News Release

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Apartment demand on the rise as housing affordability slips further

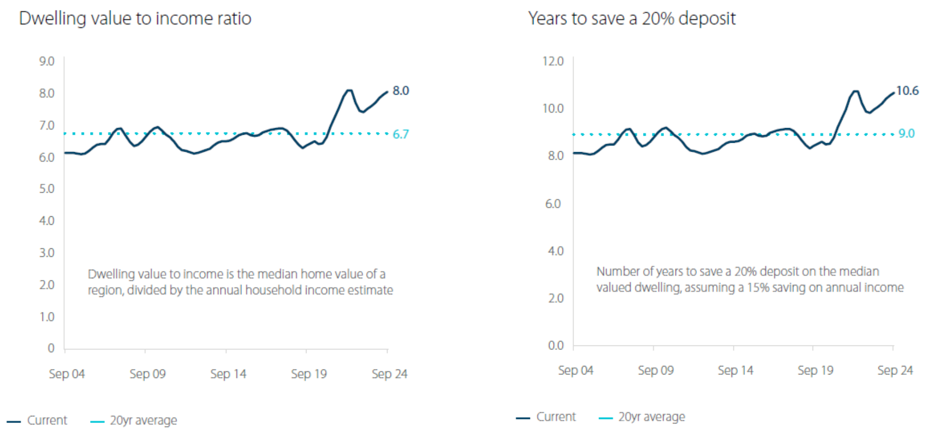
Rising home and rent values continued to impact the Australian housing market in 2024. Further erosion in housing affordability has seen an increase in demand for units, with apartment price growth now tracking in line with houses according to the latest ANZ CoreLogic Housing Affordability report.

Affordability metrics deteriorated further in 2024. In the three months to October capital city unit prices rose 0.9% compared to a 0.8% rise in house prices, suggesting home buyers and investors are pivoting towards units as an entry into the property market.

Modelling from the Australian National University (ANU)[1] and CoreLogic suggests Australia's latest gross median household income level is around $101,000 per year, up from $98,500 in 2023. This equates to a 2.8% rise over the past year, trailing well behind the 8.5% rise in the median Australian dwelling value, and the 9.6% increase in the median rent over the same period.

In 2024, the median dwelling value to income ratio rose to 8.0, up from a 20-year average of 6.7 and equal to the record highs set in early 2022. The median income household now needs 10.6 years to save a 20% deposit for the median value dwelling and it now takes more than half of the median household income to service a new home loan (50.6%). A record high 33% of income is needed for the median income household to service the median rent.

FIGURE 1: NATIONAL - HOUSING AFFORDABILITY MEASURES AS OF SEPTEMBER 2024



Other key highlights from the report include:

- Dwelling values increased by more than 65% across Perth, Adelaide and Brisbane between March 2020 and October 2024, far higher than gains seen in Sydney (29.1%), Hobart (27.7%) and Melbourne (9.9%).
- Sydney remained the least affordable capital city to buy in however the biggest deterioration of housing affordability since the start of the pandemic in March 2020 was in Adelaide, where the median dwelling value to income ratio rose from 5.9 to 8.9.
- Adelaide is now the second-least affordable market to purchase in, with 56.2% of income required to service a new mortgage, and almost 12 years to save a 20% deposit. Adelaide is now also the least affordable market to rent in, with 34.6% of income required to service median rent.
- Housing affordability has improved in some markets, most notably Hobart. Dwelling values in Hobart are currently 11.9% lower than the record high in March 2022, with the median dwelling value to income ratio across Hobart falling from 9 to 7.3.
- Melbourne is now the sixth-least expensive capital city to live in, with the median dwelling value just under $780,000, below Sydney, Brisbane, Canberra, Perth and Adelaide.
- Canberra has seen improved housing affordability in recent years, and it is the second-most affordable housing market to purchase in behind Darwin. The portion of income required to service a new loan

[1] Income data for the Housing Affordability Report metrics are supplied by the POLIS ANU Centre for Social Policy Research. Income is gross median household estimates to June 2024, extrapolated to September.

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- across Canberra is 38.6%. Canberra is also the most affordable rental market, with 24.9% in median income required to service rent.
- The difference in median house and unit values nationally expanded through the COVID period and between March 2020 and October 2024, national house values rose 44.5%, more than twice the rate of increase in units (20.7%).
- Over the same period, the difference between the median house and unit value nationally increased from $46,000 to $207,000. As of September 2024, the portion of income required to service a mortgage on a median value house was 54.7%, and for units was a more manageable 41.6%.

CoreLogic Head of Research and report author, Eliza Owen noted: "The median value to income metrics look extreme, which means people are probably finding other means to get into the market compared to how they have in the past.

"In reality, the median income household might buy something lower value than the median dwelling, and buyers in the market at the moment may be less leveraged and have relatively high income and wealth.

"This report highlights how squeezed even relatively high-income households are becoming at the national level. There are some pockets like Hobart and Melbourne where the market is becoming more affordable, but it's unclear whether that can last. Part of the nature of the property cycle is that once values fall by a certain amount, sellers and developers cannot add to supply, and values find a floor," she said.

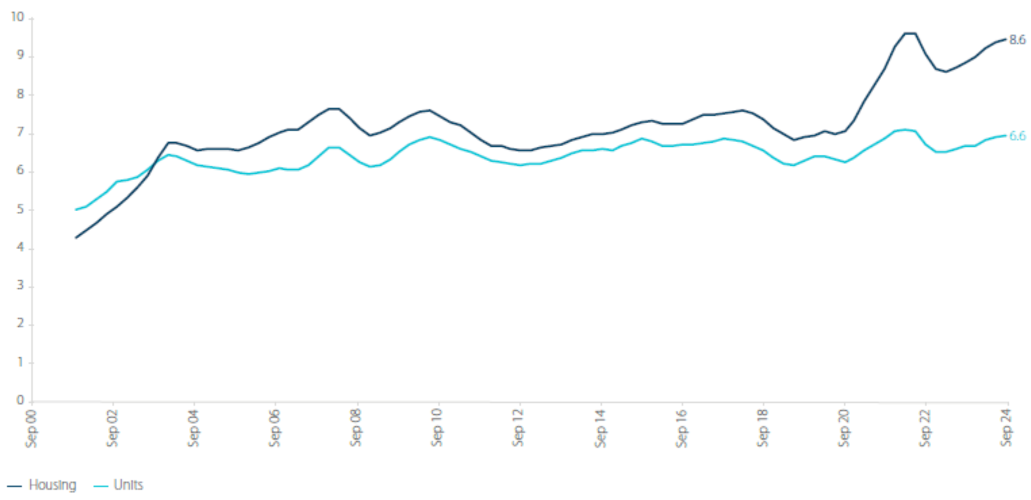
ANZ Economist, Madeline Dunk said: "We have seen demand for housing soften in recent months, with high interest rates, cost of living pressures and elevated home values deterring buyer competition. In some markets, this has contributed to value falls.

"Growth in units is now tracking broadly in line with houses, as less available affordable housing has shifted more demand towards units.

"Looking ahead to 2025, housing affordability may slightly improve from a mortgage payment perspective as the cash rate moves lower. ANZ Research expects the RBA to begin easing in February. We see just 75bp of rate cuts in total, taking the cash rate to 3.6% by the end of 2025" she said.

The full report is available here.

FIGURE 3: VALUE TO INCOME RATIO - HOUSES VS UNITS, NATIONAL



Source: CoreLogic, ANU

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