



Housing affordability is an issue often related to the lower end of the property market, allowing low income earners to achieve the great Australian dream. In recent history the Australian property market has been characterised by the supply for property being unable to meet demand and as such prices have reached levels in excess of those achievable by many low income earners.

The lack of supply situation appears to be intensifying. Approvals for attached dwellings in Australia for the 12 months to November 2008 decreased by 51%. On top of this we expect an increased proportion of approved projects to fail to commence development due to the tightening of finance availability. This is a trend that is likely to continue for the first half of this year at least and will further intensify the existing undersupply of property in the market; putting further negative pressure on affordability in the medium to long term.

Another factor which will become increasingly key in the affordable housing argument moving forward will be the widespread decrease in the wealth of the majority of Australians. During 2008 the average Australian listed stock portfolio decreased in value by circa 23% and 30% for balanced and growth portfolios respectively. Given that over the last decade Australians invested heavily in the stock market, it is fair to surmise that the majority of Australians have seen their net worth decrease over the last 12 months. This decrease in a large proportion of the communities' net worth may be followed by job losses and a substantial decrease in income growth.

These factors will intensify the housing affordability issue and it is important to note that these factors are not restricted to either the low income earners or the high net worth individuals or those in between. These factors will be affecting all economic classes and thus affordability is now an issue for the entire market. Housing within all the different quality levels which is the most affordable will be the quickest to sell.

It will be imperative moving forward that developers are conscious of the changing fundamentals within the market and that they can no longer rely on the old adage of "build it and they will come". Developers will need to obtain accurate, up to date market intelligence and development strategies to ensure that they are providing the correct stock type at the correct price point for the markets they are participating in. The rate in which developers stock sells is going to be well down on the levels we became used to over the last decade and therefore it will be increasingly key that they are providing the correct product to the market so that there is no lag in take up and it will also be key that a considerable level of research and thought is put into the phasing of the project to ensure that developers are not faced with the exorbitant costs associated with having to retain unsold stock for an extended period.

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