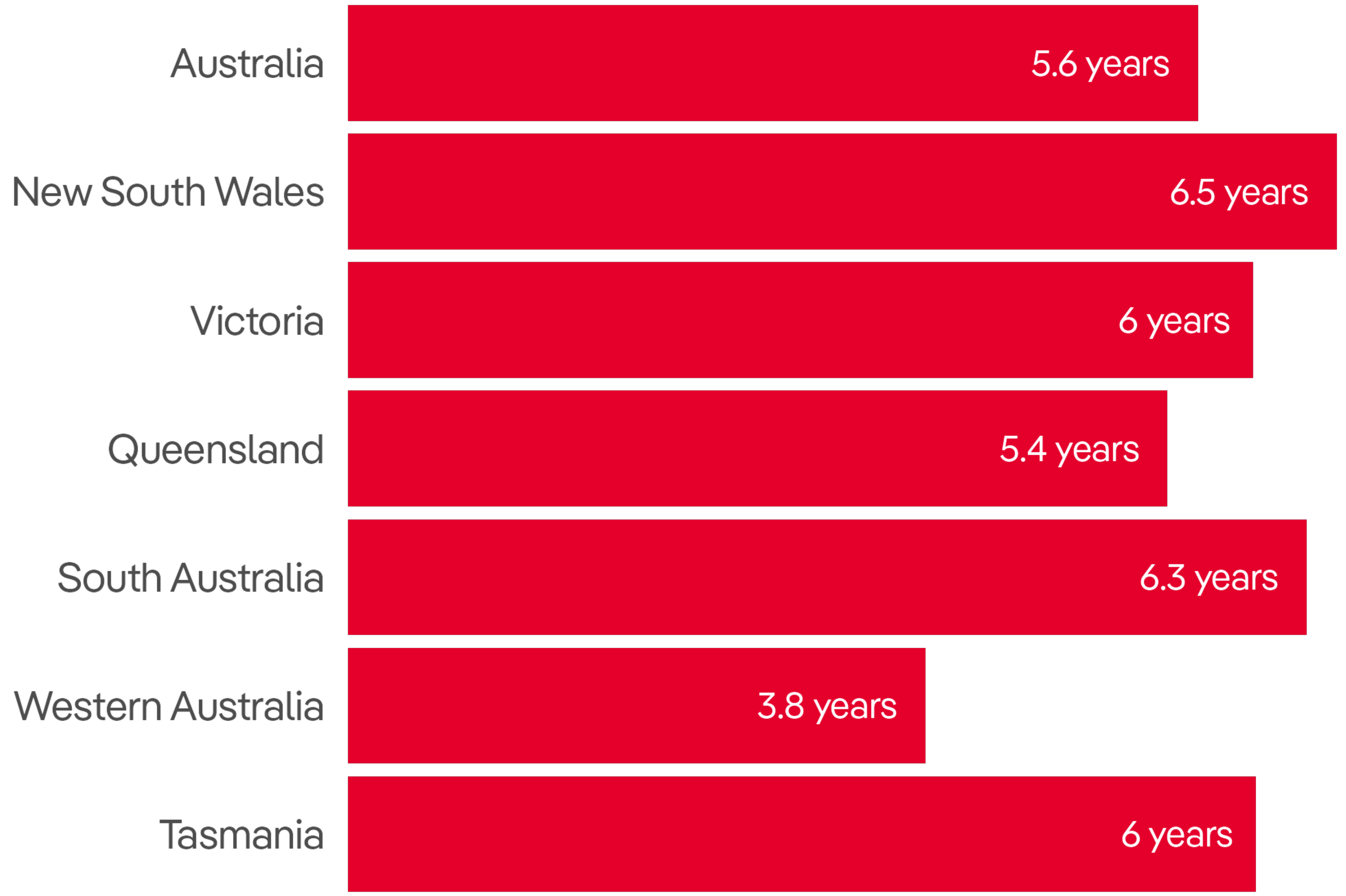
Continued home price increases since January 2023, at a faster pace than income growth, have contributed to the time it is estimated for a first-home buyer to save a deposit growing slightly over the past year.

New South Wales remains the state with the highest deposit hurdles despite higher incomes, it takes around 6.5 years to save a deposit. Saving for a deposit in Western Australia, by contrast, takes only a little more than half that time.

1) Average gross (before tax) household income is estimated to be just over $128,000 per year

Time to save a deposit

By state, 2023-24



Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

New first-home buyer loans

Monthly count, seasonally adjusted

Source: ABS
Note: Owner-occupier first-home buyers

It is no surprise first-home buyer numbers have fallen, but numbers remain higher than pre-pandemic

Favourable affordability conditions in 2020 and 2021 allowed a record number of first-home buyers to enter the market. The PropTrack Housing Affordability Index shows this was the best time for housing affordability since the early 2000s.

But the rapid deterioration in housing affordability over the past three years, particularly for renters looking to buy, has caused the number of first-home buyers entering the market to almost halve.

Despite the worst affordability conditions on record, there are still slightly more first-home buyers entering the market than before the pandemic. Difficult rental market conditions continue to encourage renters with the means to move into home ownership. But recent government policies aimed at helping first-home buyers, such as the First Home Guarantee, have enabled more to enter the market than affordability conditions would suggest.

Conditions for first-home buyers will remain very difficult in the short term but lower interest rates, currently expected over the next six to 12 months, will bring some relief.

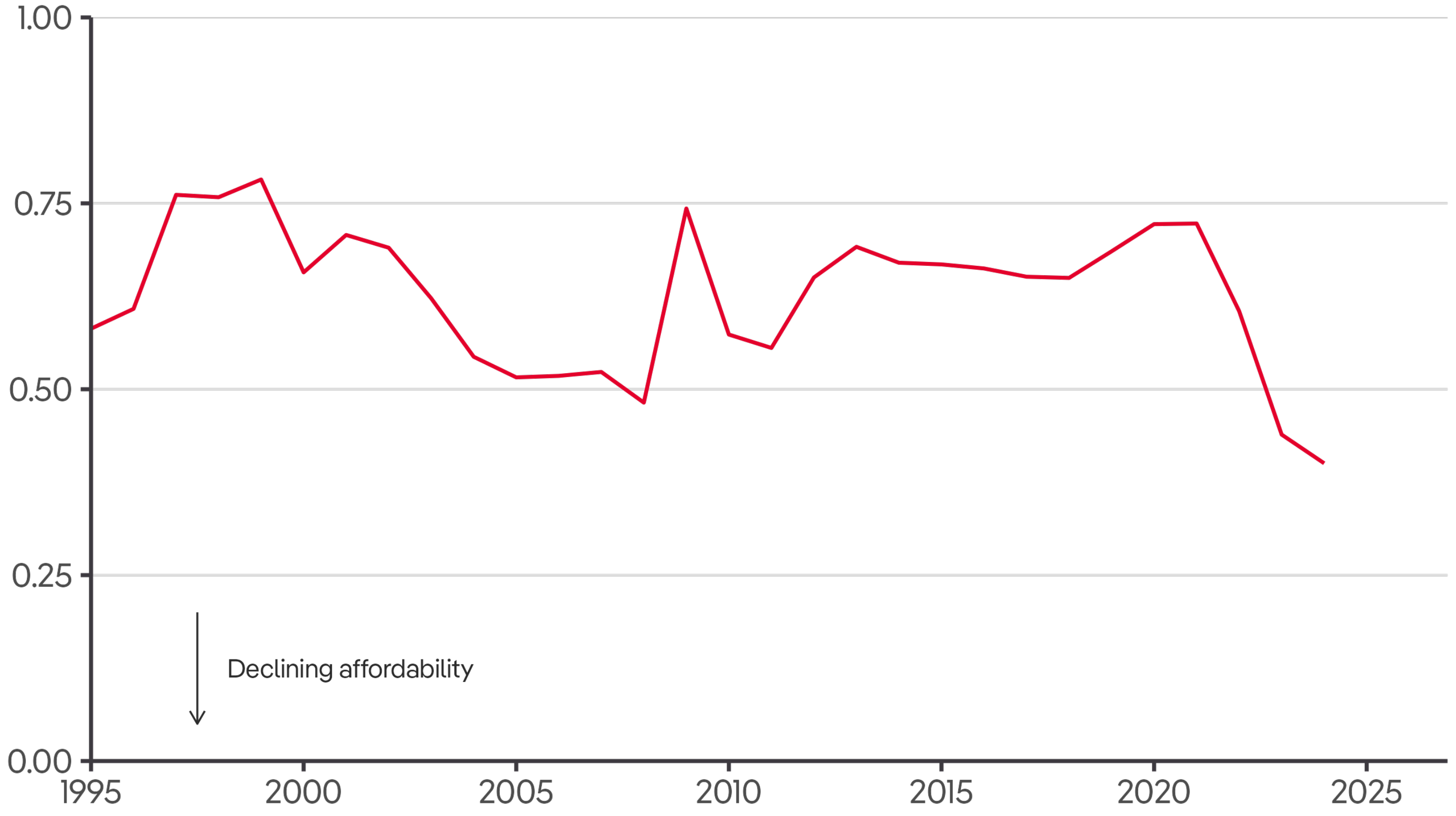
New South Wales

- New South Wales has the worst housing affordability of any state, with affordability declining marginally over the past year
- The PropTrack Housing Affordability Index shows affordability in New South Wales is at its worst level in at least three decades
- A median-income household could afford just 10% of homes sold across New South Wales
- Mortgage costs are higher than any other state. Repayments for a median-priced home in New South Wales are just under 40% of average incomes
- The time it takes to save a deposit is longer in New South Wales than in any other state at 6.5 years

PropTrack

PropTrack Housing Affordability Index

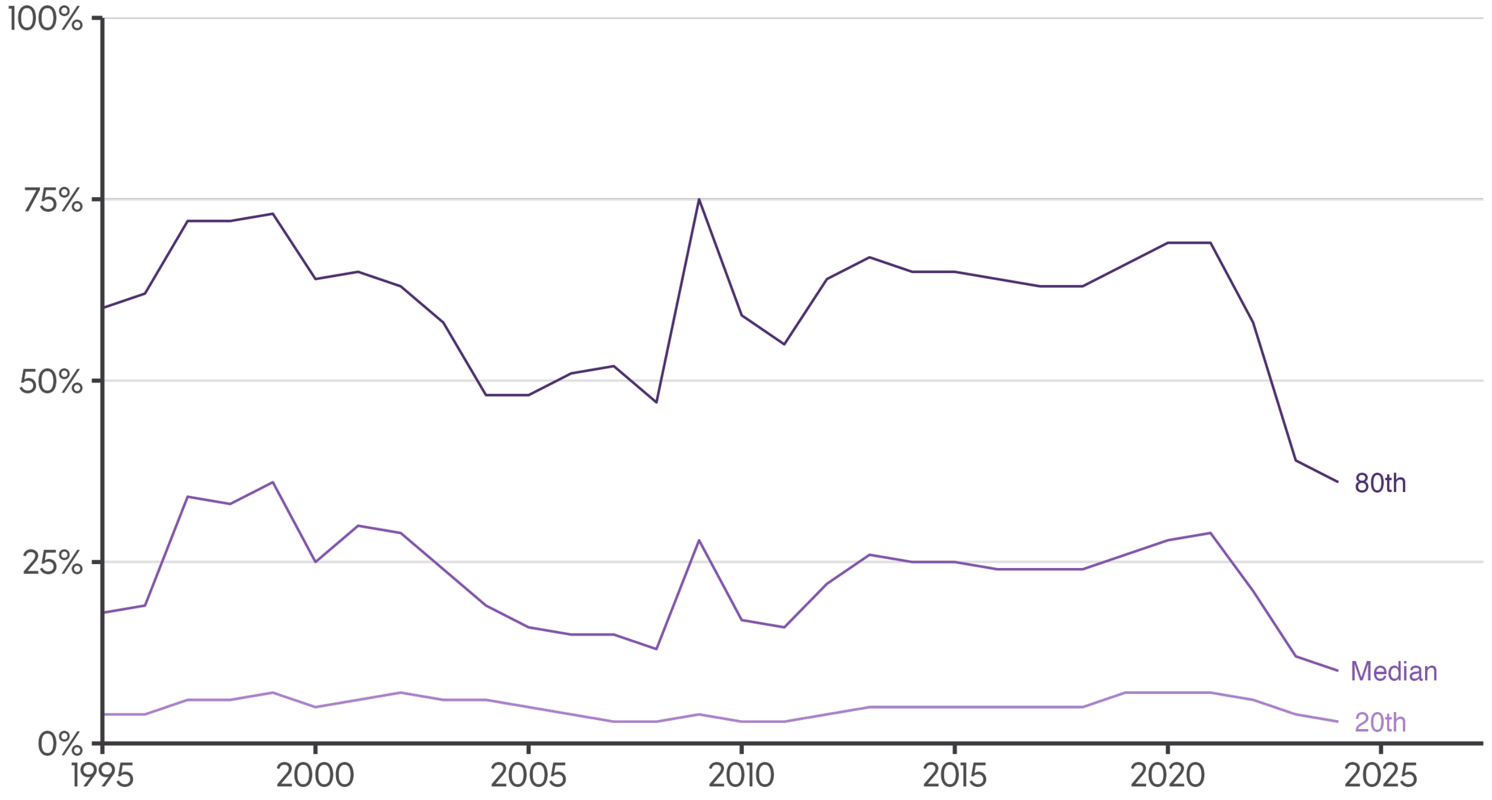
New South Wales



Sources: PropTrack, ABS, RBA

New South Wales affordability over time

Affordable share of home sales, by household income



Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

New South Wales is the least affordable state

New South Wales is the least affordable state in Australia according to the PropTrack Housing Affordability Index. This has been the reality for home buyers in New South Wales for over a decade now, since 2010-11.

While housing affordability declined only marginally over the past year in New South Wales, it has deteriorated dramatically since 2020-21 and is now much worse than the previous low seen in 2007-08 based on how many homes people across the income distribution can afford.

Higher-priced homes in New South Wales, with the median home price across the state hitting $900,000 in 2023-24, makes buying a home with a typical income very tough.

A median-income household in New South Wales could afford just 10% of homes sold in 2023-24. And a typical renter household, who might be looking to buy their first home, could afford just 8% of homes.

Low-income households are effectively locked out of home ownership at current price levels and interest rates. A household with income at the 20th percentile could afford just 3% of homes sold over the past year.

High home prices in New South Wales means it takes longer to save a deposit than elsewhere

Sharply higher interest rates have dramatically increased the costs of servicing a new mortgage in New South Wales.

A household earning an average income, which in New South Wales is estimated to be just over $130,000 per year, would need to spend around 39% of this to make repayments on a median-priced home. This represents the highest share of income in any state.

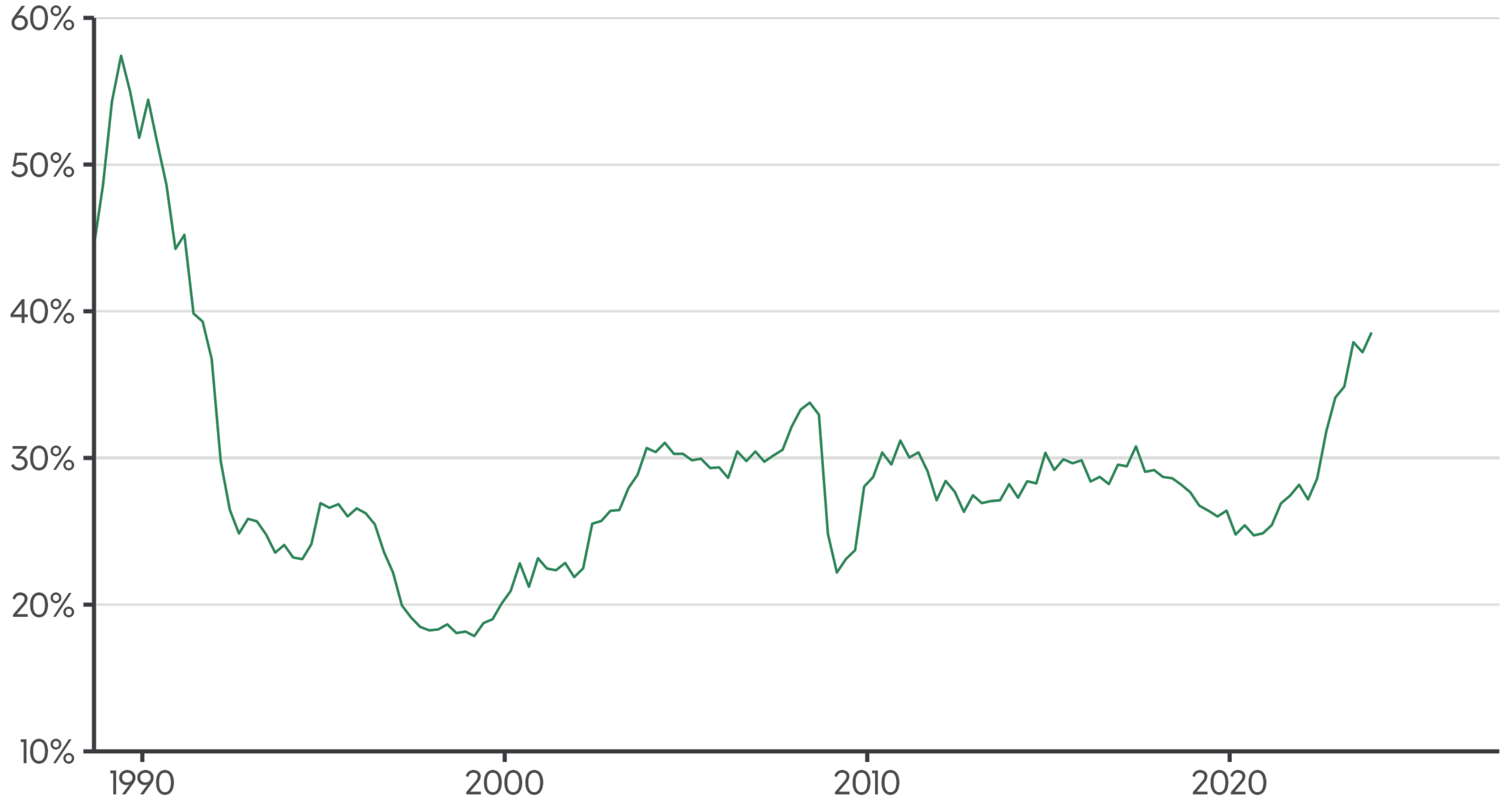
This serviceability burden is higher than at any time since the early 1990s, when mortgage rates were as high as 15%.

The time it takes a first-home buyer to save a deposit also remains higher in New South Wales than elsewhere – owing to higher home prices.

Although not at a peak, as average incomes have kept pace with median home prices, it still takes six and a half years for a household with an average income to save a 20% deposit for a median-priced home.

Mortgage Repayments as a share of income

New South Wales



Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

Years to save a deposit

New South Wales

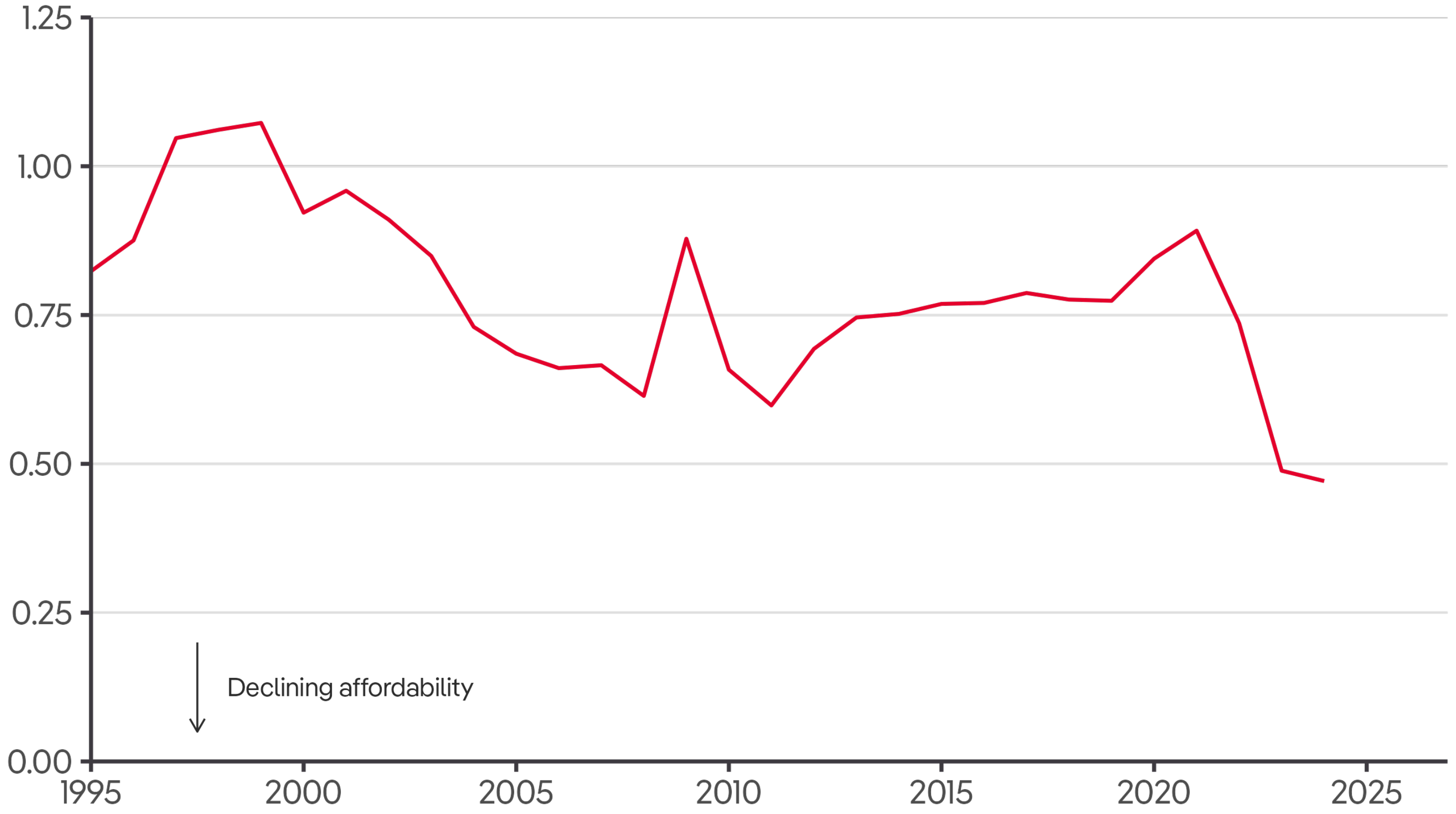
Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

Victoria

- Affordability in Victoria declined slightly in 2023-24 to hit its worst level ever, according to the PropTrack Housing Affordability Index. This was driven by higher home prices and persistently elevated interest rates
- A median-income Victorian household could afford just 12% of homes sold in 2023-24 across the state
- Mortgage repayments on a typical new loan hit 35% of average household income
- Saving a deposit has become a little easier for first-home buyers as incomes have grown at a faster pace than home prices. But it still takes six years to save a deposit, much longer than in previous decades

PropTrack Housing Affordability Index

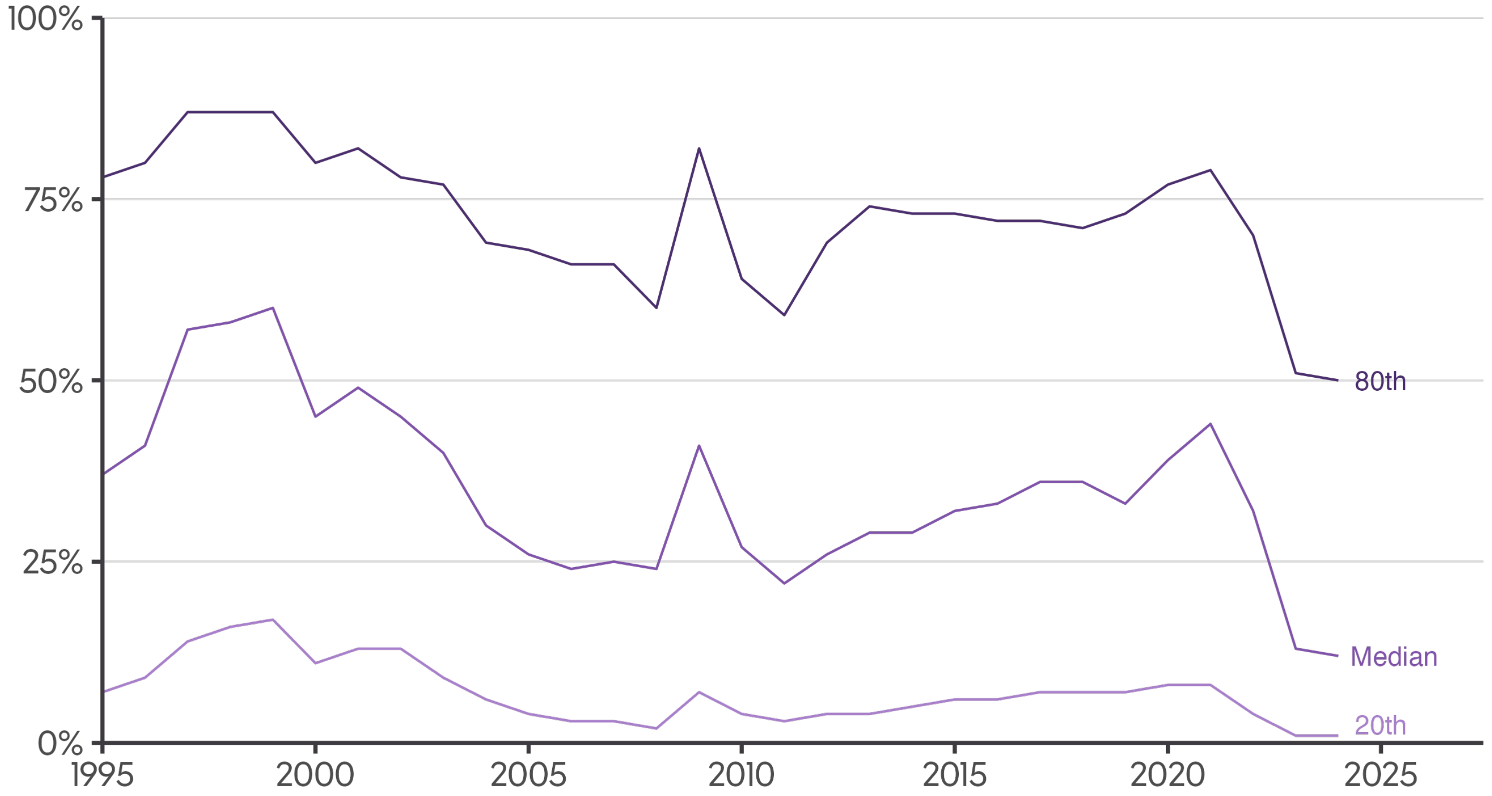
Victoria



Sources: PropTrack, ABS, RBA

Victoria affordability over time

Affordable share of home sales, by household income



Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

Households can afford the smallest share of homes sold in Victoria since records began

Despite only a small reduction in housing affordability in 2023-24, Victorian housing affordability remains below the national average and has worsened markedly over the past three years.

The PropTrack Housing Affordability Index shows households across the income distribution can afford the smallest share of home sales in Victoria since at least 1994-95, when records began.

The current period of strained affordability comes after a period of historically favourable affordability in Victoria in 2019-20 and 2020-21, amid record low mortgage rates.

The sharp increase in mortgage rates since early 2022 means a household earning a median income can now afford just 12% of homes sold over the past year. By contrast, a typical-income household could afford as many as 44% of homes sold in 2020-21.

Low-income households are effectively locked out of home ownership in Victoria. A household earning an income at the 20th percentile could afford to buy just one in a hundred homes sold over the year.

Mortgage repayment costs in Victoria higher than at any time over the past 30 years

The increase in interest rates has driven mortgage repayment costs higher in Victoria – higher even than when mortgage rates hit 8% before the Global Financial Crisis, as home prices are much higher now.

A household earning an average income in Victoria (approximately $122,000 per year) would need to spend 35% of their income on mortgage repayments to afford a median-priced home. That is considerably higher than has been typical over the past few decades.

The time it takes to save a deposit for first-home buyers has eased a little, from a peak of close to seven years, to around six years now. This follows income growth boosting saving capacity at a faster pace than home prices have risen lately.

Even so, the time to save a deposit is much longer than in prior decades and represents a significant barrier for many trying to crack into the market in Victoria.

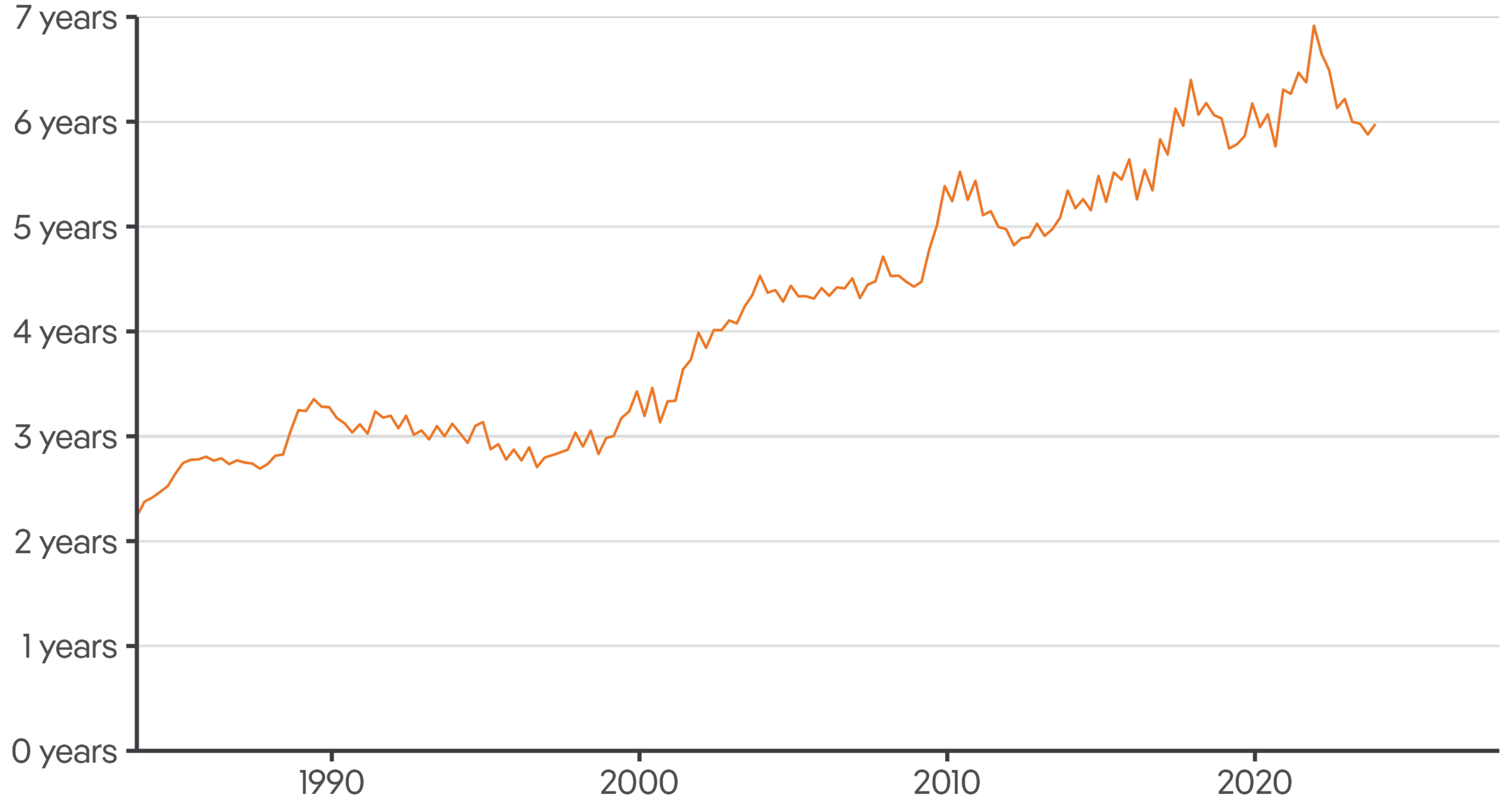
Mortgage Repayments as a share of income

Victoria

Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

Years to save a deposit

Victoria



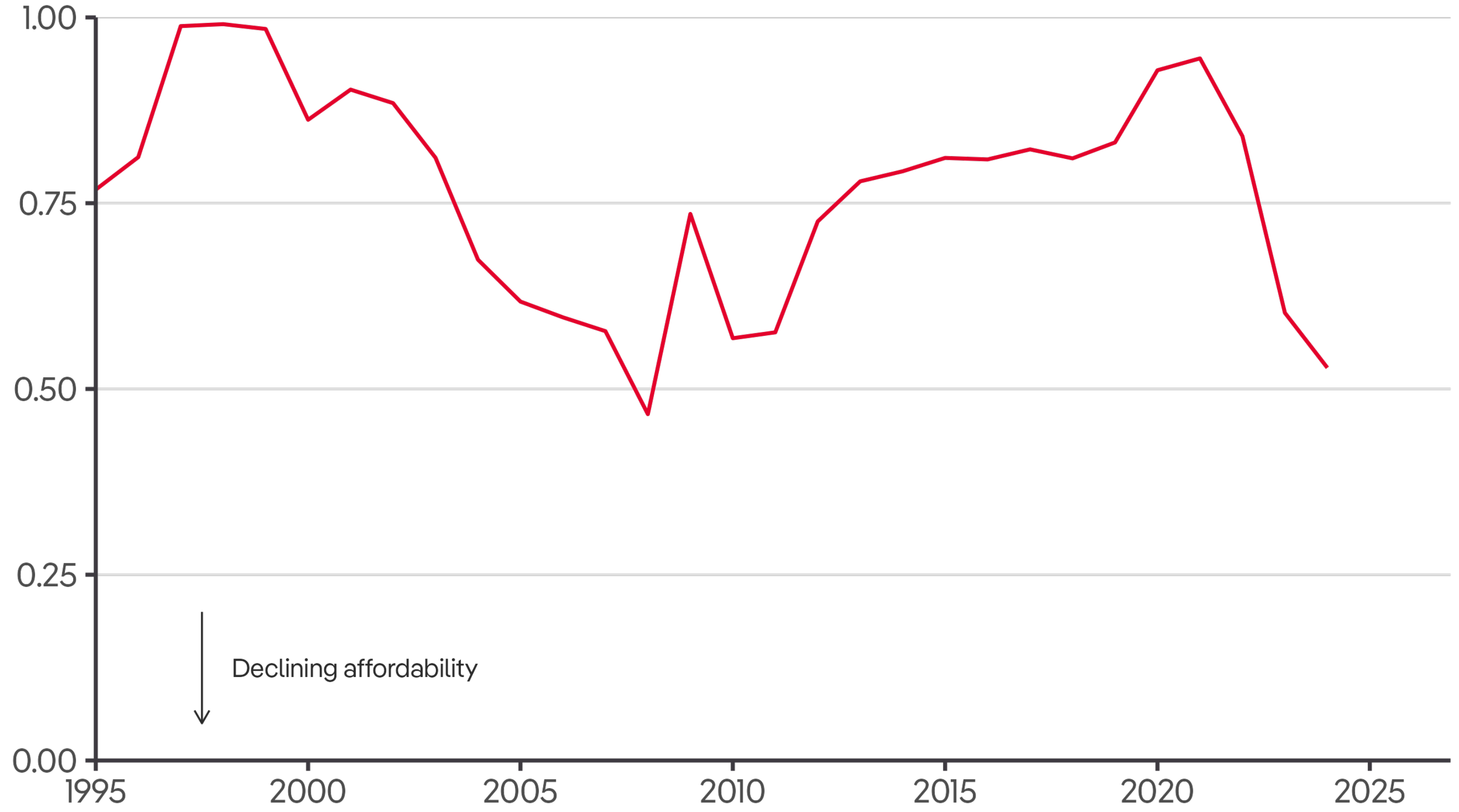
Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

Queensland

- Queensland housing affordability fell in 2023-24 but remains a little better than the national average according to the PropTrack Housing Affordability Index
- Unlike many other parts of the country, Queensland's housing affordability remains more favourable than in 2007-08
- A median-income household in Queensland could afford to buy 15% of homes sold over 2023-24, down from 47% in 2020-21
- Housing accessibility for first-home buyers – the time it takes to save a deposit – is at its longest ever, a result of Queensland home prices continuing to grow at a faster pace than incomes

PropTrack Housing Affordability Index

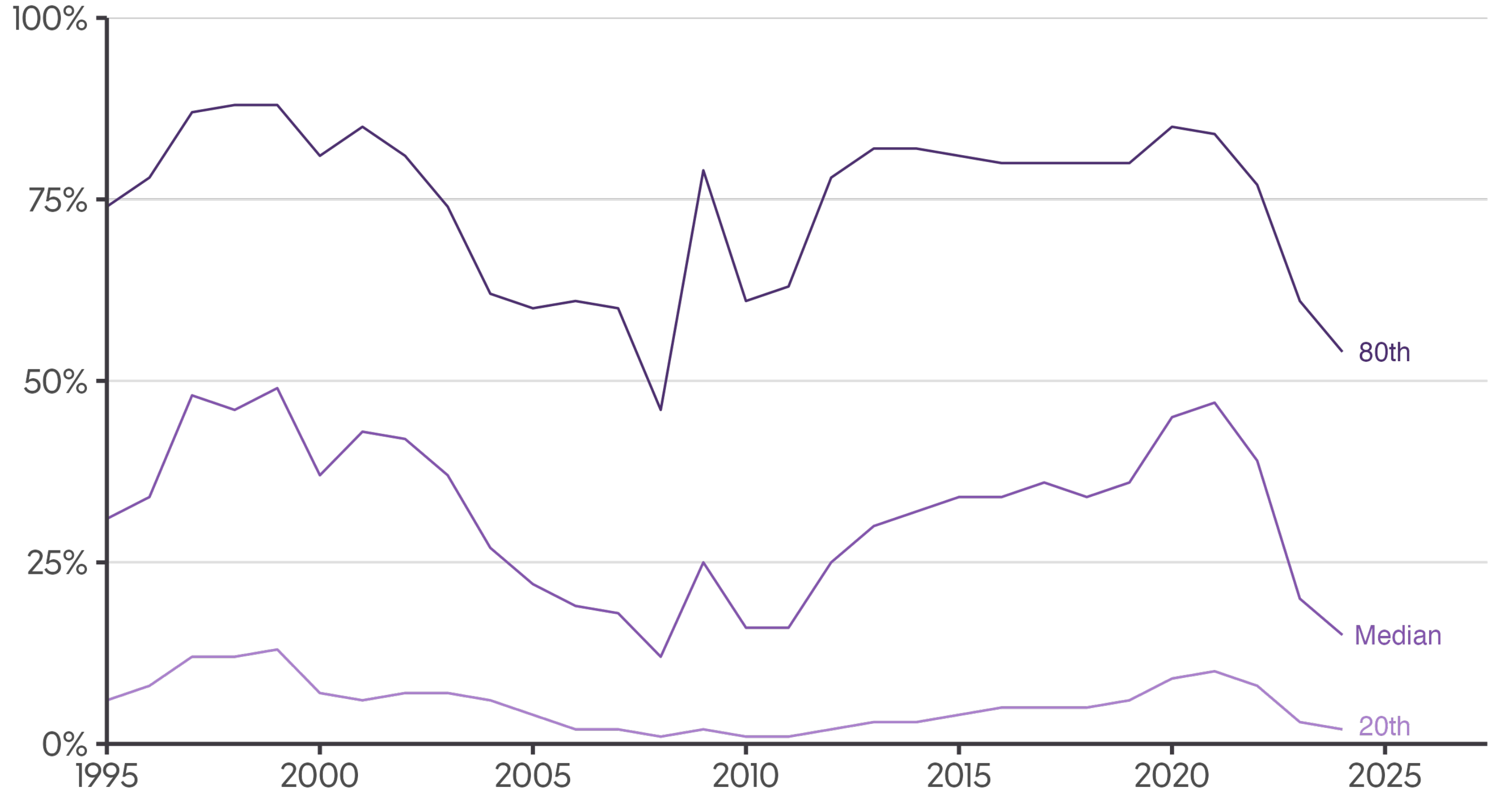
Queensland



Sources: PropTrack, ABS, RBA

Queensland affordability over time

Affordable share of home sales, by household income



Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

Queensland housing affordability has worsened, but remains slightly better than the national average

The PropTrack Housing Affordability Index shows that housing affordability across Queensland has become much tougher in the past two years, but is a little better than the national average.

By contrast with most other parts of the country, these are not the worst affordability conditions Queensland has faced. In 2007-08, when interest rates were over 8%, Queenslanders across the income distribution could afford a smaller share of homes.

While home prices have surged in many parts of Queensland over the past few years, it remains more affordable than all other states except Western Australia. That relative affordability, especially compared to other eastern capitals, will continue to be an attractive feature for interstate movers.

Despite this, conditions are difficult for those on typical incomes in Queensland. A median-income household in Queensland can now afford only 15% of homes sold across the state over the past year – down from 47% - effectively half of all homes – in 2020-21.

Mortgage costs have surged, and the time to save a deposit is at an all-time high in Queensland

The cost of mortgage repayments for a new home has increased 50%, from 20% of average incomes (which are currently just over $122,000) in early 2022 to 32% now.

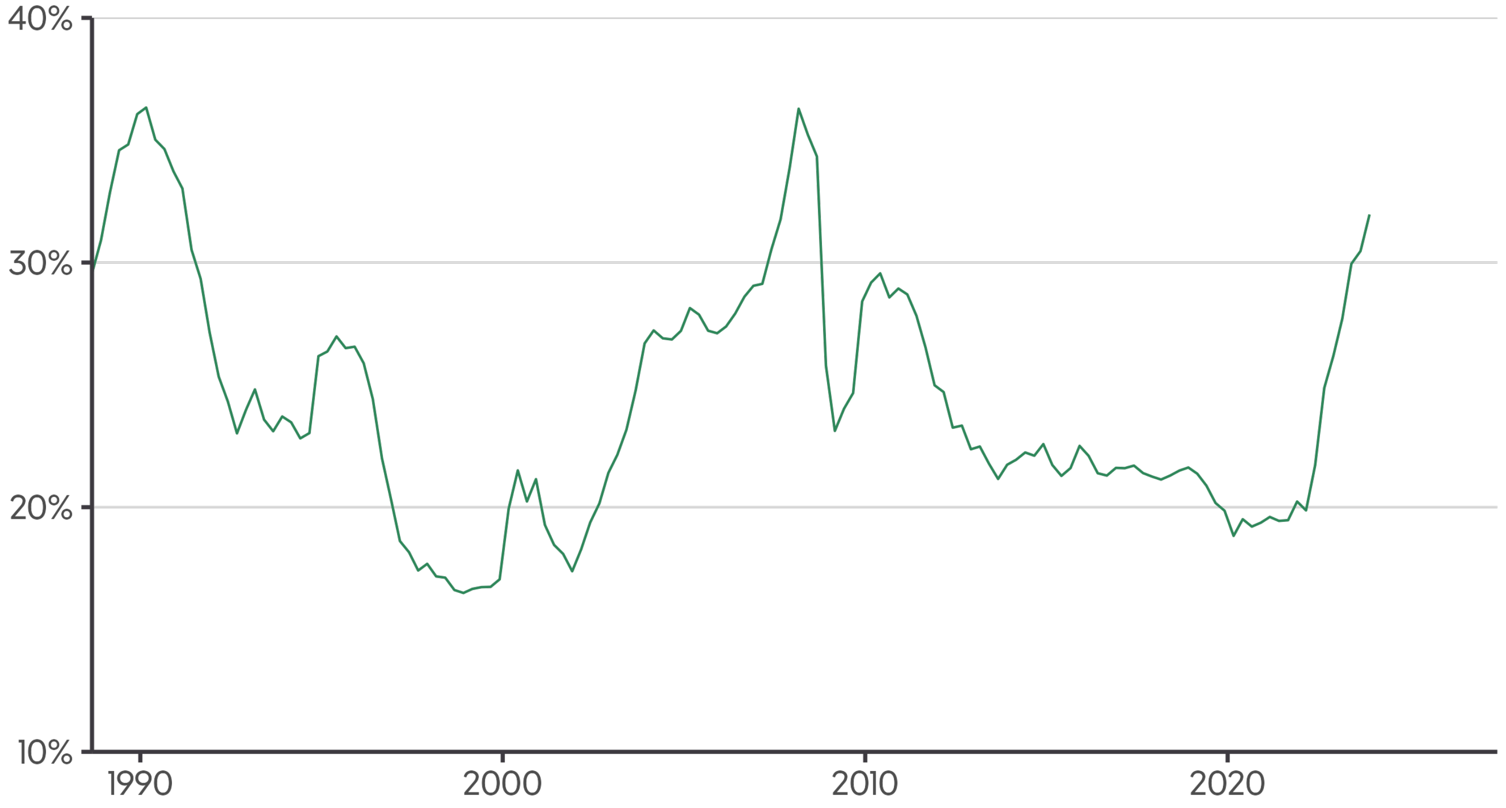
That is substantially higher than what has been typical over the past decade, but remains below the peaks in 2008 and 1990, when a new mortgage repayment on a median-priced home represented 36% of average Queensland incomes.

At the same time, the time it takes to save a deposit for first-home buyers has inched up to 5.4 years – the highest level on record.

Home prices continuing to grow at a faster pace than incomes puts the goal of saving a deposit further away for many first-home buyers, similar to timeframes experienced in 2009.

Mortgage Repayments as a share of income

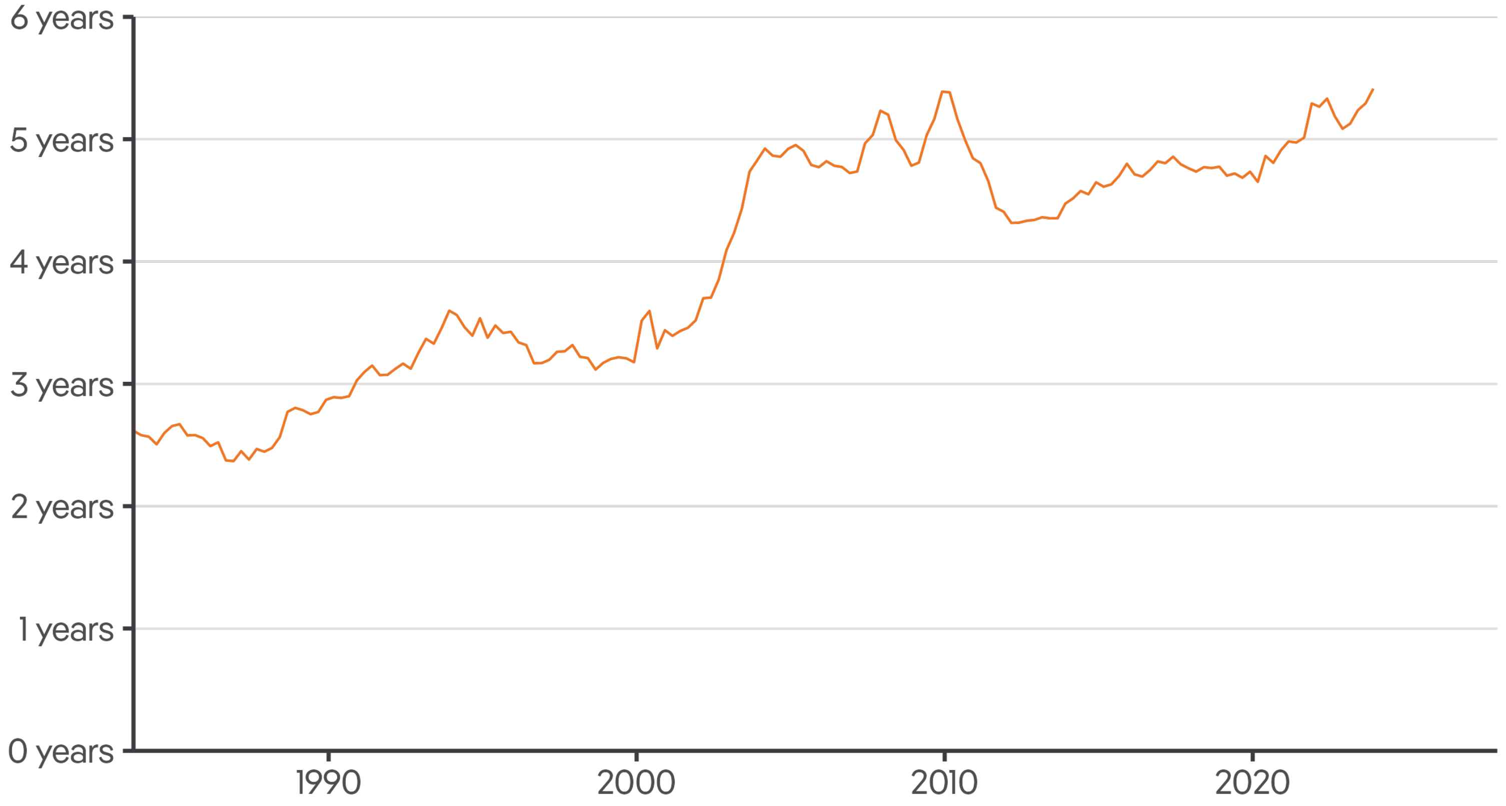
Queensland



Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

Years to save a deposit

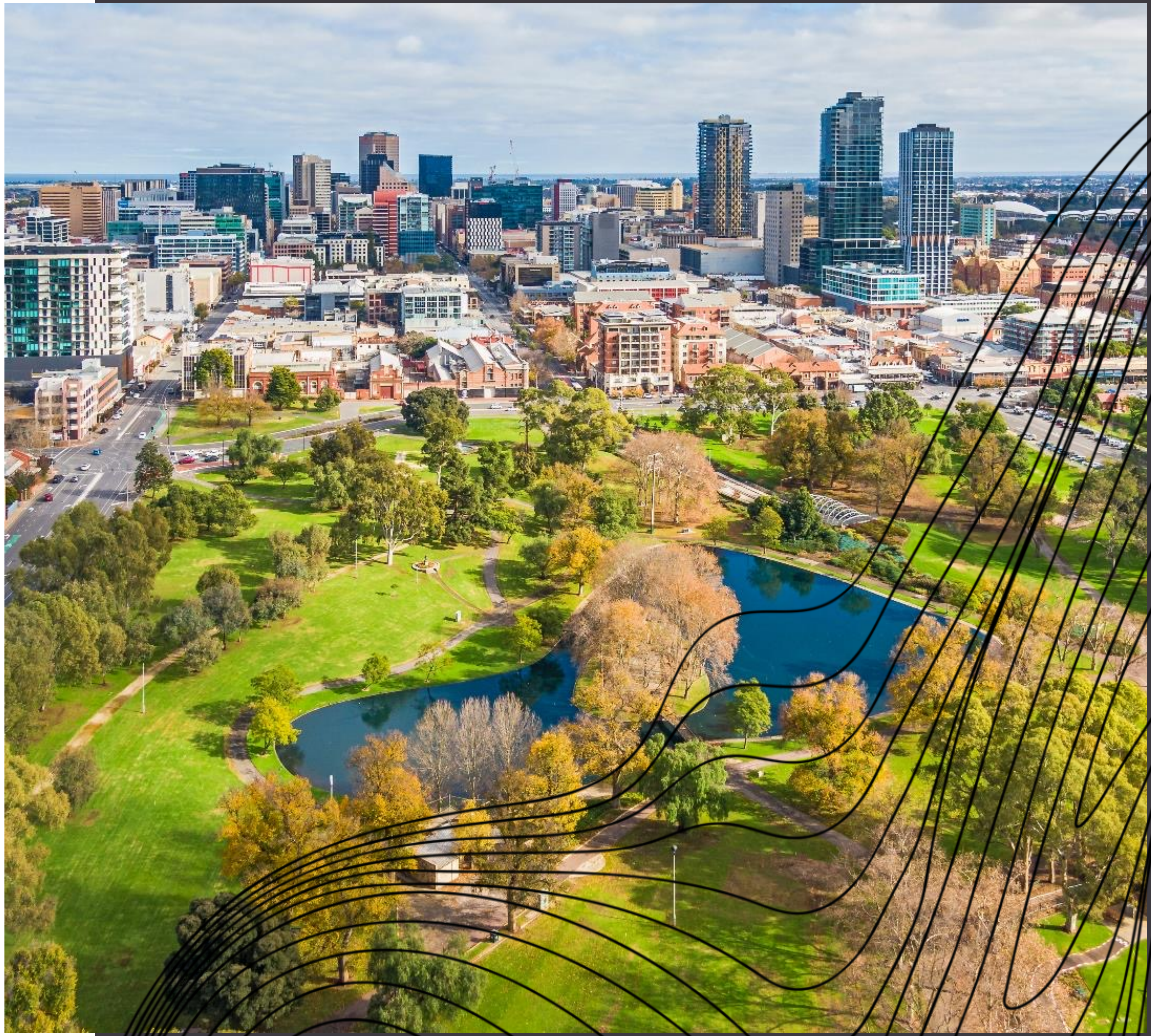
Queensland



Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

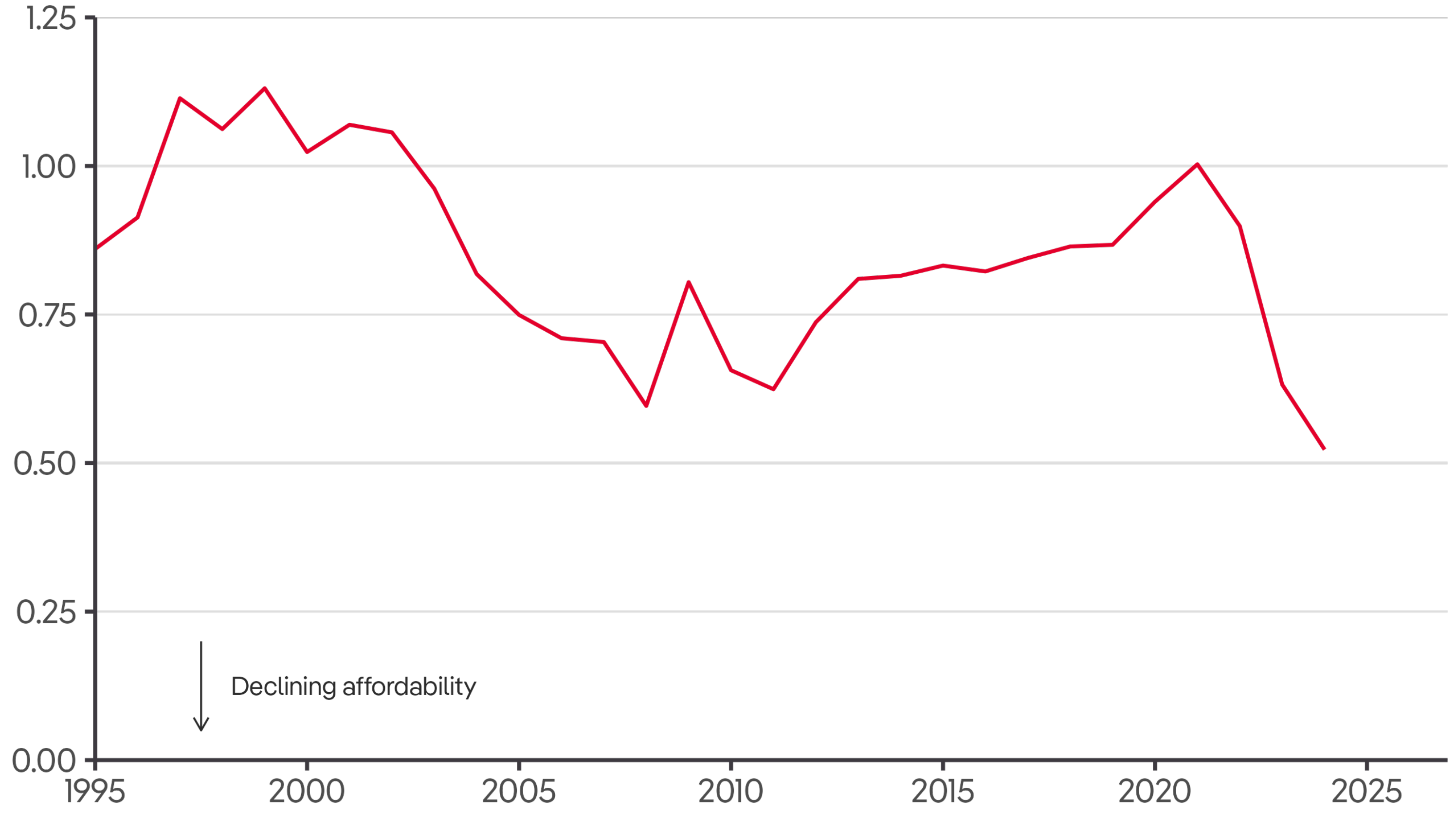
South Australia

- On all measures, housing affordability in South Australia is at a record low
- South Australia recorded the biggest decline in affordability of any state over the past year
- According to the PropTrack Housing Affordability Index, housing affordability in South Australia remains above the national average, but has declined rapidly
- A median-income household could afford to buy just 16% of homes sold in 2023-24, down from almost half in 2020-21
- Mortgage repayments for a median-priced home as a share of average income have surged to a record high of 37%



PropTrack Housing Affordability Index

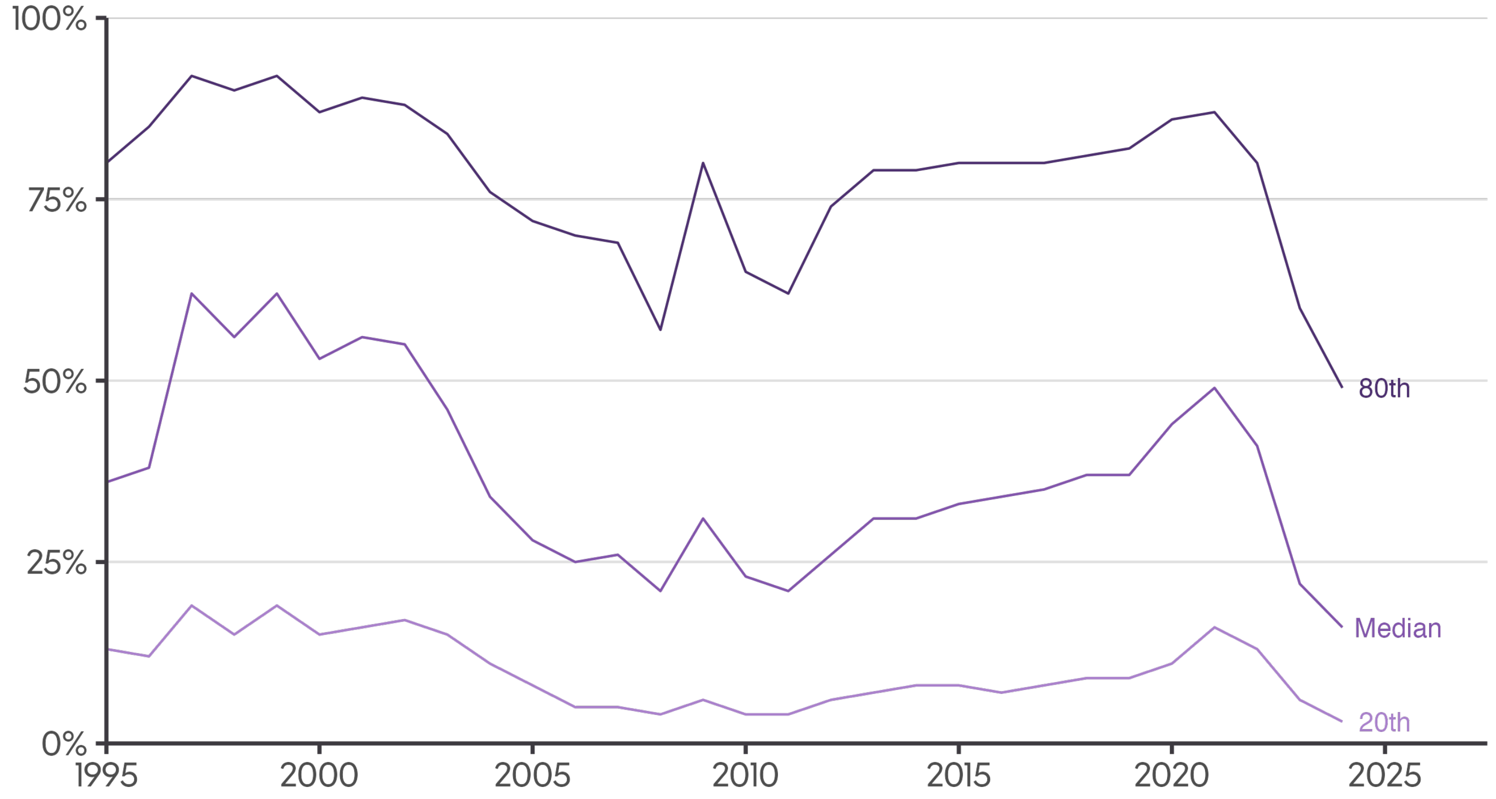
South Australia



Sources: PropTrack, ABS, RBA

South Australia affordability over time

Affordable share of home sales, by household income



Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

Surging home prices leads affordability to a record low in South Australia

Housing affordability has never been worse in South Australia, according to the PropTrack Housing Affordability Index. Households across the income distribution can afford the smallest share of homes at any time since 1994-95, when records began.

South Australia also recorded the biggest fall in affordability over the past year of any state.

Exceptionally strong home price growth across South Australia – with prices up around 70% since early 2020 – have led to housing affordability conditions deteriorating sharply, from the best levels seen since the early 2000s to the worst levels on record.

Despite this, housing affordability remains slightly better than the national average in South Australia.

While in 2020-21 a median-income household in South Australia could afford 49% of all homes sold across the state – very close to half – that figure is now just 16%, highlighting how sharply affordability has declined across the state.

Mortgage costs are at the highest level on record in South Australia

Mortgage servicing costs and housing accessibility are also at record levels for South Australians.

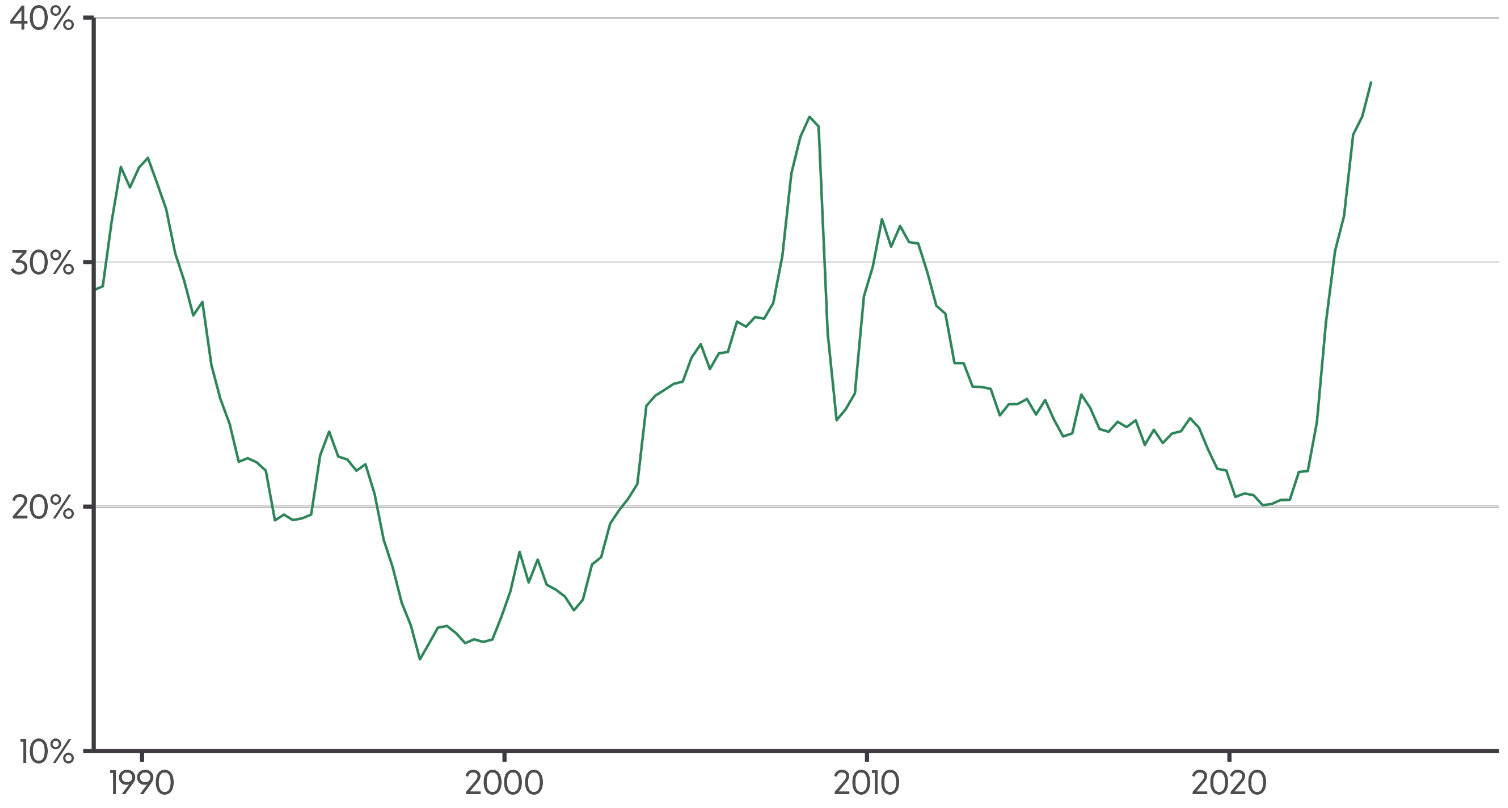
Mortgage repayments for a median-priced home in South Australia have surged to 37% of average household income, the highest level on record. That share is higher than the peaks reached in 2008 and 1990, of around 35%.

In particularly bad news for first-home buyers in South Australia, significantly higher home prices have extended the time needed to save a deposit. Today, it would take 6.3 years for an average-income household to save a 20% deposit on a median-priced home. This is higher than at any other time on record for South Australian buyers

On all measures, housing affordability is at a record low in South Australia.

Mortgage Repayments as a share of income

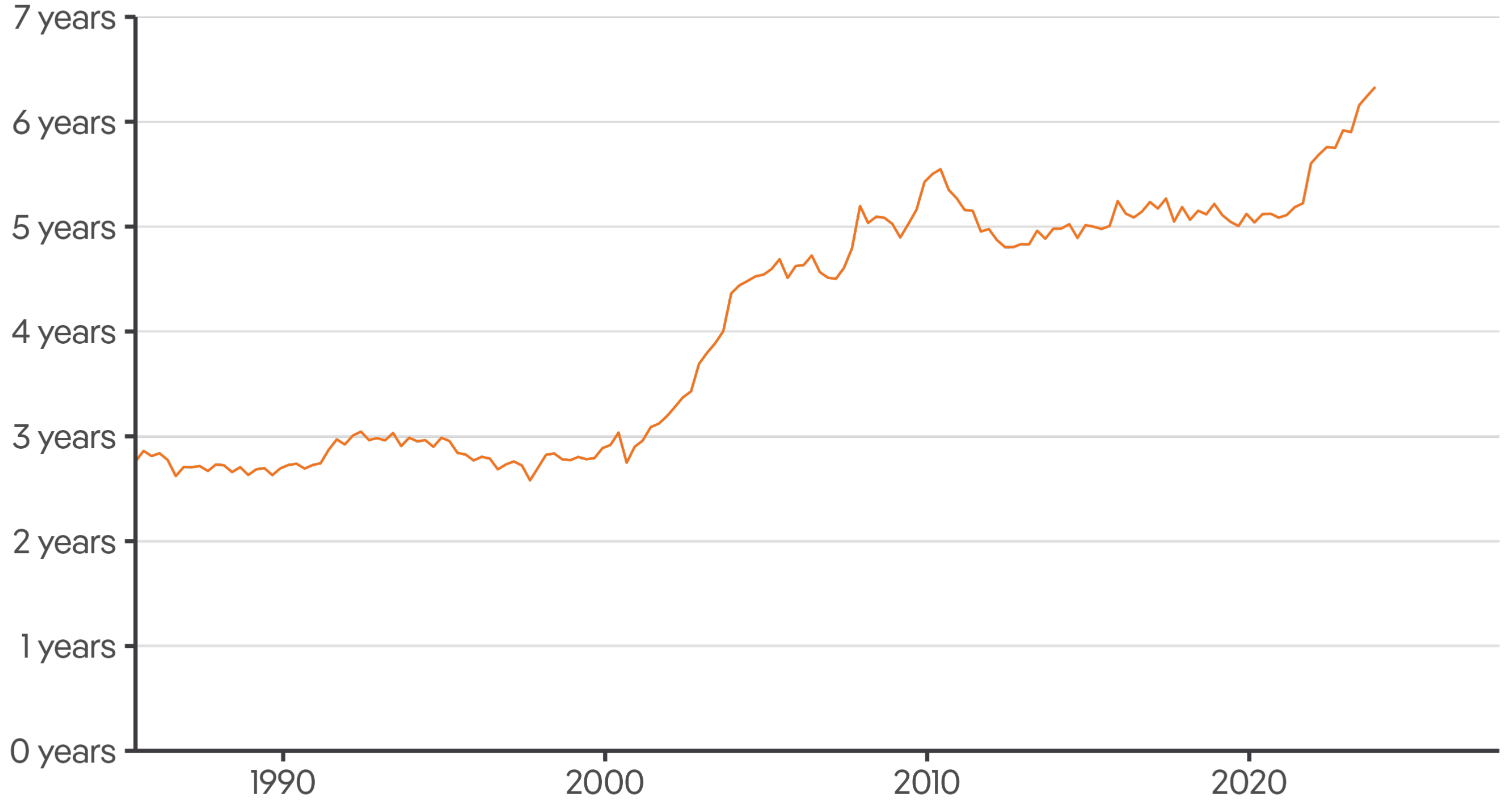
South Australia



Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

Years to save a deposit

South Australia



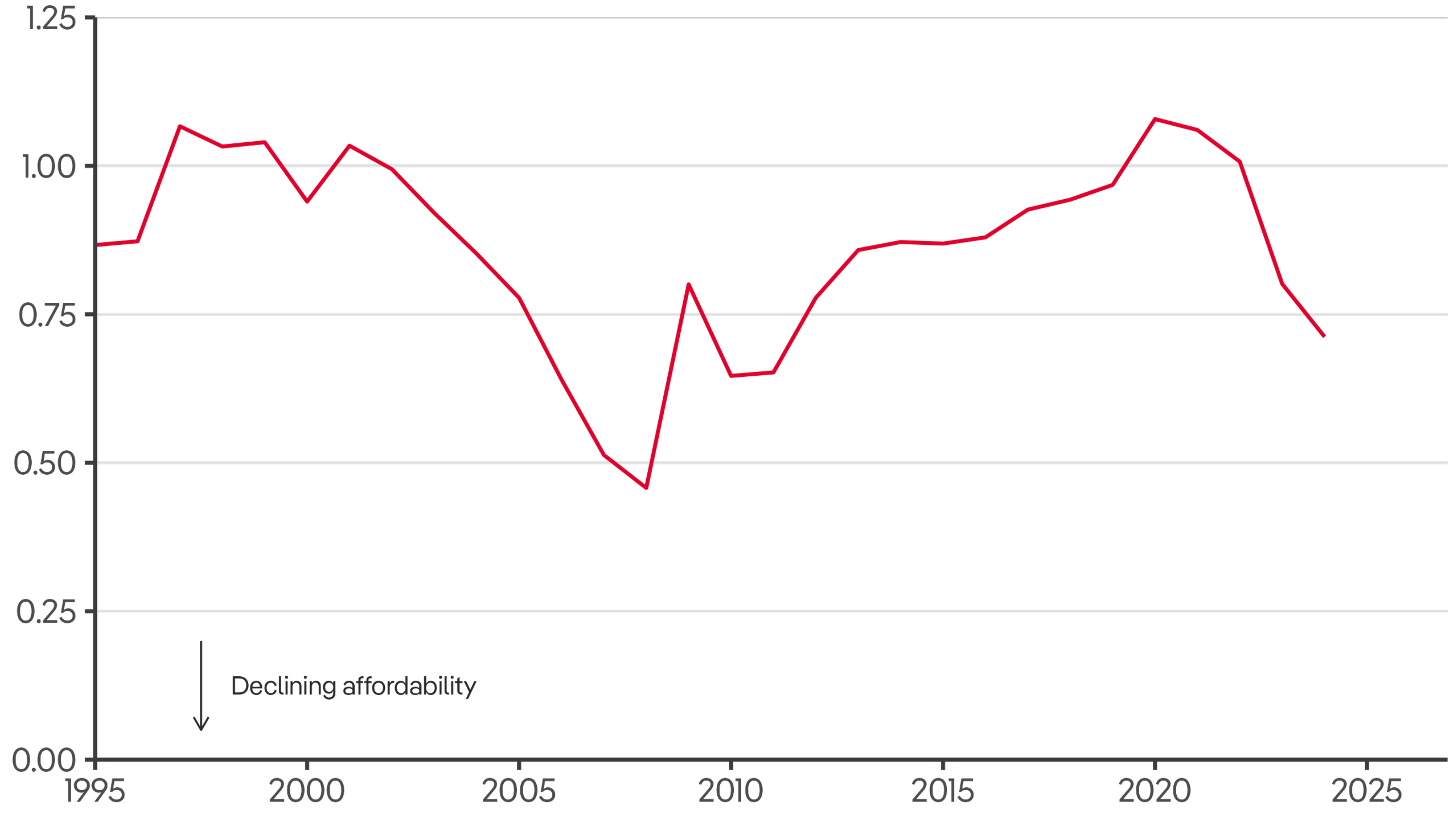
Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

Western Australia

- Western Australia is Australia's housing affordability haven despite home price growth significantly reducing affordability over the past year
- It is the most affordable state, according to the PropTrack Housing Affordability Index
- A median-income household could afford to buy 26% of homes sold over the past year, 10 percentage points more than in any other state
- Mortgage costs for a typical home, at just 22.5% of average household income, remains very low compared to the rest of the country

PropTrack Housing Affordability Index

Western Australia



Sources: PropTrack, ABS, RBA

Western Australia affordability over time

Affordable share of home sales, by household income

Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

Western Australia is the most affordable state in the country

Western Australia is Australia's most affordable state, according to the PropTrack Housing Affordability Index, and despite declines in affordability over the past two years, affordability remains favourable compared to history.

Western Australia has been the most affordable state since 2018-19, following a long period of home price falls across the state. Despite rapid price growth over the past two years, with prices up 35% in Perth since mid-2022, Western Australians continue to afford a larger share of homes than other regions.

This is reflected in how many homes a median-income household can afford: 26%, which is 10 percentage points higher than in any other state.

But despite higher relative affordability, higher interest rates and prices have markedly hindered housing affordability in Western Australia. Just two years ago, a typical household could afford more than half of homes sold across the state.

It is easiest to save a deposit in Western Australia but mortgage costs have returned to 2011 levels

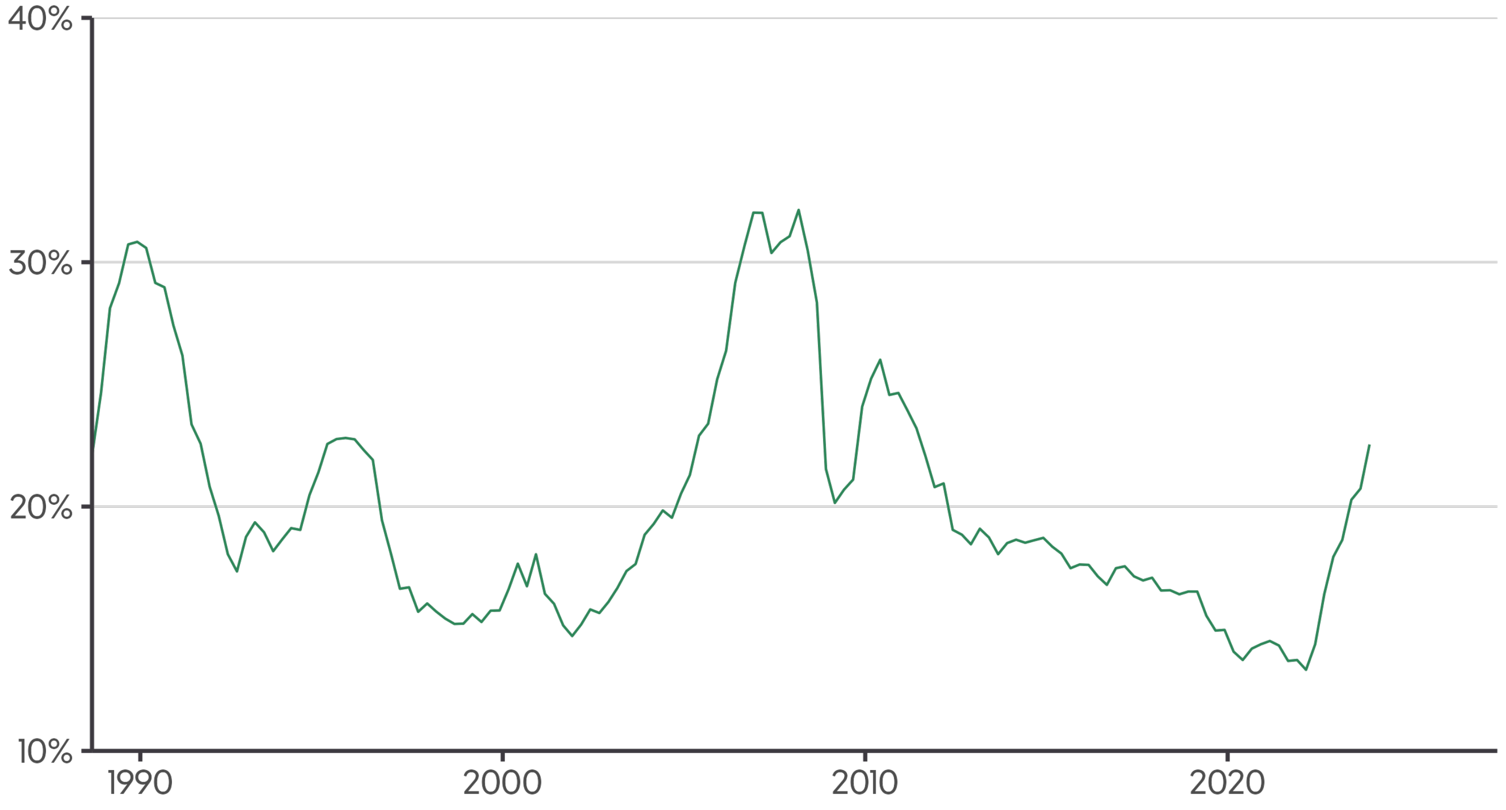
The time it takes a first-home buyer to save a deposit in Western Australia is much lower than any other part of Australia, at just 3.8 years. This is also much lower than the period before the Global Financial Crisis, when an average income first-home buyer would need to save for more than five years.

And while mortgage costs have increased markedly compared with two years ago, at just 22.5% of average household income, they remain very low relative to other states, and the peaks of over 30% seen in Western Australia in the late 2000s.

The status Western Australia holds as the most affordable housing market in the country will continue to attract both those looking to move and buy their first home, as well as interstate investors.

Mortgage Repayments as a share of income

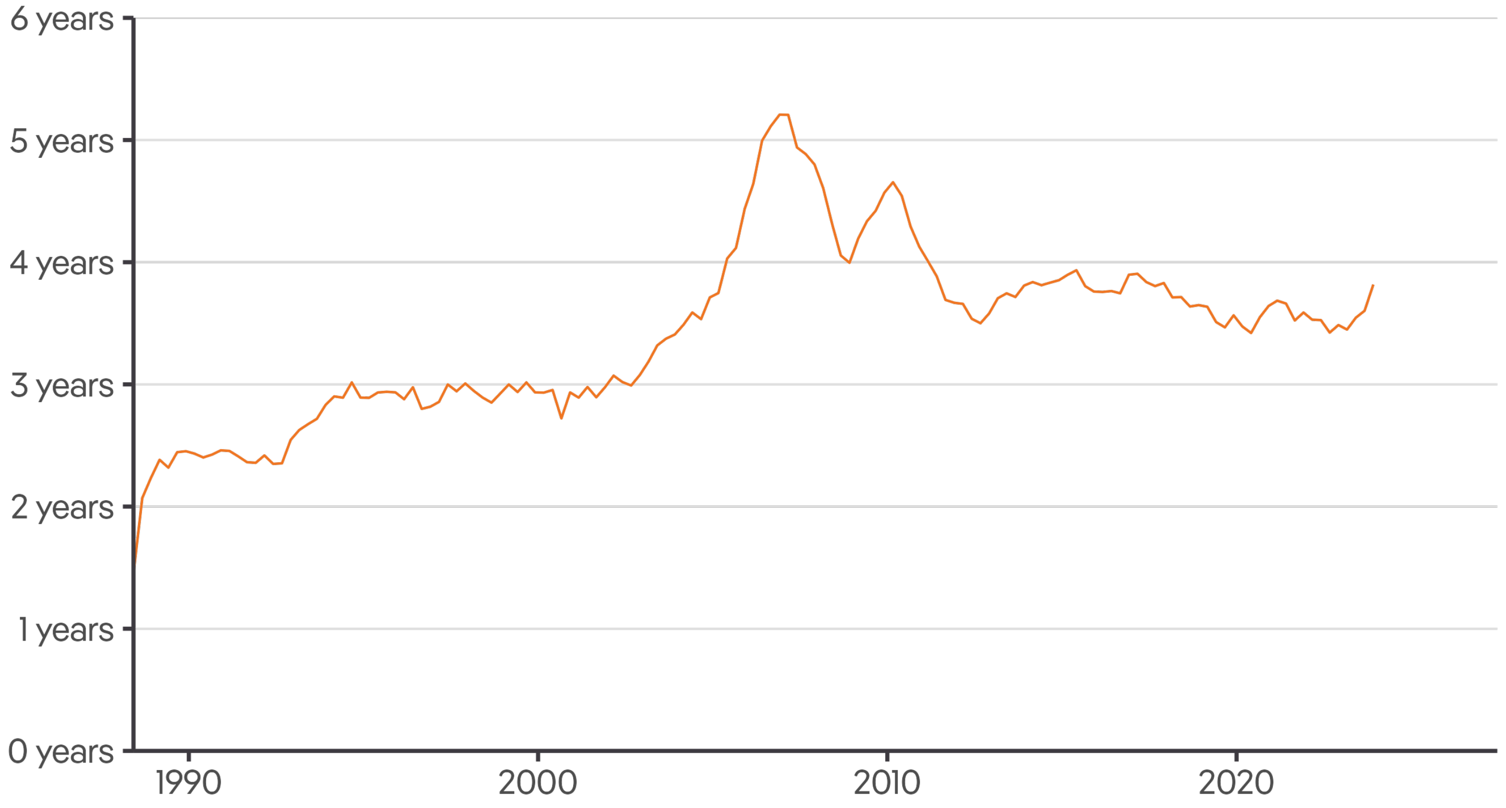
Western Australia



Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

Years to save a deposit

Western Australia



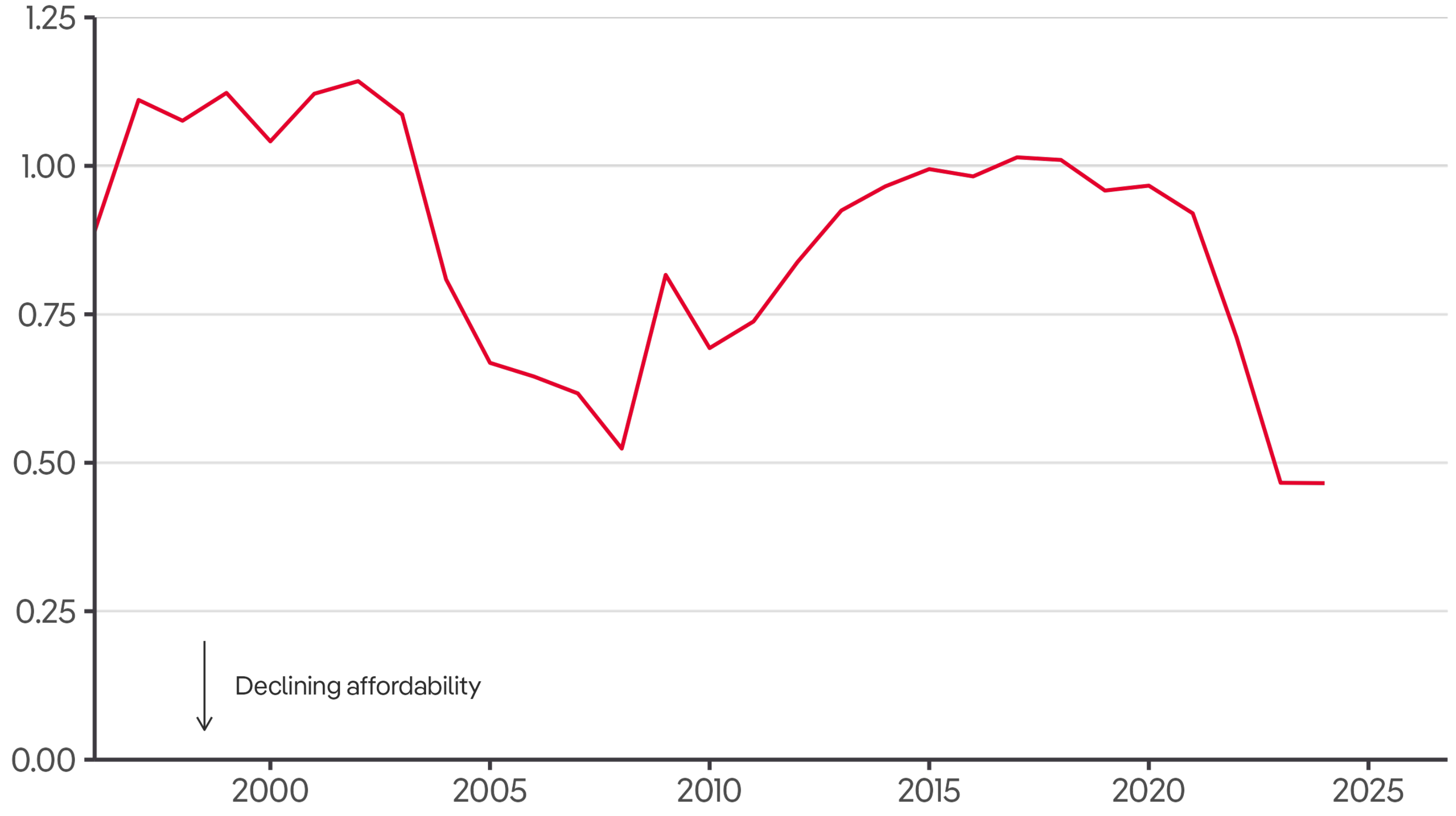
Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

Tasmania

- Tasmania is the second-least affordable state in Australia, according to the PropTrack Housing Affordability Index
- This is a big deterioration from just six years ago, when Tasmania was the most affordable state
- A median-income household could afford just 9% of homes sold over the past year – the lowest of any state
- Mortgage repayments for a median-priced home as a share of income have surged to a record high of 35%, well above levels seen in the early 1990s

PropTrack Housing Affordability Index

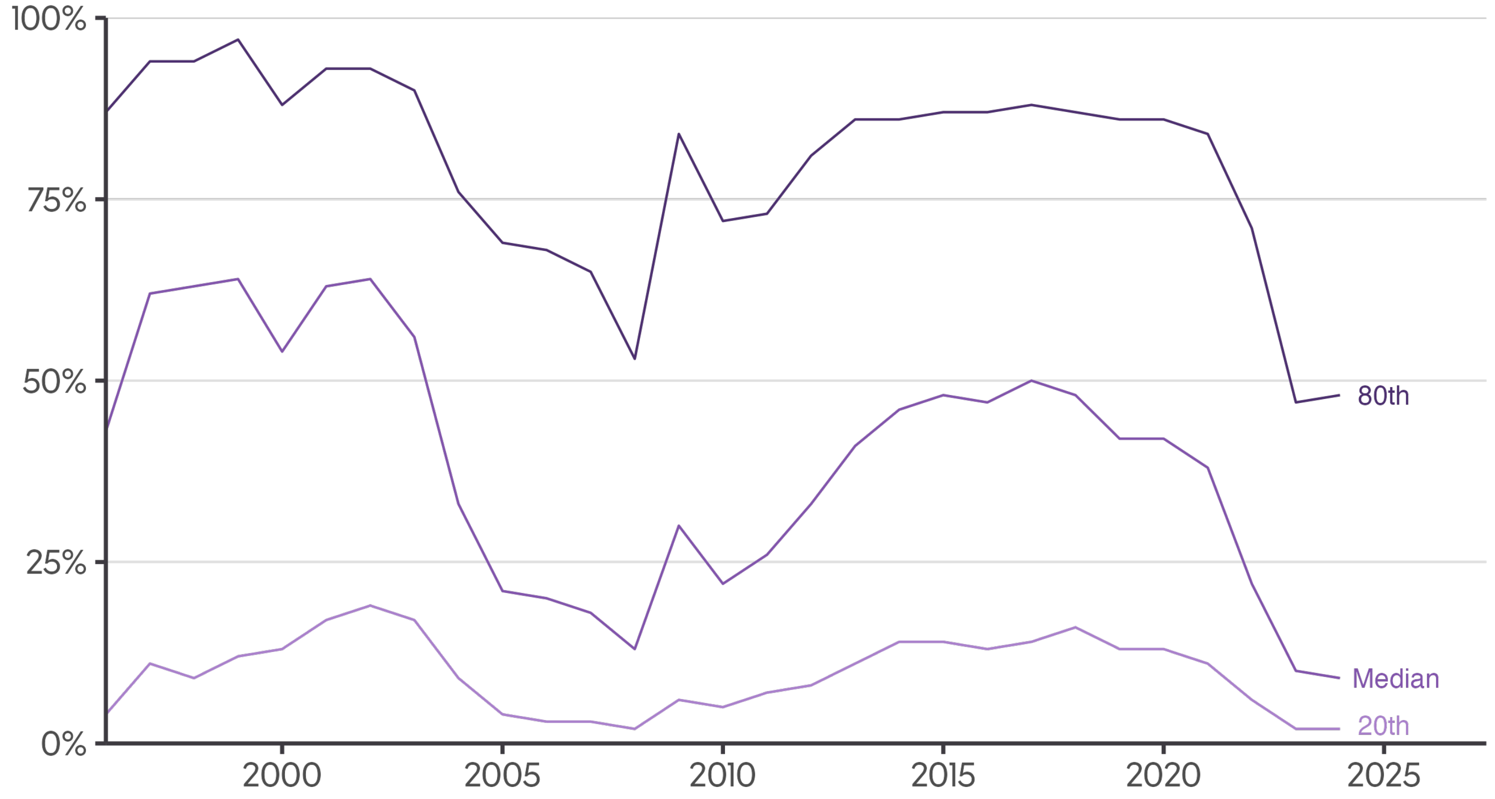
Tasmania



Sources: PropTrack, ABS, RBA

Tasmania affordability over time

Affordable share of home sales, by household income



Sources: PropTrack, ABS, RBA
Note: Spending 25% of gross household income on repayments

Tasmania is the second-least affordable state, but falling home prices steadied affordability

Tasmania is the second-least affordable state, according to the PropTrack Housing Affordability Index, and is experiencing its worst housing affordability conditions on record. But falling prices in Hobart meant affordability across the state held steady in 2023-24, by contrast to other states.

These conditions are a big change for Tasmania, which was the most affordable state in the country over the decade from 2007-08 to 2017-18.

As recently as 2016-17, a median-income household could afford half of all homes sold across Tasmania. In 2023-24 they could afford just 9% - the lowest share of any state.

Slower price growth in Tasmania has worked to limit decreases in housing affordability seen across other parts of the country in 2023-24.

Mortgage costs in Tasmania hit record high

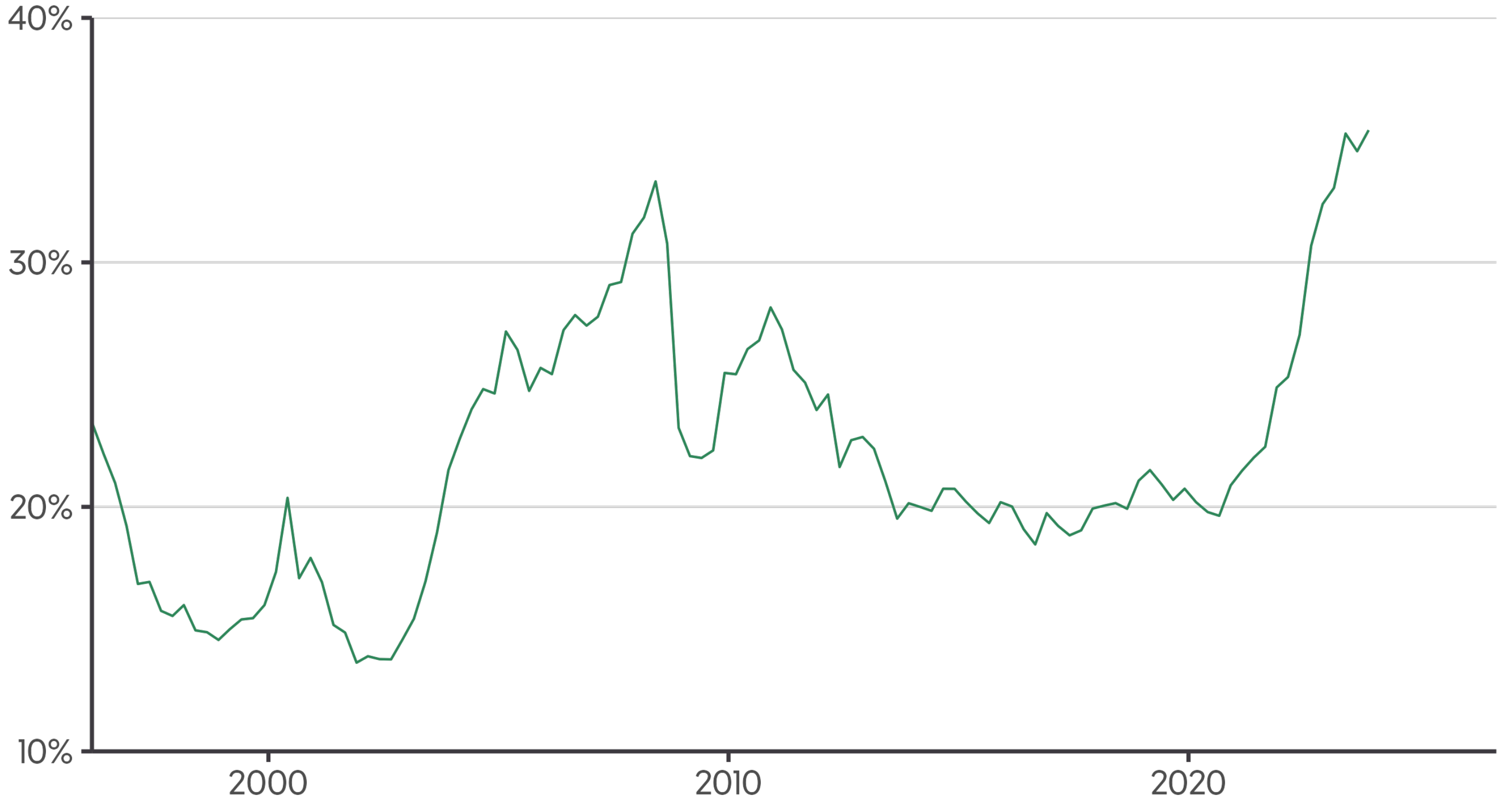
Mortgage costs are at their highest level on record in Tasmania – with an average-income household having to spend 35% of their income on mortgage repayments for a median-priced home. This eclipses the previous peak of 33% seen in mid 2008. Unchanged median prices across the state were offset by slightly higher mortgage rates over the past year.

The time needed to save a deposit has eased since early 2022, as home prices have stagnated and incomes have increased. But at six years, it still takes an average earner longer to save a 20% deposit than the national average.

Poor housing affordability conditions remain a constraint on the Tasmanian market. Population growth, which had been extremely strong a few years ago, has slowed markedly and home price growth over the past year has been weak.

Mortgage Repayments as a share of income

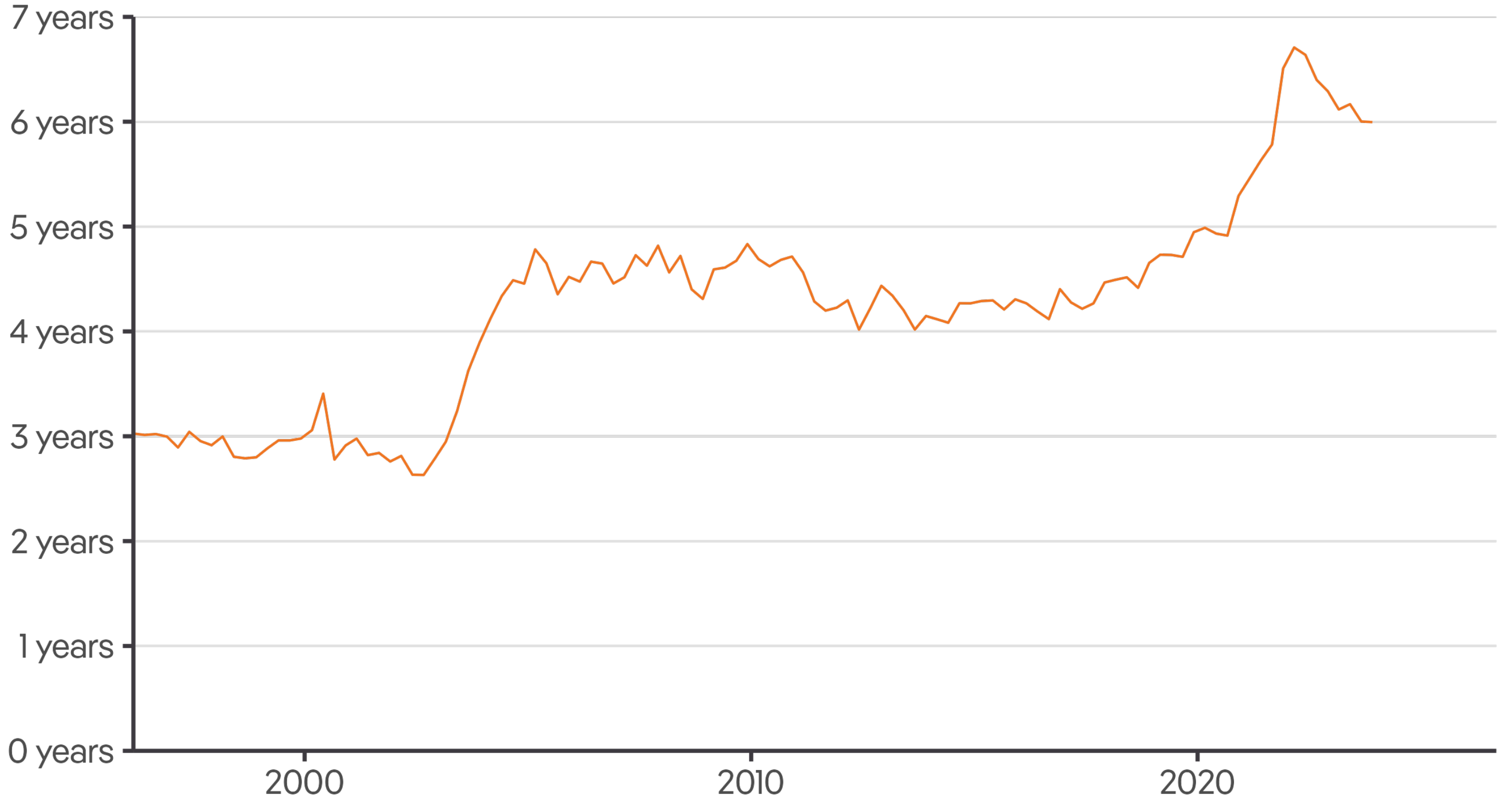
Tasmania



Sources: PropTrack, ABS, RBA
Note: For a median-priced home, relative to average household income

Years to save a deposit

Tasmania



Sources: PropTrack, ABS
Note: 20% of average household income, 20% of median priced home

Methodology

PropTrack Housing Affordability Index

The PropTrack Housing Affordability Index summarises the share of home sales that households across the income distribution could afford to buy, at prevailing mortgage assessment rates.

- **Share of homes that are affordable**: the share of home sales across each financial year that fall below the price at which the household would be spending 25% of their gross income on mortgage repayments, assuming an 80% loan-to-valuation ratio.
- **Assessment mortgage rate**: the average new mortgage rate for owner occupiers on variable rate loans prevailing at the end of the financial year, published by the Reserve Bank of Australia (RBA). Prior to 2019, this rate is backcast using the RBA's indicator lending rate for owner-occupier variable rate loans. A constant buffer of 2.5ppt is added to this mortgage rate to estimate borrowing capacities for households across the income distribution.
- **Household income**: gross household income at the top of each income percentile, calculated from the Australian Bureau of Statistics (ABS) *Survey of Income and Housing* Confidentialised Unit Record Files. Incomes are linearly interpolated between survey years and extrapolated using changes in gross household income from the annual ABS Australian National Accounts and the ABS Wage Price Index.

To calculate the PropTrack Housing Affordability index, we take the share of home sales in each financial year that are affordable for each household income percentile (from 1 to 99). The shares at each percentile are then aggregated into the summary index measure for each financial year using the formula:
$index = 1 - \frac{\sum(X_i - Y_i)}{\sum X_i}$ where X_i is the income percentile (e.g. 10) and Y_i is the share of home sales that are affordable for that income percentile.

Mortgage repayments relative to average household income

Mortgage repayments relative to income is calculated as: mortgage repayments for a 30-year mortgage at an 80% loan-to-valuation ratio for a median-priced home, relative to average household compensation of employees for the relevant geographical region.

- **Median prices** are quarterly median sales prices from PropTrack, sourced from Valuer Generals and agent advised sale results.
- **Mean household income** is calculated as compensation of employees divided by the number of households from the Census (interpolated and extrapolated using Chow-Lin interpolation and quarterly Estimated Resident Population data); mean household income includes employer superannuation payments.
- Income measures are grown forward from their last observation to the most recent quarter using the Wage Price Index.
- **Mortgage repayments** are calculated using the same mortgage interest rate series as the PropTrack Housing Affordability Index, but do not add a buffer rate.

Time to save a deposit

The time needed to save a deposit is calculated as the number of years a household earning average household income would need to save 20% of their gross household income in order to accumulate a 20% deposit on a median-priced home. It does not account for other fees, such as stamp duty and conveyancing fees. Average gross household income and median prices are calculated identically to the approach taken in mortgage repayments relative to average income.

PropTrack

Housing Affordability Report

2024