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| <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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| <b>Review Officer:</b>  | Jacky Hodges  |

**QUESTION 1***(Transcript page 38)*

**CHAIR:** Do you have any statistics that would cause alarm if we were to look at interest rates going back to traditional levels—say six to seven per cent?

**Mr Zago:** We have not provided this in our submission, but we can provide a time series of home ownership rates and home purchases against interest rates. We can provide the information for you to make a judgement about the relationship between the two.

**QUESTION 2***(Transcript page 39)*

**CHAIR:** Earlier in the day we heard some evidence that the average of investment property ownership was 35 per cent nationally, 40 per cent for Melbourne and 50 per cent for Sydney. Is that correct or did I get that wrong?

**Ms Hodges:** We will take that on notice and check it for you.

**CHAIR:** I would appreciate that.

**QUESTION 3***(Transcript page 39)*

**Mr HUSIC:** If the ABS were able to draw on its previous work to answer this question, it would be enormously helpful, but I understand there may be some limitations. I am interested in exploring the interplay between various factors, notably drawing on some graphs that were provided by Treasury earlier today in relation to population growth. I am wondering whether or not you believe that any change in population growth would affect housing prices. In taking a look back on movements in these two areas, would the ABS be able to offer a view about the interrelationship between population growth or decline or slowing down of growth and housing prices?

**Mr Zago:** I think it is another example where we could provide the components of the information around population growth, household formation, the number of households in Australia over time and the relationship between those and house prices. We would not be able to provide guidance on the drivers around that or the relationship between the two, but I think we could definitely provide the information.

**Mr HUSIC:** If I can paraphrase what you just said, you would be able to draw on the stats on growth—either acceleration or deceleration of growth—and housing prices. You could do the stats on that but you would not be able to offer—

**Mr Zago:** We could confront those components. We have the information around population size and growth and household formation. We have information around dwelling stock on a five yearly basis from the census. We have information on house prices through the price index. So I guess we could bring those components together and you could make a judgement.

**QUESTION 4***(Transcript page 39)*

**Mr HUSIC:** The population figures for the December 2014 quarter seem to represent a slowdown compared to previous assumptions. Is that a fair assessment to make or conclusion to draw?

**Mr Zago:** I am not aware of those figures. We would need to take that on notice.

**QUESTION 5**

*(Transcript page 39)*

**Mr HUSIC:** Could population growth be slower than assumed in the *Intergenerational report* or the 2015 budget?

**Ms Hodges:** Population projections are built on a range of assumptions, so if those assumptions do not happen then yes, the scenario can change.

**Mr HUSIC:** Would you be able to draw a conclusion that population growth is slower than what was assumed in the *Intergenerational report* or the budget?

**Ms Hodges:** We would have to go back and look at the assumptions and what was in the *Intergenerational report* and compare that to our current estimated resident population to answer that. We could do that.

**QUESTION 6**

*(Transcript page 40)*

**Mr CRAIG KELLY:** Treasury this morning gave us a chart which shows that the highest percentage of homeownership was in the late 1960s, at around about 71 per cent. But I have seen other data that has referred to the ABS which showed a peak of 73.4 per cent in 1981. I have read some things and there are different ways of measuring this. Maybe you have adjusted the data over time to try and get accurate comparisons. Can you comment briefly on that?

**Mr Zago:** I do not have that time series here, so I would have to take that on notice. That sounds like a census time series. The time series that we would prefer to use would be the survey of income and housing, which provides a time series between that 1994 survey and the 2011-12 survey. Over that time, we saw a decline from 71 per cent to 67 per cent.

**QUESTION 7**

*(Transcript page 40)*

**Mr CRAIG KELLY:** In your data, do you also have the break-up of different age groups for homeownership?

**Mr Zago:** We do. I do not have all of that today, but we publish the breakdowns by age, by state and territory, by capital city or balance of state. So there are quite detailed breakdowns available for those rates.

**Mr CRAIG KELLY:** On the capital city and non-capital city breakdown, do you have rates of housing affordability for, say, Sydney metropolitan as compared to Melbourne metropolitan?

**Mr Zago:** No, it is states broken down by capital—for most states. For big states, we would be able to do that. It depends on the sample size and accuracy.

**Mr CRAIG KELLY:** So we would be able to do a time series analysis of homeownership rates in, say, metropolitan Sydney once you get this next lot of data out?

**Mr Zago:** Yes, that is right. At the moment in our publication we have homeownership rates by state and territory and for each capital city. They all seem to be accurate. They do not have caveats around sample size and accuracy, so they should be publishable.

**Mr CRAIG KELLY:** If I went to that data now, I could see rates from 1994 to 2011 for Sydney. Could I also see age demographics in Sydney as well, or just Sydney?

**Mr Zago:** You get to a limit at some point. I am not sure where it would be.

**Mr CRAIG KELLY:** I am interested in how far down you can break it.

**Ms Hodges:** We can look at that for you.

**Mr Zago:** We could put that together.

**QUESTION 8**

*(Transcript page 40-41)*

**Mr CRAIG KELLY:** ... My other question is this. You do some analysis on housing prices. I know when you do grocery prices, for example, the price of a standard carton of eggs, bottle of milk or jar of vegemite changes over time and you might make some qualitative assumptions. Do you do that in housing as well? You have probably seen anecdotally a decline in the average land size but maybe an increase in the size of the

house. How do you account for those factors when you are looking at housing prices, or do you just take the raw number?

**Ms Hodges:** We might need to take that on notice. I do have the publication here but it has been a little while since I worked on housing finance.

#### QUESTION 9

*(Transcript page 41)*

**Mr CRAIG KELLY:** Do you have data on the size of the house that shows if the average size of a house has increased? Or is it the housing association that would have that?

**Ms Hodges:** It is not in our residential property price indexes. I do not think they go into that detail.

**Mr Zago:** In the survey we collect the number of bedrooms. We have some information around that and we know that it has increased a little bit over time. So there is some of that type of information available about houses too.

**Mr CRAIG KELLY:** From the data that you have, is there any possibility of breaking down the cost? We have an index of housing costs for the raw price of housing. Is there any way of having an index of, say, the land component, as opposed to the actual, physical house component and the improvements?

**Ms Hodges:** I am not sure that we have that, but we can take it on notice and check.

#### QUESTION 10

*(Transcript page 41)*

**Mr CRAIG KELLY:** Is there anything in your data that would enable us to compare, say, high-rise unit developments with standalone detached houses in those building approval numbers?

**Ms Hodges:** It is probably in the terminology that we use. You can actually look at other residential versus residential separate houses. We could get you something if there was a particular interest that you wanted to look at.

#### QUESTION 11

*(Transcript page 41-42)*

**Dr CHALMERS:** We know that the wage price index is historically soft in terms of wage growth. What do you think are the main reasons that the stats on house prices are not tracking the growth in wages? I used as an example for our friends from Treasury that house prices in Sydney have grown 115 per cent since 2002 when that wage series began, whereas wages have only grown 55 per cent and then the national number is: house price index, 77 per cent growth; wage growth 48 per cent. In the work of the Australian Bureau of Statistics, what are the reasons that one is growing so much faster than wages?

**Ms Hodges:** The ABS's role is to put out the information and then we leave it with Treasury and other agencies to actually analyse and say what the drivers are. We present the information but we do not go in and provide commentary around the differences.

**Dr CHALMERS:** In that context, can I ask you to perhaps supplement what is an otherwise very good brief and provide the committee an analysis of the various wages measures?

**Ms Hodges:** We can do that.

#### QUESTION 12

*(Transcript page 42)*

**CHAIR:** Following on from Dr Chalmers' questions, in this period of time that saw the doubling of house prices compared to wage increases—if I understood that correctly—when you consider the more than halving of the interest rate during that period of time, would that not provide an explanation?

**Mr Zago:** As I said earlier—

**CHAIR:** You come back to the monthly payment is going to be the same.

**Mr Zago:** Again, I am not sure of the drivers, but when we look at our time series, housing costs have basically tracked with income as a proportion of income over time. So there is some kind of balancing happening there, I suspect. We can provide that data as well.