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## Where can the average buyer afford to purchase?

*Housing affordability remains an issue however, there are still options for the price sensitive purchaser... they just need to target areas further away from the CBD.*

Housing finance data released last week showed that across the country non first time buyers in New South Wales had the greatest average loan size at \$315,400 and Tasmanian's were taking out the smallest average loans at \$194,000. It is extremely rare that anyone would be receiving a 100% loan so for the purposes of the following analysis we have assumed that borrowers have a 10% deposit, therefore they are borrowing 90% of the total value of the loan. Based on this assumption we can determine their borrowing power which indicates how much the purchaser could have potentially purchased a property for.

On average, purchasers in New South Wales demonstrated the greatest buying power, spending on average \$350,444 and Tasmania purchasers had the least amount of buying power at \$216,556. This outcome is to be expected and reflects the characteristics of these markets with New South Wales having the most expensive property market and Tasmania the most affordable.

### Average non-first time buyer loan size and borrowing power by state

State	Avg loan size	Borrowing power
New South Wales	\$315,400	\$350,444
Victoria	\$279,800	\$310,889
Queensland	\$283,300	\$314,778
South Australia	\$227,800	\$253,111
Western Australia	\$292,000	\$324,444
Tasmania	\$194,900	\$216,556
Northern Territory	\$280,800	\$312,000
Australian Capital Territory	\$271,400	\$301,556

Source: rpdata.com, ABS

Looking at capital cities we are all aware that affordability is an issue however it is interesting to note that across all house sales within capital cities, Sydney, the nation's most expensive housing market, actually had the greatest proportion of total sales priced below the determined level of borrowing power. 21.8% of all Sydney house sales were priced below \$350,444. Obviously most of these are situated in the outer more affordable areas of the city however, it shows that affordable property is still available. The next best performer was Canberra where 15.3% of house sales were priced below \$301,556.

## Proportion of total house sales at prices below average borrowing power

City	Avg borrowing power	% of total sales at or below avg borrowing power
Sydney	\$350,444	21.8%
Melbourne	\$310,889	13.7%
Brisbane	\$314,778	12.4%
Adelaide	\$253,111	12.4%
Perth	\$324,444	11.8%
Hobart	\$216,556	14.1%
Darwin	\$312,000	12.3%
Canberra	\$301,556	15.3%

Source: rpdata.com, ABS

Affordable property is much harder to come by in Perth. Only 11.8% of all Perth house sales during the last 12 months were at prices below \$324,444. As is the case in most instances the areas where these properties are available are generally the outer more affordable regions of the city.

The Campbelltown Local Government Area (LGA) on the southern outskirts of Sydney has a current median house price of \$317,500 which is well below the average borrowing power for the city. As a result, Campbelltown has had the greatest proportion of affordable sales of any capital city council area in the country over the last year. 71.1% of Campbelltown's house sales were priced below \$350,444 during the last year.

## LGA's with the greatest proportion of total house sales below average borrowing power

LGA / District	State	% of sales below avg buying power	Median price
Campbelltown	NSW	71.1%	\$317,500
Wyong	NSW	61.8%	\$315,000
Kwinana	WA	54.4%	\$326,000
Penrith	NSW	51.3%	\$349,000
Playford	SA	50.0%	\$254,000
Blue Mountains	NSW	47.4%	\$350,000
Brighton	Tas	46.4%	\$242,500
Ipswich	Qld	44.3%	\$320,000
Blacktown	NSW	43.3%	\$359,975
Armadale	WA	42.8%	\$345,000
Wollondilly	NSW	38.8%	\$322,500
Wyndham	Vic	37.8%	\$315,000
Gungahlin	ACT	35.9%	\$415,000
Cardinia	Vic	34.8%	\$323,151
Gosford	NSW	33.8%	\$395,000
Hume	Vic	33.4%	\$330,000
Fairfield	NSW	33.0%	\$380,000
Hawkesbury	NSW	32.1%	\$365,000
Sorell	Tas	31.4%	\$265,000
Frankston	Vic	28.9%	\$342,500

Source: rpdata.com, ABS

Across the list of LGA's / Districts detailed, Sydney LGA's led the way providing nine of the 20 capital city LGA's with the greatest proportion of sales being affordable for non first time buyers. All of the Sydney LGA's detailed are situated some way from the CBD area and all have a median price below \$400,000.

Darwin LGA's were the only regions which had no representation on the list however, Brisbane, Adelaide and Canberra each had only one LGA.

The result of the analysis shows just how important it is to dig a little deeper with data. The housing finance numbers show us how much people are borrowing and with a few assumptions we can determine where these buyers can afford to live.

Clearly if you are an average income earner and want to own a house it's pretty unlikely you are going to be able to live in the blue chip inner city suburbs (although there are some examples, very few, within these areas). If you are an average income earner looking to buy property, more than ever location is becoming the most important attribute. The best prospects for growth in property value and the most desirable locations in which to live are

those suburbs which enjoy proximity to: public transport, retail and social amenity, schools, working nodes, health care, public open spaces and major roads.

Whilst the locations where the affordable properties tend to be located may not have all of these attributes certainly many of them have a number of the desirable features and purchasing in those areas will likely make for a more enjoyable place to live as well as greater potential for future price growth.

