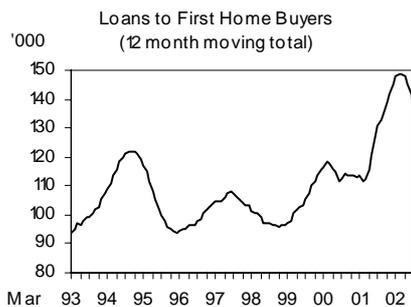


AUSTRALIAN HOUSING MARKET : STATISTICAL UPDATE – June 2002

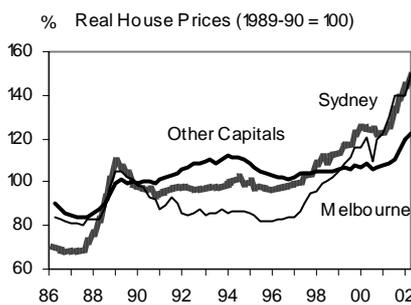
Home Ownership



ABS 5609.0

- # In 2001-02 an estimated 141,800 loans were made to first home buyers. This is well above previous highs and the 10-year annualised average of 107,000. Lending has however been moving downwards over recent months.
- # Impetus to this lending was given by the First Home Owner Grant. A grant of \$14,000 was available for buyers of new homes up to 31 December 2001. Between 1 January and 30 June 2002 the grant was \$10,000. The amount of the grant has now reverted to \$7,000.
- # Expressed as a proportion of total households that recorded an explicit tenure, the 2001 Census shows a home ownership rate of 70.6%, compared with 69.8% in 1996. Outright ownership fell from 42.8% in 1996 to 42.2% while purchasing rose from 26.5% to 27.7%. 'Rent/buy' also rose from 0.5% to 0.7%.
- # Over this period the ownership rate rose in each state other than Queensland and in the territories, and in all capital cities except Brisbane. By states ownership in 2001 ranged from 75.3% in Victoria, to 69.1% in NSW, and 66.6% in Queensland; the NT rate was 47.1%.

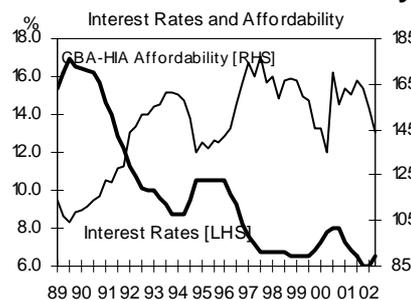
House Prices and Commencements



ABS 6416.0

- # The 18.9% rise in the ABS established house price index in the year to June 2002 was double the average of the two preceding years, and the biggest since the rise of 33% in 1988-89.
- # Over the year the index rose strongly (by 17% or more) for most capital cities. Real established house prices are at record levels in all capitals other than Hobart and Darwin.
- # Project home prices (ABS index), which rose strongly in the September quarter 2000 with the introduction of the New Tax System, after an initial period of stability have picked up moderately in 2001-02 – as also has the building materials price index.
- # Residential building activity, which had fallen strongly in 2000-01, has recorded substantial recovery with the value of work done on new residential buildings (chain volume, seasonally adjusted) up 36% over the four quarters to June 2002.
- # The building approvals series (seasonally adjusted) for private dwellings, which peaked at October 2001 before slipping back, has picked up again in the June quarter 2002.

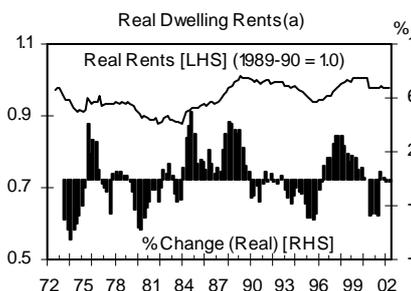
Home Purchase Affordability



CBA-HIA Housing Report

- # In May and June 2002 there were two rises in bank standard variable mortgage rates. The rises, each of 0.25% point, matched those in the official cash rate. The new standard rate of 6.57% is similar to the rate applying for most of 1999, and rates remain low in historic terms.
- # The average size of all housing loans in the June quarter of 2002 was 10% higher than in the corresponding quarter of 2001.
- # Because of continued rises in its house price data, the CBA-HIA housing affordability index for the June quarter 2002 has fallen well below the peak levels around 1997. Both this and alternative measures show considerable variation between locations both in the absolute level of affordability and in trends.
- # Data from the 1999 Australian Housing Survey (AHS) suggest that many households access home ownership through lower-price market segments. Among those buying their first home between 1997-1999, 33% paid less than \$100,000 and 70% paid less than \$150,000. However, the availability of dwellings under \$150,000 varied widely between cities/regions.

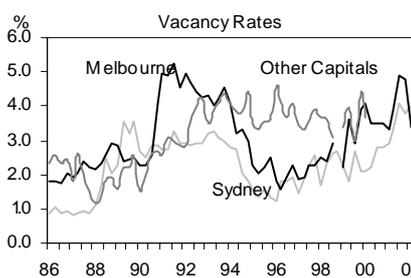
Rents



BS 6401.0 & CPI.03 (a) Real: Adjusted for inflation

- # In the year to June 2002, dwelling rents (ABS index) rose by 2.6%, slightly below the 2.8% overall (CPI) rate of inflation. In real terms rents have remained stable since September 2000.
- # While longer term trends in real rents are difficult to assess owing to the effect of the GST, it appears that the growth cycle apparent for the latter half of the 1990s may have finished.
- # Notwithstanding the aggregate long term stability in real rents, the index is at or near historic highs for the last 20 years in both Sydney and Melbourne. In contrast, in most other capitals real rents now are substantially below earlier peaks.
- # To the extent housing quality has increased, actual rents for all rental dwellings on average may have grown more strongly than the underlying rent index series, which measures rents for constant quality accommodation.
- # Median entry rents (REIA data) rose rapidly in the year to June 2002 for both houses and flats in Brisbane, Canberra and Hobart. In contrast, they remained relatively stable in Sydney.

Rental Supply



REIA – Market Facts

- # While varying between markets, trends in vacancy rates to June 2002 suggest adequate or excess levels of rental supply, except possibly in Canberra and more recently in Hobart and Brisbane. Rises in vacancy rates since 1996 in Sydney, Melbourne and Perth probably in part reflect recent high levels of new home buying.
- # Census data show that the supply of private rental dwellings rose on average by 19,000 units a year between 1996 and 2001. While state rental bond board and other data indicate sizeable growth since the late 1990s, possibly related to increased first home buying there has been some slowing in 2001-02 in growth in bonds held by rental bond boards.
- # After strong growth over the four years to 1999-2000 and then easing in the December 2000 half year, the value of new lending for rental housing returned to high levels in 2001-02 with an increase of 54% for the financial year. This included a marked surge in the final quarter.

AUSTRALIAN HOUSING MARKET : CAPITAL CITIES SUMMARY – June 2002

	Sydney	Melbourne	Brisbane	Perth	Adelaide	Hobart	Darwin	Canberra	National
Current									
Median House Price \$(a)(b)	388,000	327,500	230,000	185,700	170,000	130,000	200,000	227,600	-
Rent 2 BR Flat \$pw (a)	265	190	190	139	145	140	170	235	-
Rent 3 BR H'se \$pw(a)	240	220	210	172	185	175	240	250	-
Vacancy Rate -% (a)(c)	4.6	3.8	4.1	4.5	n.a.	2.3	5.0	3.6	-
Annual Change (%)									
House Price – ABS (d)	21.7	19.0	21.3	10.8	17.0	7.3	3.2	16.7	18.9
House Price - REIA (a)(b)	22.8	12.5	26.4	12.1	14.7	8.1	7.0	12.1	-
House Price - CBA-HIA (e)(f)	19.8	22.9	24.6	19.0	25.6	8.3	n.a.	12.4	21.9
H'sg Affordability Index (e)	-12.9	-15.2	-15.3	-11.8	-16.8	-4.7	n.a.	-7.0	-10.6
Dwelling Rent - ABS (g)	2.5	2.6	2.4	2.0	3.0	2.4	0.2	5.7	2.6
Priv. Rent REIA 2 BR (a)	0.0	2.7	8.6	4.5	11.5	12.0	-5.6	20.5	-
Priv. Rent REIA 3 BR (a)	2.1	12.8	10.5	6.2	0.0	9.4	0.0	8.7	-
Total CPI (h)	2.8	2.9	3.1	2.4	3.0	2.7	2.1	2.8	2.8

(a) REIA Market Facts, June 2002; (b) Median house prices are for June Qtr 2002 (Brisbane: Brisbane City Council area only). (c) Vacancy rates are estimated from estate agents' rent rolls, and express the ratio of vacant rental dwellings to the total roll for each city; a rate between 2-3% for Sydney or Melbourne suggests that a rental market is 'in balance' (refer note under 'Rental Supply' in text of front page; note: no vacancy series since June 2000 is available for Brisbane); (d) Established House Price Index, ABS, 6416.0, June Qtr 2002; (e) CBA-HIA Housing Report, June 2002 (a higher value indicates more affordable housing); (f) relates to median prices of established houses financed with Commonwealth Bank loans; (g) ABS, CPI Standard Data Report, 6455.0.40.001, June 2002 (note: the series on rents relates to both privately-owned and government dwellings); (h) ABS, CPI, 6401.0, June 2002

<p>New South Wales</p> <ul style="list-style-type: none"> # The rise in the Sydney established house price index in the year to June 2002 was more than double the average of the previous four years. The largest rise in the city's house prices (REIA) in the year was 26.7% in the outer zone. Flat prices rose strongly. # The rental vacancy rate at June 2002 for Sydney overall, and for each of the city's three zones, was well up on a year earlier. # The number of rental bonds held for Sydney tenancies rose by 1.4% in the year to June 2002, as against 2.9% a year earlier. # In the year to June entry rents (REIA) in Sydney were stable for two bedroom flats and up a little for three bedroom houses. 	<p>Victoria</p> <ul style="list-style-type: none"> # The increase in the Melbourne established house price index in the year to June 2002 was almost 40% greater than the average of the four preceding years. Rises in Melbourne's house prices (REIA) over the year to June 2002 ranged from 35.1% in the outer zone to 6.4% in the middle. Prices of flats rose strongly. # The Commonwealth Bank-HIA (CBA-HIA) indexes for Sydney, Melbourne and Adelaide show home ownership affordability levels at June 2002 well below earlier peak levels in 1997. # The vacancy rate at June 2002 was similar to that a year earlier. REIA entry rents for flats and houses in each of Melbourne's three zones rose at moderate rates in the year to June 2002.
<p>Queensland</p> <ul style="list-style-type: none"> # After rising quite slowly from 1994 to early 2001, the Brisbane established house price index rose rapidly in the three quarters to June 2002; this produced the largest annual rise since 1989. # Prices of flats (REIA) though eased in the year to June 2002. # In year to June 2002 the Brisbane rent index continued to rise faster than the low rates recorded between 1992-1999. Entry rents (REIA) in Brisbane rose strongly in the year to June. # The number of rental bonds held in the state rose by 0.7% in the year to June 2002, as against 3.3% in the preceding year. 	<p>Western Australia</p> <ul style="list-style-type: none"> # Large rises in the Perth established house price index in the three quarters to June 2002 led to the biggest annual rise since 1989. # Median prices (REIA) for both houses and flats in each zone of Perth rose strongly in the year to June 2002. # The rise in the Perth rent index in the year to June 2002 was close to the average for the previous three years. Rises in entry rents in the year to June 2002 were in contrast to falls a year earlier. # The Perth rental vacancy rate for the June quarter 2002, at 4.5%, remained among the highest levels since 1996.
<p>South Australia</p> <ul style="list-style-type: none"> # The rise in the Adelaide established house price index in 2001-02 was the largest recorded since 1987. REIA median prices rose rapidly in all zones of the city in the year to June. # The Adelaide rent index continues to rise modestly. # In the year to June 2002 entry rents (REIA) in Adelaide were stable for houses but up considerably for flats. Sales of rental dwellings for owner-occupation have reduced the rental stock. 	<p>Tasmania</p> <ul style="list-style-type: none"> # The 7.3% rise in the Hobart established house price index in the year to June 2002 follows rises of 8.6% and 0.7% in the two preceding years and earlier stability. # In contrast to the modest net growth over the five preceding years, entry rents (REIA) for three-bedroom houses and two-bedroom flats in Hobart rose strongly in the year to June 2002. # The Hobart rental vacancy rate, following a period of volatility, has remained at historically low levels since September 2000.
<p>Northern Territory</p> <ul style="list-style-type: none"> # Reported house prices and private rents in the Territory are higher than in most other parts of Australia. This may reflect the comparatively large role of public and community housing. # The established house price index has risen slowly since 1997. # After falling over the two preceding years, the ABS rent index for Darwin was stable in the year to June 2002. Over the year entry rents (REIA) for houses were stable; those for flats fell. # Darwin's vacancy rate at June 2002 was the lowest since 1997. 	<p>Australian Capital Territory</p> <ul style="list-style-type: none"> # The Canberra established house price index rose rapidly in the year to June 2002. It had barely risen from 1993 to 1999. # In the three years to June 2002 the rent index for Canberra rose the fastest of any city; it had fallen each year between 1993-1998. # Entry rents (REIA) rose strongly in the year to June 2002, particularly for flats, reflecting limited availability. # Relatively high private rents in Canberra reflect higher housing and locational amenity in the city.

Additional sources: ABS, Housing Finance for Owner Occupation, 5609.0, July 2002; ABS, Building Approvals, 8731.0, June 2002; ABS, Building Activity, 8752.0, March Qtr 2002; ABS, Construction Work Done, Preliminary, 8755.0, June Qtr 2002; ABS, Australian Housing Survey, 4182.0, 1999; Mortgage Rates, Reserve Bank. Notes on chart on 'Rental Supply' on previous page: (1) quarterly data charted to Sept. 1998 are averages of published monthly Vacancy Rates, while data from Dec. 1998 onwards relate to last month of quarter only; (2) gaps in charted series for Dec. 1998 are due to non-availability of rate data for Melbourne and Brisbane; the gap since March 2000 is due to non-availability for Brisbane.

Spatial and Distributional Analysis Section, Department of Family and Community Services