

<b>Paper Title:</b>	Questions on notice following Australian Bureau of Statistics' Submission to the House of Representatives Home Ownership Inquiry
<b>Issue:</b>	Key ABS data sources relevant to home ownership in Australia
<b>Action:</b>	For Information
<b>To:</b>	The House of Representatives Economics Committee Inquiry into Home Ownership
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## 1. Purpose

This paper presents responses to questions on notice from House Economics Committee members during the Australian Bureau of Statistics' (ABS) appearance at the Home Ownership Inquiry on 26 June.

## 2. Questions on notice

Please refer to Appendix 2 for an extract from the Inquiry's transcript listing ABS' questions on notice. These responses are compiled from currently available data sources. The ABS Survey of Income and Housing (SIH), with specific results published in *Housing Occupancy and Costs, Australia* (cat.no. 4130.0) is the most appropriate data source for data on home ownership. The latest results are for the 2011-12 reference year, while data for 2013-14 will be released in the second half of 2015.

### 2.1. Home ownership and home purchases compared with interest rates (question 1 in Appendix 2)

Figure 1 below compares home ownership rates with interest rates.

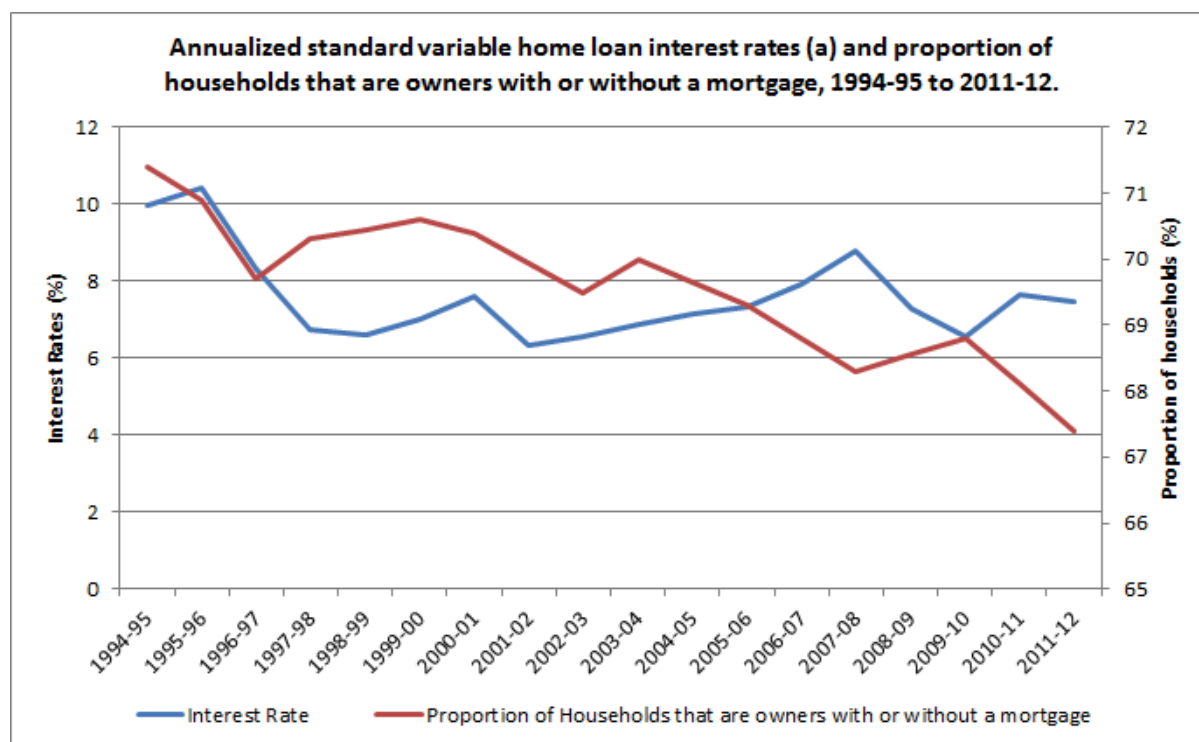


Figure 1 - Source: ABS data available on request, *Housing Occupancy and Costs* (cat.no. 4130.0); (a) Standard variable home loan refers to banks standard variable rate for housing loans. Source: RBA - Statistical Tables - Indicator Lending Rates

Figure 2 compares dwelling transfers, a measure of home purchases, with interest rates.

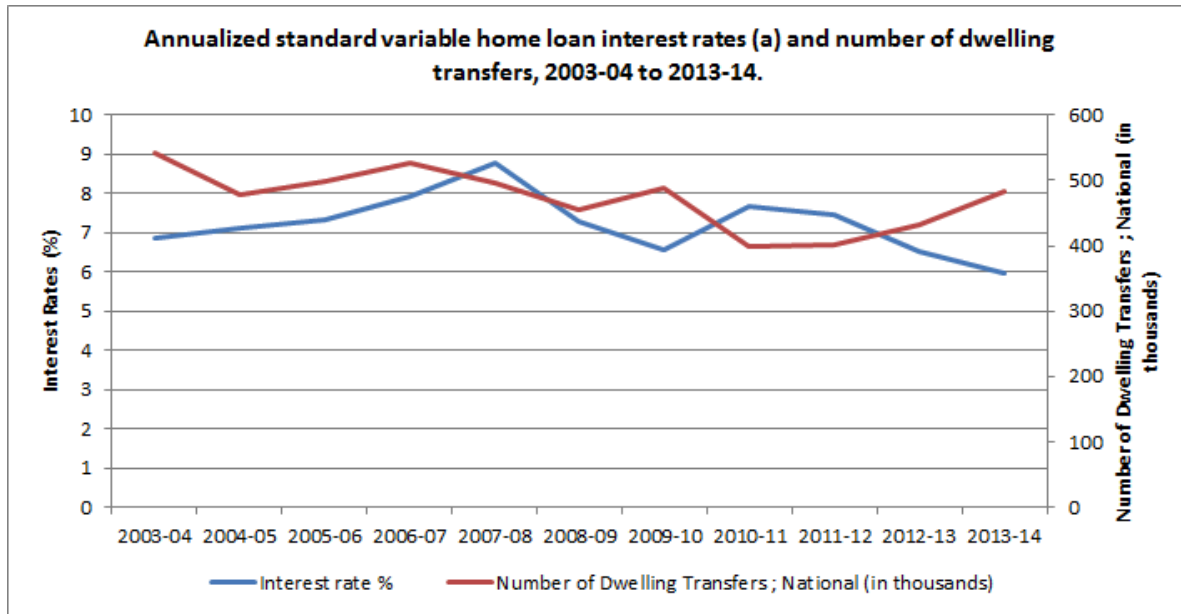


Figure 2. – Source: ABS Residential Property Price Indexes (cat.no. 6416.0);  
(a) Standard variable home loan refers to banks standard variable rate for housing loans.  
Source: RBA - Statistical Tables - Indicator Lending Rates

**2.2 Investment property ownership** (question 2 in Appendix 2)

The ABS does not collect data on the proportion of Australia’s dwelling stock owned by investors. However, *Housing Finance, Australia* (cat.no. 5609.0) presents statistics on housing loans to investors as a proportion of total housing loans as shown in Figure 3.

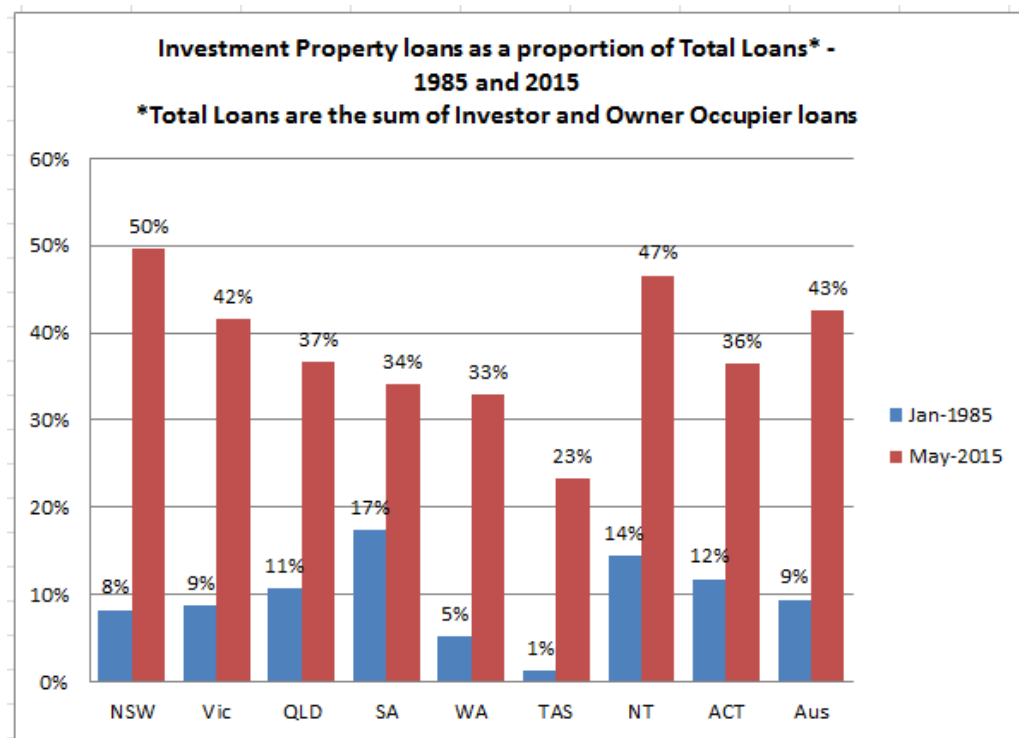


Figure 3. from Australian Bureau of Statistics, *Lending Finance, Australia* (cat.no. 5671.0)

### 2.3 Population growth and housing prices (question 3 in Appendix 2)

The ABS does not currently compile measures specifically comparing population growth and house prices.

It is difficult to present informative statistics on the effects of population size or household formation on house prices. Whilst it is possible to compare population growth to dwelling prices for capital cities, any meaningful comparison between the two should be supplemented with a measure of net dwelling supply and/or a measure of dwelling supply gap. As mentioned in the referenced submission from Treasury, previous work by the National Housing Supply Council (NHSC) did estimate a dwelling supply gap using various models of household formation and dwelling supply. The final NHSC report for 2014 is attached here <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2014/NHSC>.

### 2.4 Population growth figures for the December 2014 quarter (question 4 in Appendix 2)

Australia's population growth has slowed recently. It grew by 1.4% during the year ended 31 December 2014, compared with 1.6% in the year ended 31 December 2013 and 1.8% for year ended 31 December 2012. The 5-year average annual growth rate for Australia is 1.6% and the 10-year average annual is 1.7% as at 31 December 2014.

Please note there are no assumptions in the Estimated Resident Population data. It is a measure of the population which takes the latest Census figures into account and the estimates are then updated using actual births, deaths and migration data every quarter.

### 2.5 Population growth compared to that assumed in the *Intergenerational report* (question 5 in Appendix 2)

Estimated Resident Population is currently tracking at a growth rate very close to that projected in the *Intergenerational report*. Australia's population grew by 1.4% for the year ended 31 December 2014, compared with 1.3% as the long-run annual assumption implied by the Report's projections out to 2055.

### 2.6 Peaks in home ownership rates (question 6 in Appendix 2)

The data referring to a peak of home ownership of 73.4 per cent in 1981 is sourced from a study by the then Department of Family and Community Services (FACS). The study adjusted home ownership rates from a variety of sources including the Census and ABS sample surveys, to allow the authors to analyse the effects of changes in the composition of the population on home ownership levels. The data produced by FACS do not therefore match published Census data. The method used is explained in *W. Mudd, H. Tesfaghiotrghis and J. Rob Bray, Some issues in home ownership, Policy Research Paper No. 17, Department of Family and Community Services, 2001*.

The data presented by Treasury in Chart 1 of their submission show long term trends in home ownership using Census data since 1911. The Census is designed to provide a snapshot on the nature of occupancy of the dwelling stock in Australia on Census night and is a suitable indicator of long term trends in home ownership. The ABS Survey of Income and Housing (SIH) is however a more appropriate source of information on home ownership trends but is only available from the mid-1990s. This being said, Census results are comparable with SIH data. Results from the SIH show home ownership declining from 71 percent in 1994-95 to 67 percent in 2011-12.

## 2.7 Home ownership rates by age by area (question 7 in Appendix 2)

Table 1 attached in Appendix 1 provides home ownership rates broken down into age groups by state and territory for each capital city and the balance of each state/territory. For example, home ownership rates in Australia in the 15-34 and 35-54 age groups have decreased steadily, while home ownership in the '55 or more' age group has been relatively stable since 1994-95.

## 2.8 Residential property price index qualitative adjustments (question 8 in Appendix 2)

A pure price index is compiled by pricing the same product(s) over time and by removing quality from the price change as it occurs. In the case of a residential property price index, producing a pure price index requires the removal of quality changes of individual dwellings. To do this a range of characteristics of individual dwellings should be held constant, for example the number of bathrooms and bedrooms. A residential property pure price index provides a measure of the change in price which is not due to changes in any of the characteristics of the dwelling. The ABS stratification method adjusts for quality by holding some price determining characteristics of dwellings constant. This produces Residential Property Price Indexes (RPPIs) which are reasonable measures of pure price change.

The ABS RPPIs stratify dwelling transactions by dwelling type, long term median price and Socio-Economic Indexes for Areas (SEIFA). <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6464.0MainFeatures32014?opendocument&tabname=Summary&prodno=6464.0&issue=2014&num=&view=-F2> Similar dwellings (not exactly the same dwellings) are priced each period. Changes in other characteristics of the dwelling stock are not removed from the price index. These other characteristics include the number of bedrooms, bathrooms and land size and are not used to stratify the dwelling transactions in the ABS RPPIs.

### 2.9.1 House sizes (question 9 in Appendix 2)

ABS published feature articles sourced from the Building Activity Survey on average floor area of **completed** new residential dwellings: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/8752.0Feature%20Article1Jun%202013?opendocument&tabname=Summary&prodno=8752.0&issue=Jun%202013&num=&view=>

The Building Activity Survey is a sample survey of all approved building jobs across Australia. The data published in these feature articles is generally as detailed as possible.

Floor area of **approved** dwellings is also available on request from the Building Approvals collection, and is produced monthly. Average floor area is produced for approved new houses and new total residential dwellings only. Floor area data from this collection can be generated.

The quality of reported floor area is quite volatile across states/sectors for Building Approvals collection, though marginally better for Building Activity Survey.

### 2.9.2 Housing cost breakdowns (question 9 in Appendix 2)

ABS does not produce statistics providing a breakdown of housing costs into the land component, the dwelling and improvements.

Dwelling approvals are however broken down. Building approvals statistics are released according to the Functional Classification of Buildings (FCB), 1999. A detailed description of the FCB can be found here:

[http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/1268.0.55.001Contents1999%20\(Revision%202011\)?opendocument&tabname=Summary&prodno=1268.0.55.001&issue=1999%20\(Revision%202011\)&num=&view=](http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/1268.0.55.001Contents1999%20(Revision%202011)?opendocument&tabname=Summary&prodno=1268.0.55.001&issue=1999%20(Revision%202011)&num=&view=)

Within 'residential', the following subcategories exist:

- 11 Separate, kit and transportable houses (*though note we do not release data finer than this level*)
  - 111 Separate House
  - 112 Kit Houses
  - 113 Transportable or relocatable houses
- 12 Semi-detached, row or terrace houses, townhouses
  - 121 One storey
  - 122 Two or more storeys
- 13 Flats, units or apartments
  - 131 In a one or two storey block
  - 132 In a three storey block
  - 133 In a four or more storey block
  - 134 Attached to a house
- 191 Other residential buildings n.e.c.

## 2.10 Building approvals breakdown into dwelling type (question 10 in Appendix 2)

Building Approvals data is released monthly in the Building Approvals, Australia (cat. no. 8731.0) publication. A link to the May 2015 publication can be found here:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8731.0Main+Features1May%202015?OpenDocument>

Number and total value of residential dwelling units approved for the breakdown requested can be found by examining Tables 20 and 22-29 in the 'Downloads' tab of the above release. Number of dwellings approved is broken down into the following categories:

- Houses
- Semi-detached, row or terrace houses, townhouses
  - One Storey
  - Two or more storeys
- Flats, units or apartments
  - In a one or two storey block
  - In a three storey block
  - In a four or more storey block (*this includes the "high-rise" unit developments referred to in the question*).

## 2.11 Wage measures (question 11 in Appendix 2)

The ABS publishes a variety of information on wages and salaries, from both household and employer surveys, which provide a wide range of data. The purpose and type of analysis required will determine which collection is best suited as differences in scope, coverage and methodology may provide differing results. Information about wages and salaries paid to employees is used for many purposes including economic analysis, social research, policy formation and evaluation, and research by employer and employee associations.

A comprehensive article looking at the various wage and salaries measures produced by the ABS can be found in the most recent release of Australian Labour Market Statistics, July 2014 (6105.0). The article titled

"Understanding Earnings in Australia using ABS Statistics" outlines the information available and explains the strengths and limitations, making comparisons across the main wage and salaries earnings measures.

Australian Labour Market Statistics, July 2014 (6105.0) - Article "Understanding Earnings in Australia using ABS Statistics"

<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/D6EEC901BCC8C540CA257D0E001AC5AC?opendocument>

### **2.12 Housing costs as a proportion of income** (question 12 in Appendix 2)

Table 2 attached in Appendix 1 tracks housing costs as a proportion of income over time.

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Wednesday, 29<sup>th</sup> July 2015