

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Social Policy Division
Question No: 304
Topic: Housing: ownership and supply
Reference: Written
Senator: Whish-Wilson, Peter

Question:

Regarding work by the behaviour economics team on young people and home ownership:

1. Has the Treasury assessed home ownership rates among young Australians?
2. What is the outcome of this assessment?
3. What change has occurred in home ownership rates among young Australians?
4. Has the Treasury assessed the number of young Australians trying to buy a home?
5. What is the outcome of this assessment?
6. What change has occurred in the number of young Australians trying to buy a home?
7. Has the Treasury assessed the debt to income ratios of young Australians trying to buy a home? 8. What is the outcome of this assessment?
9. What change has occurred in the debt to income ratios of young Australians trying to buy a home?
10. Has the Treasury assessed the number of young Australians who cannot afford to buy a home? 11. What is the outcome of this assessment?
12. What change has occurred in the number of young Australians who cannot afford to buy a home?
13. Has the Treasury evaluated changes in the expectations of young Australians regarding home ownership?
14. What is the outcome of this evaluation?
15. Have you consulted with young Australians about their needs and expectations are in relation to home ownership? Regarding Treasury's view that the major factor in driving housing affordability is the supply of housing, including the availability of land for development and the infrastructure and services that are in place to support that development:
16. Has Treasury modelled the impact of an increase in the supply of housing on housing affordability?
17. What were the results of this modelling?
18. How many new houses does Treasury believe would need to be made available to improve housing affordability?
19. Does Treasury use specific measures of housing affordability?
20. What are these measures?
21. Does Treasury have a target measure of housing affordability?
22. What is this target(s)?
22. Has Treasury modelled how much house prices would need to fall so as to improve housing affordability or meet any target(s) regarding housing affordability?

Answer:

1. Treasury monitors a broad range of housing market indicators from data providers including the Australian Bureau of Statistics (ABS), the Reserve Bank of Australia (RBA), CoreLogic Australia, the major banks, consultancy firms and industry associations. A number of these indicators pertain to young Australians.
 2. The assessment of these indicators is an ongoing process. However, one indicator — the Household Income and Labour Dynamics in Australia (HILDA) survey — estimated that home ownership among persons aged 25–34 was 29.2% in 2014.
 3. This represents a decline in home ownership among persons aged 25–34 from 38.7% in 2002. Similar declines have occurred for all age-groups under 55 years of age.
 4. The ABS produces statistics on the number of housing finance commitments for dwelling purchases by first home buyers. While not limited to young Australians, this indicator captures the entry of many young Australians into home ownership. Treasury notes that these statistics do not include first time buyers who are purchasing an investment property.
 5. In the two years to February 2017, an average of around 7,500 housing finance commitments per month were attributed to first home buyers.
 6. Between July 1991 and February 2017, the long term average for the number of housing finance commitments by first home buyers was around 9,000 per month.
 7. As noted previously, Treasury monitors a range of indicators. This includes the debt to income ratios of all Australians.
 8. Analysis by NATSEM in 2015 (using data from the ABS Survey of Income and Housing 2013-14) found that the debt of a first home buyer was 362 per cent of their income.
 9. According to NATSEM, the debt of a first home buyer was 311 per cent of their income in 2004, noting that the average housing lending interest rates at that time were higher than today.
 10. Treasury monitors a range of housing market indicators from data providers like the Australian Bureau of Statistics (ABS) and CoreLogic Australia. A number of these indicators relate to young Australians.
- However, it is difficult to obtain reliable data on transactions that, for one reason or another, do not occur. This makes it difficult for Treasury to monitor the number of young Australians who cannot afford to buy a house
11. Not applicable.
 12. Not applicable.
 13. Treasury monitors a range of housing market indicators from data providers like the Australian Bureau of Statistics (ABS) and CoreLogic Australia. A number of these indicators pertain to young Australians and their expectations.
 14. Not applicable
 15. No
 16. No.
 17. Not applicable.
 18. Not applicable.
 19. There are a number of measures of housing affordability. Each conveys slightly different information and is useful in different contexts.

20. These measures include dwelling price to income ratio, percentage of annual household income needed for a 20 per cent deposit, percentage of annual household income needed to service an 80 per cent loan to value ratio and the percentage of annual household income required to pay the rent.

21. No.

22. Not applicable.

23. No.