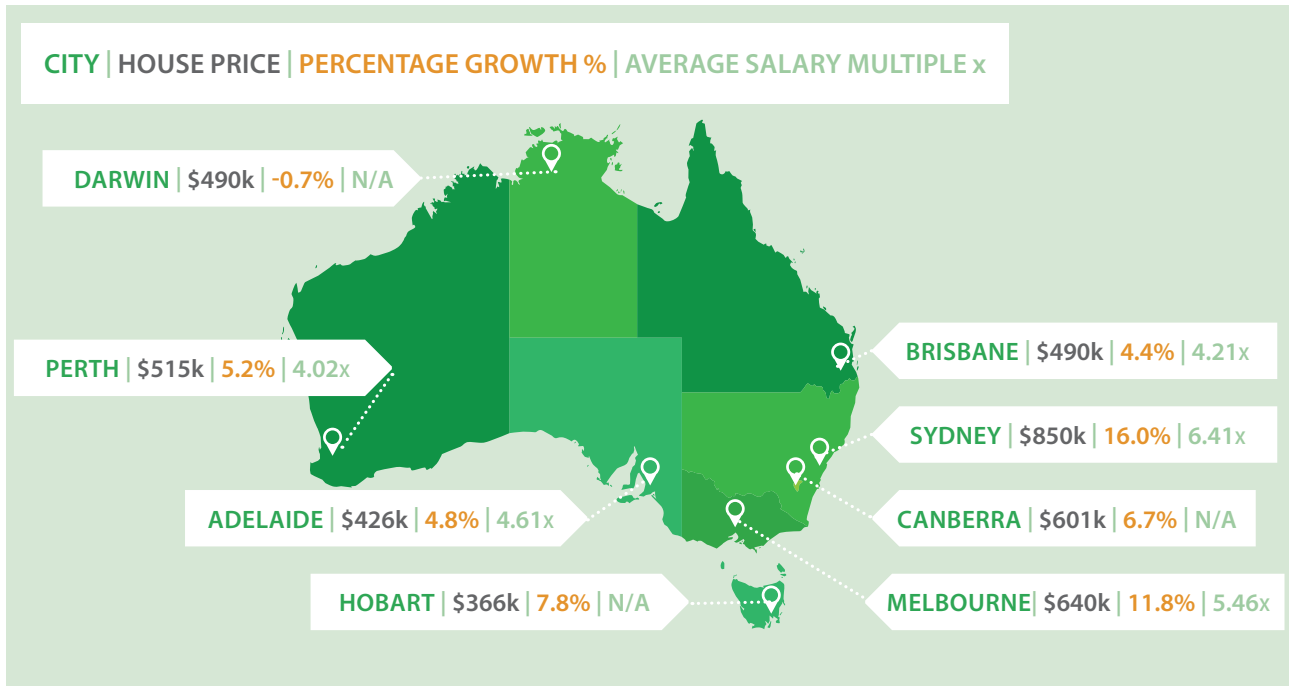


The challenge for home buyers - Affordability (January 2017 figures)



Median prices are based on sales over the three months to December 2016 and the figure is the combined median for houses and units. Percentage growth is calculated on the change in the Core Logic RP Data Index to 31 December 2016. Price-to-Income multiple not too changed over past 10 years but over 20 years it has doubled.

According to recent statistics (ABS Sept 16) first home buyer numbers continue to fall, now down to 13% of new lending activity from peak levels of 31.4% since May 2009. Buoyed by low interest rates and stable employment conditions consumers have spurred a mini-property boom of sorts over the past 5 years with property prices up nationally and increasing pressure on first home buyers to match entry prices being reached in the market.

ABS House Price to Income Data Table – 1977 to 2016

The supporting data table demonstrates house price to median income multiples increasing from an average of 2.5 times income in the late 1990s to now effectively 6 times income. This is placing many prospective young people out of the market. Such a growing affordability gap is addressed by the P2C[®] wealth management product. The P2C[®] product is an attempt to protect parents' wealth when they do assist their children, and at the same time enable children to enter the housing market without need for asking mum and dad to put their wealth at risk through bank guarantees.

Year	SYDNEY		MELBOURNE		BRISBANE		ADELAIDE		PERTH	
(1977)	43,000	2.98	40,200	2.79	31,000	2.15	32,800	2.28	33,400	2.32
(1987)	115,200	5.08	91,000	3.85	62,000	2.63	77,100	3.27	61,200	2.59
(1993)	186,500	5.95	143,400	4.57	125,000	3.99	113,200	3.61	107,200	3.42
Nov-94	209,000	3.09	123,000	1.91	146,000	2.43	120,000	2.14	140,000	2.17
Nov-95	214,000	3.23	123,000	1.97	143,000	2.39	116,000	2.03	139,000	2.15
Nov-96	219,000	3.24	127,000	1.97	142,000	2.29	115,000	2.04	138,000	2.05
Nov-97	232,000	3.29	143,000	2.12	145,000	2.21	120,000	2.28	145,000	2.16
Nov-99	281,000	3.80	181,000	2.45	148,000	2.26	132,000	2.19	161,000	2.31
Nov-00	298,000	4.09	198,000	2.79	156,000	2.49	138,000	2.37	171,000	2.45
Nov-02	444,000	6.00	280,000	3.81	208,000	3.17	195,000	3.08	206,000	2.94
Nov-03	520,000	6.35	320,000	4.20	296,000	4.27	248,000	3.61	250,000	3.41
Nov-05	500,000	5.71	332,000	4.10	320,000	3.97	280,000	3.89	340,000	4.16
Nov-07	540,000	5.51	410,000	4.33	415,000	4.30	358,000	4.43	480,000	4.72
Nov-09	595,000	6.26	478,000	5.31	455,000	5.08	399,000	4.86	505,000	4.80
Nov-11	533,000	5.36	495,000	5.37	430,000	4.57	385,000	4.65	480,000	4.35
Nov-13	650,000	6.04	497,000	4.85	443,000	4.10	395,000	4.61	529,000	4.13
Nov-14	792,000	6.95	615,000	5.79	470,000	4.23	415,000	4.62	540,000	4.10
Nov-15	940,000	8.04	675,000	6.24	490,000	4.48	429,600	4.69	520,000	3.92
Nov-16	920,000	7.82	665,000	6.05	504,000	4.58	436,000	4.64	495,000	3.75

Average Price to Household Income multiple = 5.96x June 2016 (1994: 2.94x)

Price - Median price of established home

Price-to-income Ratio (PIR) median price to mean household income (state/territory)

Sources: RPData and RBA & ABS income series mean household income by state

This publication does not constitute financial advice and should not be relied upon as such. It is intended only to provide a summary and a general overview on matters of interest and it is not intended to be comprehensive. You should seek your own financial or other professional advice before acting or relying on any of the content.

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