

**Moody's: Australian housing affordability to improve over 2018, a credit positive for RMBS**

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Sydney, May 03, 2018 -- Moody's Investors Service says housing affordability in Australia -- which improved marginally over the year to March 2018 -- will continue to improve moderately over the rest of 2018 because of softening housing market conditions.

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More affordable mortgages decrease the risk of loan delinquencies and defaults -- a credit positive for Australian residential mortgage-backed securities (RMBS).

"Housing affordability for new mortgage borrowers -- measured as the proportion of household income needed to meet mortgage repayments -- improved marginally on average across Australia over the year to March 2018, because lower interest rates and moderate income growth outstripped the effect of higher housing prices," says Alena Chen, a Moody's Vice President and Senior Analyst.

"Looking at the rest of 2018, we expect housing affordability to continue to improve moderately on average because of softening housing market conditions, particularly in Sydney and to a lesser extent Melbourne," says Chen. "On average across Australia, housing affordability in March 2018 was also better than the average for the past 10 years."

Moody's conclusions are contained in its just-released report, "RMBS - Australia: Housing affordability to improve on property market slowdown".

On average, Australian households with two income earners taking out an 80% loan-to-value mortgage needed 28.2% of their monthly income to meet monthly mortgage repayments in March 2018, down marginally from 28.3% in March 2017.

The improvement in housing affordability was most marked in Sydney (down 2.5 percentage points to 35.8%) and Perth (down 1 percentage points to 19.2%), where housing prices fell 3.1% and 3.6% respectively over the year to March 2018, the two largest price drops out of all the capital cities. The affordability of houses also improved marginally in Brisbane (down 0.6 percentage point to 23%).

However, housing affordability deteriorated in Melbourne (up 1.9 percentage points to 32%) where housing prices increased strongly by 11.7% over the year to March 2018, and also deteriorated marginally in Adelaide (up 0.4 percentage point to 22.9%) where prices climbed 4.2%.

Median housing prices in Sydney, Australia's most populous city, declined over the year to March 2018 and are likely to continue to cool, while in Melbourne, the second most populous, prices had declined in recent months but were still up significantly from a year ago. However, Moody's expects Melbourne's prices will continue to show tempered growth during the rest of the year.

Subscribers can read the full report at:

http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_1121033

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