

The Real Estate Institute of Australia (REIA) and Deposit Power Home Loan Affordability Indicator measures the proportion of average median weekly income needed to meet average weekly loan repayments. The higher the indicator number, the more affordable the home loan is.

Home Loan Affordability Indicator (Index value, quarterly % change)

Northern Territory	45.1	↓	2.0%
Australia	34.6	↓	1.1%

The REIA and Deposit Power report that the Territory continued to have the second highest home loan affordability of the jurisdictions (behind the ACT) in the June quarter 2009 (see Chart 1).

Compared to the March quarter 2009, home loan affordability in the Territory has decreased by 2.0% in the June quarter 2009. Nationally, home loan affordability decreased by 1.1% in the June quarter 2009.

Comparing the June quarter 2009 with the June quarter 2008, home loan affordability in the Territory increased by 15.1%, compared to an increase of 37.3% nationally.

In the Territory, the proportion of median weekly income needed to meet average weekly loan repayments, increased from 21.7% in the March quarter 2009 to 22.2% in the June quarter 2009 but remains lower than the 25.2% reported in the June quarter 2008. Nationally, it increased from 28.8% to 28.9% in the quarter.

A key reason for the slight decrease in housing affordability was an increase in median house prices in the June quarter, which offset the benefits from falling interest rates. In the June quarter 2009, the Reserve Bank of Australia decreased the Australian cash rate from 3.25% to 3.0%, a 40 year low, while the average bank variable mortgage rate decreased from 5.8% to 5.7%.

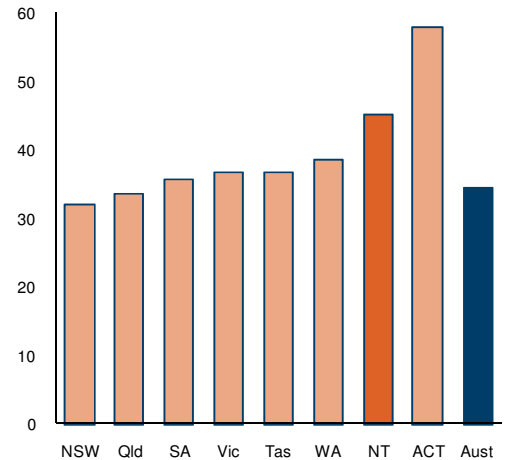
The decline in home loan affordability has been partially offset by increased financial assistance through the First Home Owners Boost and the Territory Government's Buildstart scheme helping first home buyers and families purchase homes.

In the June quarter 2009, the average loan size in the Territory increased by 4.3% to \$288 449. Nationally, it increased by 3.3% to \$274 997.

As a result average monthly loan repayments increased by 2.7% to \$1771 in the Territory. The decline in home loan affordability was offset slightly by an increase in median weekly family income, which increased by 0.6% to \$1842.

Chart 1: Home Loan Affordability

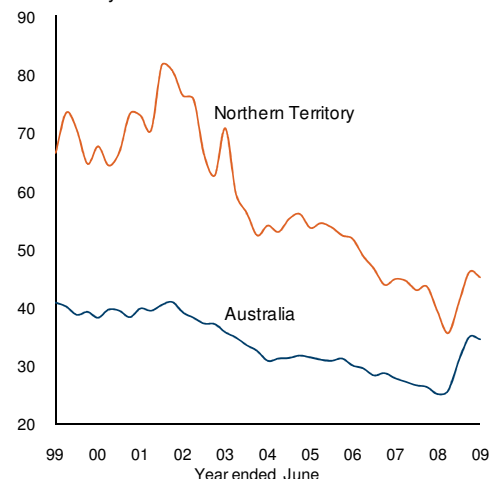
Affordability Indicator Index, June Qtr 2009



Source: REIA, Deposit Power *Housing Affordability Report*

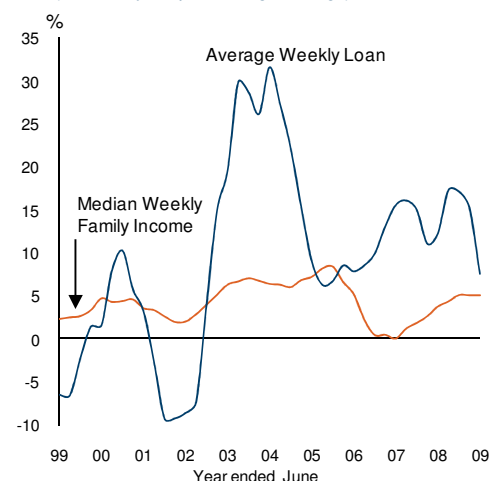
Chart 2: Home Loan Affordability

Affordability Indicator Index



Source: REIA, Deposit Power *Housing Affordability Report*

Chart 3: Change in Income & Repayments, NT (Year on year percentage change)



Source: REIA, Deposit Power *Housing Affordability Report*

Rental Affordability Indicator

(Index value, quarterly % change)

Northern Territory	30.1%	↑	1.2%
Australia	24.8%	↓	0.6%

Compared to the March quarter 2009, rental affordability in the Territory deteriorated slightly in the June quarter 2009, with the proportion of median weekly income needed to meet average weekly rent payments increasing from 28.9% to 30.1%. Nationally, rental affordability improved slightly with the proportion of median weekly income needed to meet rent payments decreasing from 25.4% to 24.8%.

The Territory is the second least affordable jurisdiction in which to rent, behind Tasmania (see Chart 4).

The slight deterioration in rental affordability is attributed to higher rental prices in the June quarter 2009. Rental prices remain high primarily due to low rental dwelling vacancy rates and strong population growth.

The expedited release of residential land in Palmerston East particularly Bellamack, and financial assistance through the First Home Owner Grant and the Territory Government's Buildstart scheme, should encourage construction of additional housing stock to alleviate the current shortage of rental dwellings.

Chart 4: Proportion of median weekly family income required to rent a three bedroom home

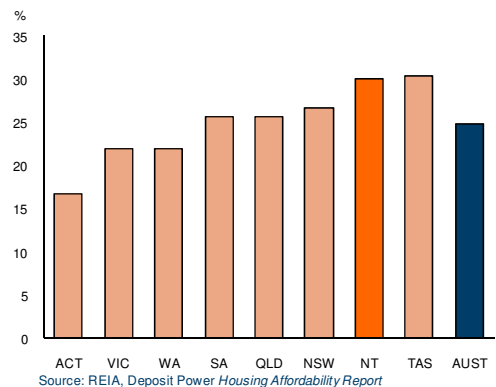


Table 1: Proportion of median weekly family income required to rent a three bedroom home

	Jun-09 %	Mar-09 %	Jun-08 %	quarterly ¹ ppt change	annual ² ppt change
NT	30.1	28.9	29.0	1.2	1.1
NSW	26.6	26.9	26.4	-0.3	0.2
VIC	21.9	22.6	21.9	-0.7	0.0
QLD	25.7	25.8	26.3	-0.1	-0.6
SA	25.7	26.0	25.4	-0.3	0.3
WA	21.9	23.1	23.3	-1.2	-1.4
TAS	30.4	29.8	29.2	0.6	1.2
ACT	16.8	17.5	16.9	-0.7	-0.1
Aust	24.8	25.4	25.0	-0.6	-0.2

¹ compares the latest quarter with the previous quarter

² compares the latest quarter with the same quarter last year

Source: REIA, Deposit Power Housing Affordability Report

Home Loan Affordability

	June Quarter		change		
	quarter	year to date	quarterly ¹	annual ²	year on year ³
Northern Territory					
affordability indicator	45.1	41.8	-2.0%	15.1%	-1.6%
<i>median weekly family income (\$)</i>	1842	1821	0.6%	4.7%	5.0%
<i>average monthly loan repayment (\$)</i>	1771	1906	2.7%	-8.9%	7.6%
Australia					
affordability indicator	34.6	31.6	-1.1%	37.3%	19.6%
<i>median weekly family income (\$)</i>	1347	1326	0.4%	6.6%	6.2%
<i>average monthly loan repayment (\$)</i>	1689	1847	1.6%	-22.4%	-10.0%

¹ compares the latest quarter with the previous quarter

² compares the latest quarter with the same quarter last year

³ compares the 4 quarters up to and including the latest quarter with the previous 4 quarter period

Source: REIA, Deposit Power *Housing Affordability Report*

The Home Loan Affordability Indicator is the ratio of median weekly family income to average weekly loan repayments.

$$\left\{ \frac{\text{Median weekly family income}}{\text{Average weekly loan repayment}} \right\} \times 10$$

While a fall in the Home Loan Affordability Indicator suggests deterioration in affordability and vice versa, this change may not be reflected in all of the components that comprise the Indicator.

Median Weekly Family Income

Median weekly family income is based on data provided by the ABS, with a family defined as a married couple with or without dependent children. The majority of the family income is derived from salaries and wages.

Average Weekly Loan Repayment

The average weekly loan repayment is derived from the number and value of new home loans (excluding refinancing) issued by lending institutions in the quarter. Interest rates and median house prices are positively related to the size of average monthly loan repayments, which jointly decreases housing affordability.