

# Is housing truly affordable?



**From the desk of ...**

**Paul Kounnas, Director of Hudson Bond Real Estate**

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ACCORDING to a ranking of international house markets, Australia has the least affordable houses in the world.

The ratings are calculated by dividing median house prices by annual median household income.

If the median price is less than three times the annual household income it's considered very affordable, but if it's more than seven times it's considered unaffordable. According to their calculation, Melbourne scored a rating of eight, making it, by their measure, extremely unaffordable.

However, according to Rismark National Dwelling Price-to-Income Index, housing affordability has not deteriorated. They have found that over the past six years home prices have varied between 3.2 to 4.3 times disposable income.

Christopher Joye, Managing Director of Rismark International said "This data implies that Australian housing is not expensive by overseas standards."

Rismark's findings are a direct contradiction to claims that Australian house prices are

eight times the average income and therefore unaffordable.

One explanation offered by Christopher Joye is that people forget that 40% of the housing stock is not located in the capital cities. On the outskirts of big cities and away from these cities the average property price is much lower than the overall median average.

The national median price includes properties in the more expensive and elite inner suburbs. There are many suburbs around Melbourne which are still very affordable by world standards.

It is my observation that Australians are also building some of the biggest homes in the world. Also, compared to many other countries Australians use high cost construction materials such as bricks, instead of modular or other cheaper building products.

**If house prices are so unaffordable, why are so many buyers still buying them?**

**Hudson Bond Real Estate**  
751 Doncaster Road, Doncaster 3108.  
Phone: 9840 7700

