

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	46.0	↑	13.0%
Australia	35.0	↑	13.3%

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 March quarter 2009 (see Chart 1).

Compared to the December quarter 2008, home loan affordability in the Territory has increased by 13.0% in the March quarter 2009. This is the highest level of home loan affordability in the Territory since the December quarter 2006. Nationally, home loan affordability increased by 13.3% in the March quarter 2009, to its highest level since the June quarter 2003.

In the Territory, the proportion of median weekly income needed to meet average weekly loan repayments, decreased from 24.6% in the December quarter 2008 to 21.7% in the March quarter 2009. Nationally, it decreased from 32.4% to 28.6%.

A key reason for the increase in housing affordability is reduced interest rates, which reduces average weekly loan repayments. In the March quarter 2009, the Reserve Bank of Australia reduced the cash rate from 4.25% to 3.25%. The average bank variable mortgage rate decreased from 6.80% to 5.79%.

Improved home loan affordability is also attributed to increased financial assistance through the First Home Owners Boost and the Territory Government's Buildstart scheme reducing average loan size and average weekly loan repayments.

In the March quarter 2009, the average loan size in the Territory decreased by 0.9% to \$276 502. Nationally, it decreased by 0.4% to \$266 174.

As a result average monthly loan repayments decreased by 10.7% to \$1725 in the Territory. The positive affect on home loan affordability in the Territory was also assisted by an increase in the median weekly family income of 1.0% to \$1831.

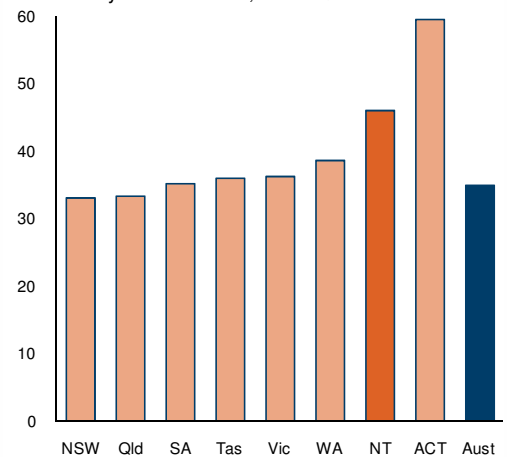
Comparing the March quarter 2009 with the March quarter 2008, home loan affordability in the Territory increased by 5.7%, compared to an increase of 32.6% nationally.

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Next Release: September 2009

Chart 1: Home Loan Affordability

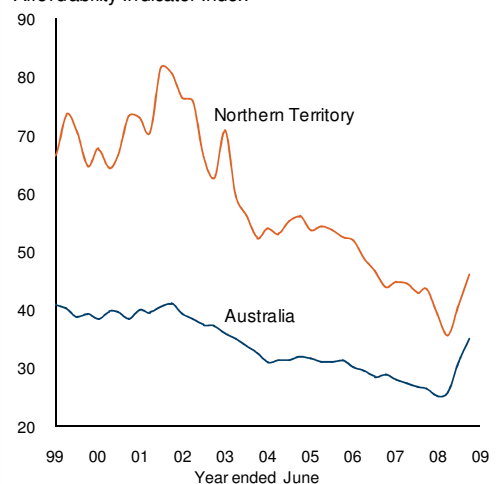
Affordability Indicator Index, March Qtr 2009



Source: REIA, Deposit Power *Housing Affordability Report*

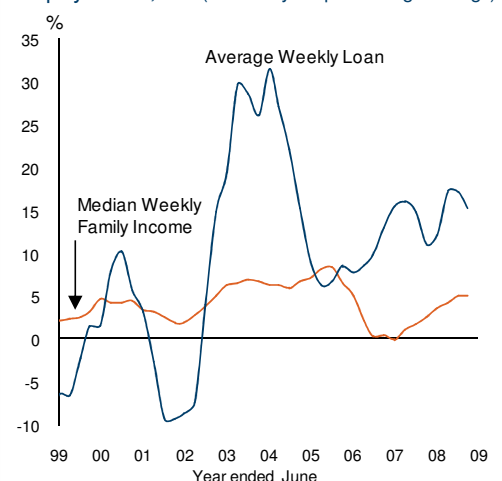
Chart 2: Home Loan Affordability

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	28.9%	↑	0.2%
Australia	25.1%	↓	0.2%

Compared to the December quarter 2008, rental affordability in the Territory deteriorated slightly in the March quarter 2009, with the proportion of median weekly income needed to meet average weekly rent payments increasing from 28.7% to 28.9%.

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 high rental prices in the March quarter 2009. Rental prices are remaining high primarily due to low rental dwelling vacancy rates and strong population growth.

The expedited release of residential land announced by the Territory Government on 4 March 2008, 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

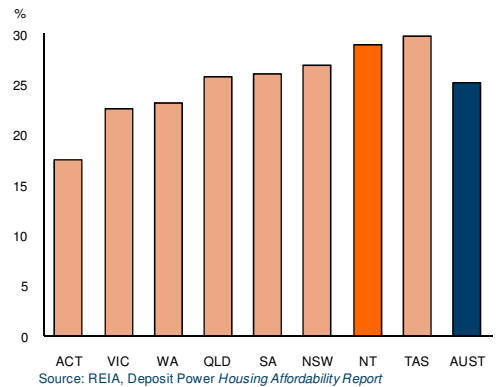


Table 1: Proportion of median weekly family income required to rent a three bedroom home

	Mar-09 %	Dec-08 %	Mar-08 %	quarterly ¹ ppt change	annual ² ppt change
NT	28.9	28.7	28.1	0.2	0.8
NSW	26.9	27.1	25.4	-0.2	1.5
VIC	22.6	22.6	21.8	0.0	0.8
QLD	25.8	25.8	26.5	0.0	-0.7
SA	26.0	25.1	25.6	0.9	0.4
WA	23.1	23.3	23.6	-0.2	-0.5
TAS	29.8	30.0	29.6	-0.2	0.2
ACT	17.5	16.7	17.5	0.8	0.0
Aust	25.1	25.3	24.7	-0.2	0.4

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

	March Quarter		change		
	quarter	year to date	quarterly ¹	annual ²	year on year ³
Northern Territory					
affordability indicator	46.0	40.4	13.0%	5.7%	-8.1%
<i>median weekly family income (\$)</i>	1831	1801	1.0%	4.9%	5.0%
<i>average monthly loan repayment (\$)</i>	1725	1949	-10.7%	-0.8%	15.2%
Australia					
affordability indicator	35.0	29.2	13.3%	32.6%	7.9%
<i>median weekly family income (\$)</i>	1341	1306	1.7%	6.2%	5.7%
<i>average monthly loan repayment (\$)</i>	1662	1969	-10.2%	-19.7%	-0.4%

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.