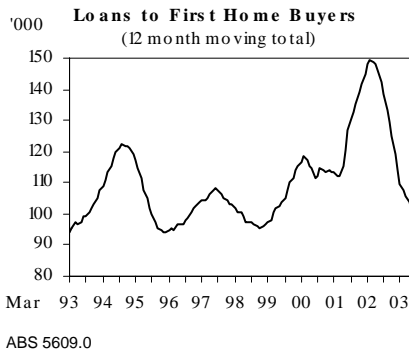
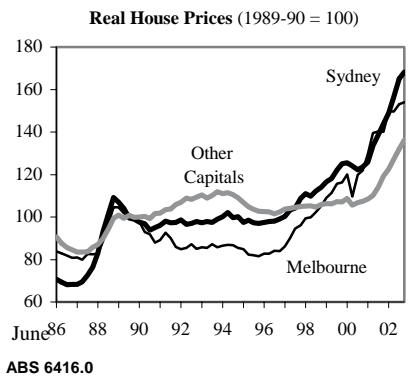


AUSTRALIAN HOUSING MARKET : STATISTICAL UPDATE – June 2003

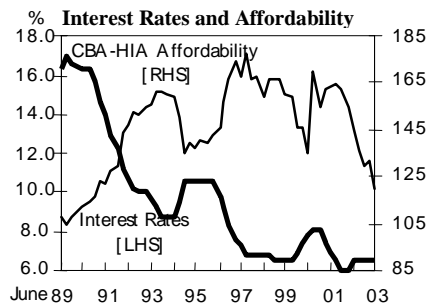
Home ownership



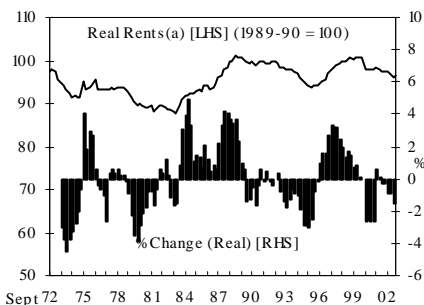
Prices and commencements



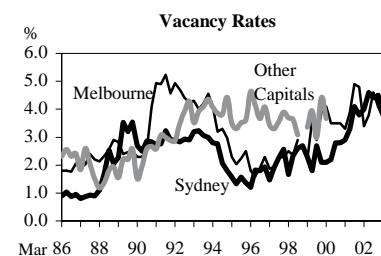
Home purchase affordability



Rents



Rental supply



- # The estimated number of loans made to first buyers in 2002–03 was 99 600. This is below the average for the 11 years to 2001–02 of 107 800, and well down on the high preceding annual totals—142 300 in 2001–02 and 127 100 in 2000–01. The proportion of lending going to first home buyers has slipped from 25% in the second half of 2001 to under 14% in June 2003. This is a third lower than the long-term average of just over 20%.
- # The buoyant lending to first buyers in 2001–02 reflected a number of factors, including the First Home Owner Grant.
- # 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% as did 'rent/buy' from 0.5% to 0.7% (based on proportion of households with explicit tenure).
- # By states ownership in 2001 ranged from 75.3% in Victoria, to 69.1% in NSW, 66.6% in Queensland, and 47.1% in the NT.
- # The 18.0% rise in the ABS established house price index in the year to March 2003 was the seventh consecutive quarter with an annual double-digit rise, and among the largest since the 38% rise in the year to the March 1989 quarter.
- # In most capitals the annual rise in the index continued to be very large by historical standards, and in all capitals other than Hobart and Darwin, real established house prices are at record levels.
- # This strong price increase is not reflected in changes in either the costs of materials nor in the cost of project homes (excluding land) both of which have remained stable in real terms over the past three years.
- # Private house commencements in the March 2003 quarter, though well below the September 2002 quarter peak, were still much closer to the high quarterly averages for 2001–02 and 1999–2000 than to the subdued average for 2000–01. In contrast, 'other dwelling' commencements for March 2003 were down on the two preceding quarters but above the 2001–02 and 1999–2000 averages.
- # Mortgage interest rates remain low, with the current bank standard variable mortgage rate of 6.57% stable since June 2002.
- # Notwithstanding this, house price increases have severely impacted on affordability. The CBA-HIA housing affordability index for the June quarter is at a 13 year low. Both this and alternative measures though show considerable variation between locations both in absolute affordability levels and in trends.
- # In August 2003 the Treasurer asked the Productivity Commission to instigate an inquiry into the affordability and availability of housing for first home buyers.
- # The number of loan commitments for owner-occupied housing fell slightly in 2002–03, after rising by 14% in 2001–02. However, the value of all loans has increased and the average loan size rose 13% to \$178 300 between the June 2002 and June 2003 quarters.
- # In the year to June 2003, dwelling rents (ABS index) rose by 1.6%, below the 2.7% overall (CPI) rate of inflation. In real terms rents have fallen a little since September 2000 and it appears that the growth cycle apparent for the latter half of the 1990s has now finished.
- # Notwithstanding the aggregate long-term stability in real rents, relative levels differ between capitals. The index is a little lower than its historic highs of the last 20 years in both Sydney and Melbourne. In contrast, in most other capitals real rents now are far 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 for houses (REIA data) rose relatively strongly in the year to March in most capitals. In contrast they were relatively stable in Sydney.
- # Vacancy rates in March 2003 suggest adequate or excess levels of rental supply in Sydney and Melbourne as well as Perth and Darwin. In contrast rates are below 2% in Brisbane, Adelaide and Canberra; this is low for these smaller cities and suggests a tight market.
- # Rental bond board and other data point to sizeable growth in the supply of rental dwellings in 2002–03. This appears to have been well ahead of the average annual increase of 19 000 units between 1996 and 2001, as shown by the Census data. While a slowing in growth in bonds held by the bond boards was evident in 2001–02, this has now been reversed.
- # After a recovery of 52% in 2001–02, the value of new lending for rental housing in 2002–03 surged by 37%. Lending rose moderately between the first and second halves of 2002–03.

AUSTRALIAN HOUSING MARKET : CAPITAL CITIES SUMMARY – June 2003

	Sydney	Melbourne	Brisbane	Perth	Adelaide	Hobart	Darwin	Canberra	National
Current									
Median house price \$(a)(b)	460 000	347 000	265 000	202 600	201 000	165 000	215 000	265 000	
Rent 2 BR flat \$pw (a)	270	n.a.	200	143	150	145	180	250	
Rent 3 BR house \$pw(a)	245	n.a.	225	177	190	185	240	270	-
Vacancy rate % (a)(c)	3.9	3.7	1.6	3.9	1.7	2.2	6.1	1.9	-
Annual Change (%)									
House price – ABS (d)	20.9	13.7	21.9	12.3	20.6	13.2	7.5	18.4	18.0
House price – REIA (a)(b)	23.8	9.6	20.5	12.5	19.3	21.3	10.3	17.8	-
House price – CBA-HIA (e)(f)	28.9	19.3	35.4	23.3	16.3	45.5	n.a.	39.6	22.5
Housing Affordability Index (e)	-17.8	-13.1	-24.0	-13.4	-11.0	-30.6	n.a.	-27.6	-17.8
Dwelling rent – ABS (g)	0.4	1.7	3.5	1.3	3.7	3.1	1.1	4.9	1.6
Private rent REIA 2 BR (a)	0.0	n.a.	5.3	2.9	3.4	7.4	5.9	19.0	-
Private rent REIA 3 BR (a)	2.1	n.a.	7.1	6.0	5.6	8.8	0.0	8.0	-
Total CPI (h)	2.4	2.9	2.7	2.1	3.7	2.8	2.1	2.6	2.7

(a) REIA Market Facts, March 2003; (b) Median house prices are for March 2003 quarter (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 first dot point under 'Rental Supply' in text of front page; note: vacancy rate data have not been available in some quarters for some cities since June 2000); (d) Established House Price Index, ABS, 6416.0, March 2003 quarter; (e) CBA-HIA Housing Report, June 2003 (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 2003 (note: the series on rents relates to both privately-owned and government dwellings); (h) ABS, CPI, 6401.0, June 2003

<p>New South Wales</p> <ul style="list-style-type: none"> # The 20.9% rise in the Sydney established house price index for the year to March 2003 followed a 20.0% rise in the preceding year. Within Sydney the largest rise in median house prices (REIA) in the latest year was 29.2% in the middle zone. # Prices of flats (REIA) rose less rapidly, by 14%, over the year. # Entry rents (REIA) for Sydney remained generally stable. # Sydney's rental vacancy rate at March 2003, while lower than the three preceding quarters, was high by historical standards. # The number of rental bonds held for Sydney tenancies rose by 3.2% in the year to March 2003, up from 1.2% a year earlier. 	<p>Victoria</p> <ul style="list-style-type: none"> # The 13.7% rise in the Melbourne established house price index in the year to March 2003 compares with rises of 18.3%, 11.1% and 13.7% respectively in the three preceding annual periods. # Rises in median house prices (REIA) in Melbourne over the year to March 2003 ranged from 23.8% in the inner zone to 10.5% in the middle. Prices of flats, for the city overall, rose by 14.3%. # Melbourne's vacancy rate was above March 2001 and 2002 levels. # Modest falls in the real rent index for Melbourne since September 2000 have been associated with historically high vacancy rates in these cities. Similar situations have applied in Sydney and Perth.
<p>Queensland</p> <ul style="list-style-type: none"> # After nine years of slow growth, the Brisbane ABS established house price index has risen rapidly since September 2001. # Median house prices (REIA) over the year to March 2003 rose by 40% in Brisbane's middle zone and 75% in the outer zone. # In the year to June 2003 the Brisbane rent index continued to rise faster than the low rates between 1992–1999. REIA entry rents in the city rose considerably over the year to March 2003. # While the number of rental bonds held in the state rose by 2.9% in the year to June, the city's vacancy rate at March was low. 	<p>Western Australia</p> <ul style="list-style-type: none"> # Faster growth in the Perth established house price index since September 2001 has led to the biggest annual rise since 1989. # Median prices (REIA) of both houses and flats rose by 11% or more in each zone of Perth in the year to March 2003. # In the year to June 2003 the Perth rent index continued to rise by less than the national average. There were substantial annual rises in REIA entry rents for houses in Perth's middle and outer zones. # The Perth rental vacancy rate at March 2003, although a little lower than a year earlier, has remained at historically high levels.
<p>South Australia</p> <ul style="list-style-type: none"> # The Adelaide established house price index rose by 20.6% in the year to March 2003, up from 15.3% in the preceding year. # Median house and flat prices (REIA) rose rapidly over the year in most zones of the city. Middle zone house prices rose 27%. # The Adelaide rent index continued to rise comparatively fast. # Entry rents (REIA) rose considerably over the year to March 2003 for three-bedroom houses in the city's inner and outer zones. Available properties were continuing to be let quickly. 	<p>Tasmania</p> <ul style="list-style-type: none"> # The 13.2% rise in the Hobart established house price index in the year to March 2003 followed rises of 6.2% and 4.0% in the two preceding years and little net movement between 1994 and 1999. # Median flat prices in Hobart rose 43.7% in the year to March. # In contrast to the modest net growth over the five years to 2001, entry rents (REIA) rose strongly in the year to March 2003. # 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 many other parts of Australia. This may reflect the comparatively large role of public and community housing. # After only slight net growth between 1997–2001, the Darwin established house price index has picked up since late 2001. # While the ABS rent index for Darwin rose modestly in the year to March 2003, it remains below the levels reached in 1999. # After a big fall in 2002, the Darwin vacancy rate has picked up. 	<p>Australian Capital Territory</p> <ul style="list-style-type: none"> # The Canberra established house price index has continued to rise rapidly since early 2001; it had barely risen from 1993 to 1999. # In the four years to March 2003 the rent index for Canberra rose the fastest of any city. It had fallen each year from 1993 to 1998. # Reflecting high overall demand, entry rents (REIA) in the year to March 2003 rose strongly for houses, and very strongly for flats. # 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, June 2003; ABS, Building Approvals, 8731.0, June 2003; ABS, Building Activity, 8750.0, March 2003 Qtr; ABS, Building Activity, 8752.0, March 2003 Qtr; 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 September 1998 are averages of published monthly Vacancy Rates, while data from December 1998 onwards relate to last month of quarter only; (2) gaps in charted series for December 1998 are due to non-availability of rate data for Melbourne and Brisbane; the gap since March 2000 is largely due to non-availability for Brisbane and Adelaide.

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