

**From:** s 22  
**To:**  
**Cc:**  
**Subject:** Available data on rent: core logic data [SEC=UNCLASSIFIED]  
**Date:** Tuesday, 11 April 2017 5:50:29 PM  
**Attachments:** [Federal Treasury Delivery 201701.xls](#)

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Good evening,

As discussed, please find attached Corelogic data on rent (which starts in January 1996 for all capital cities except Darwin and Hobart). This is the only other data source on rent (besides national accounts and CPI) that I know of.

s 22 please correct me if you know of anything else.

Thanks  
s 22

Analyst

Macroeconomic Conditions Division  
The Treasury, Langton Crescent, Parkes ACT 2600  
Phone: s 22  
Email:

## TREASURY ECONOMIC NOTE

**RESIDENTIAL PROPERTY PRICE INDEXES****(ABS CAT. NO. 6416.0)****June Quarter 2017****19 September 2017**

The weighted average residential property price index for capital cities rose by 1.9 per cent in the June 2017 quarter, following a rise of 2.2 per cent in the March 2017 quarter. This result was within the range of market expectations (median: a rise of 1.3 per cent; range: a rise of 0.5 per cent to a rise of 2.9 per cent). The residential property price index is now 10.2 per cent higher than a year ago.

The established house price index rose by 1.9 per cent in the June 2017 quarter, to be 11.1 per cent higher than a year ago (Table 2).

- In the June quarter, the established house price index rose in Melbourne (up 3.0 per cent), Sydney (up 2.1 per cent), Hobart (up 2.0 per cent), Canberra (up 1.4 per cent), Brisbane (up 0.8 per cent) and Adelaide (up 0.5 per cent), while the index fell in Darwin (down 1.1 per cent) and Perth (down 0.6 per cent).

The attached dwelling price index rose by 1.9 per cent in the June 2017 quarter, to be 7.2 per cent higher than a year ago.

- In the June quarter, the attached dwelling price index rose in Melbourne (up 2.7 per cent), Sydney (up 2.6 per cent), Adelaide (up 1.9 per cent), Canberra (up 0.8 per cent) and Hobart (up 0.6 per cent), while the index fell in Darwin (down 1.8 per cent) and Perth (down 1.5 per cent). Attached dwelling prices were flat in Brisbane during June.

The project (new) house price index, used in calculating the house purchase component of the CPI, rose by 0.9 per cent in the June quarter, to be 2.8 per cent higher than a year ago (Table 2). Movements in the established house price index are not included in the CPI.

The input to the house construction industry price index (released as part of the Producer Price Index) rose by 0.7 per cent in the June quarter, to be 2.0 per cent higher than a year ago (Table 2).

The outcome this quarter is weaker than that indicated by the more timely measure of dwelling prices from CoreLogic, which rose by 2.3 per cent over the June quarter.

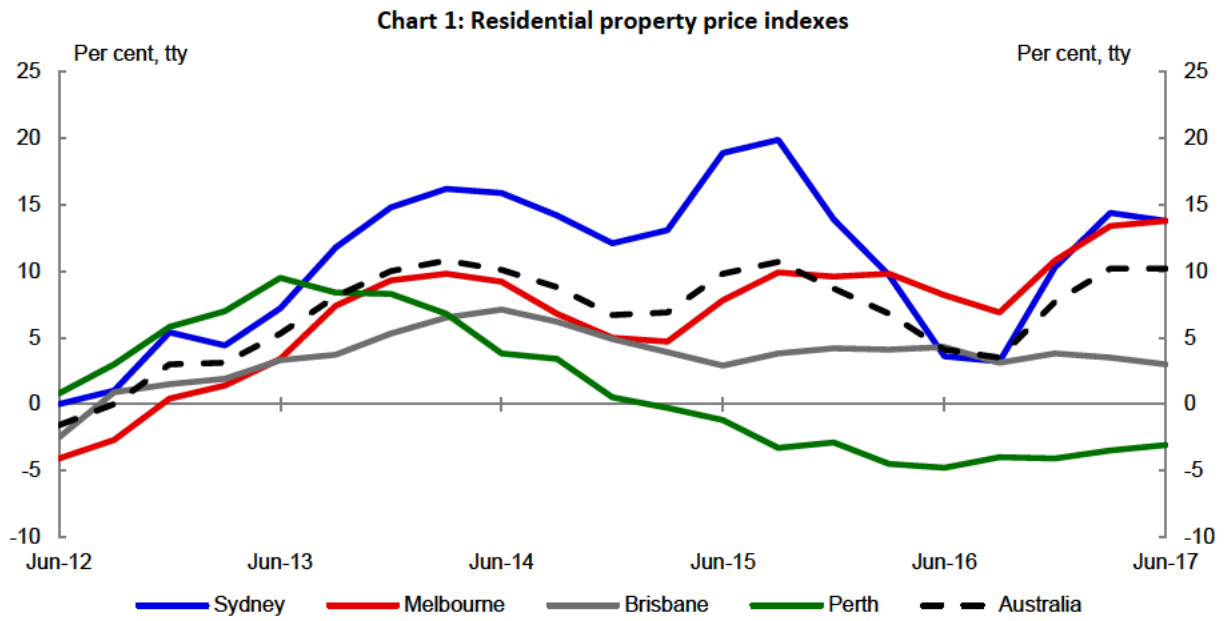
**Table 1: Residential Property prices**

	QoQ%		TTY%		\$000
	Mar-17	Jun-17	Mar-17	Jun-17	
Sydney	3.0	2.3	14.4	13.8	1,020
Melbourne	3.1	3.0	13.4	13.8	713
Brisbane	0.0	0.6	3.5	3.0	515
Adelaide	1.5	0.8	5.0	5.0	452
Perth	-1.0	-0.8	-3.5	-3.1	500
Hobart	3.4	1.8	11.3	12.4	390
Darwin	-0.9	-1.4	-5.9	-4.9	500
Canberra	2.8	1.3	8.9	7.9	675
<b>Australia</b>	<b>2.2</b>	<b>1.9</b>	<b>10.2</b>	<b>10.2</b>	<b>709</b>

**Table 2: Price index, weighed average of capital cities**

	QoQ%		TTY%	
	Mar-17	Jun-17	Mar-17	Jun-17
Established Houses	2.4	1.9	11.5	11.1
Project Homes	1.0	0.9	2.8	2.8
Construction inputs	0.9	0.7	2.7	2.0

Note: The median established house price level (\$000) in Table 1 is based on unstratified figures. The median established house price level for Australia is a Treasury calculation and is not published by the ABS. All other figures are based on stratified indexes, which adjust for changes in the quantity and quality of houses sold.



**From:** s 22  
**To:** [MEG MECD Domestic Analysis Unit](#)  
**Subject:** For information - new ABS dwellings research [SEC=UNCLASSIFIED]  
**Date:** Thursday, 3 November 2016 10:30:37 AM  
**Attachments:** [SQ16\\_Debrief.pptx](#)

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Good morning,

For your reference (esp. s 22), as part of our regular quarterly catch-up with the ABS they shared work to develop a new residential property price index that can distinguish between the price of new and existing dwellings.

The ABS are motivated to answer the question: Does price change for new dwellings differ to existing dwellings?

Three main factors that determine the price:

- Value of land
- Value of structure
- Preference and behaviour of labour market statistics

The use of stratification controls for land value and quality differences in structure, however a different class of buyers might exist for new dwellings (e.g. investors) this could be a potential separator for the price behaviour of new and existing dwellings.

The existing data set for RPPI contains transactions for all dwellings sold during the reference period and does not distinguish between existing dwellings and off-the-plan purchases. The new index can link building approvals data to the RPPI dataset at the unit record level. This will enable the ABS to measure price change of a 'like' basket of dwellings from period to period.

They also shared some liaison they have done within the construction industry. They met with 10 project house builders, a property developer and a building surveyor.

Themes discussed include:

- **State of the market**, in eastern states the market is steady. In WA and the NT market conditions are poor.
  - Their contacts suggest the market for attached and detached dwellings are quite separate.
- **Final price determination and margins**, builders "forecast" the expected costs of their inputs to complete the build and factor this into the price they determine.
  - The construction/build timeframes impact on margins but there is more flexibility (to contain costs) for attached dwellings rather than more bespoke detached houses.
  - Costs of construction have been contained by the use of hedging and contract pricing and the contacts were able to maintain or improve margins by not passing on any cost savings.
- **Labour market**, overall the supply of labour is good keeping wage rates competitive (except for bricklayers, contacts report an acute shortage) however this is unlikely to be picked up in the WPI as it excludes business with 0-4 employees (which precludes most of these tradespeople).
- **Innovation and productivity**, prefabrication and use of light weight products is reducing labour costs and contacts report that they resort to reducing their costs (by outsourcing of professional services overseas for example) before they will eat into their profit

margins.

I have also attached the slide pack, happy to discuss any other topics raised therein.

Best regards

s 22

# Discussion points

- 3109 Other Heavy and Civil Engineering Construction
- 9520 Funeral, Crematorium and Cemetery Services.
- ITPI Annual Reweight
- Upcoming Releases
  - Selected Living Cost Indexes (2<sup>nd</sup> of November)
  - Wage Price Index (16<sup>th</sup> of November)
  - Retail trade Price Index (22<sup>nd</sup> of November)
- Update on CPI Multilateral index work
- CPI attached dwellings
- HCFE re-weight

# New Dataset for Residential Property Prices

- Research question: Does price change for new dwellings differ to existing dwellings?
- Price determining factors:
  1. Value of Land
  2. Value of Structure
  3. Preferences and behaviour of market participants
- Stratification controls for land value and quality differences in structure.
- A different class of buyers might exist for new dwellings (e.g. investors). This could be a potential separator for the price behaviour of new and existing dwellings.



# Approach to Measurement – Linking data

- The existing dataset used for RPPI contains transactions for all dwellings sold during the reference period. There is no indication in the dataset for whether a dwelling was built and sold ‘off the plan’.
- New dwellings can be identified by linking building approvals data to the RPPI dataset at the unit record level.
- Price change will be calculated for new houses and attached dwellings. This is a weighted average of a basket of new dwelling prices in period  $t$  with a comparable basket in period  $t-1$ .



s 47G

# Discussion points

- 9531 Laundry and Dry-cleaning services
- 8102 Higher Education
- Feature article – Residential construction
- Feature article – CPI attached dwellings
- Tradables/Non-tradables review
- CPI enhancements
- Upcoming Releases
  - Selected Living Cost Indexes (1<sup>st</sup> of February)
  - Retail Trade Price Index (21<sup>st</sup> of February)
  - Wage Price Index (22<sup>nd</sup> of February)
  - Residential Property Price Index (21<sup>st</sup> of March)

**From:** s 22  
**To:**  
**Cc:**  
**Subject:** Housing Indicators - 26 July 2017 [SEC=UNCLASSIFIED]  
**Date:** Wednesday, 26 July 2017 1:25:36 PM  
**Attachments:** [Housing indicators\\_170726.pdf](#)

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Good afternoon,

Attached is the latest housing indicators note. This has been updated for the latest CPI release (CPI Rents).

Regards,

s 22

Domestic Analysis Unit  
Macroeconomic Conditions Division

The Treasury, Langton Crescent, Parkes, ACT 2600

s 22

# HOUSING INDICATORS

MACROECONOMIC CONDITIONS DIVISION

20 September 2017

Australian Government

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# HOUSING INDICATORS

MACROECONOMIC CONDITIONS DIVISION

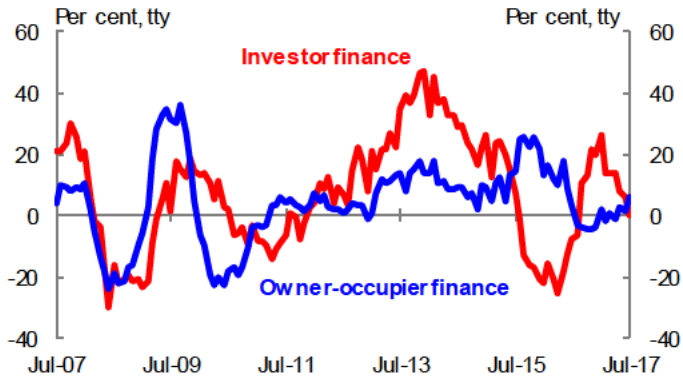
20 September 2017

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## Housing finance



Source: ABS 5609.0 Housing Finance

*The value of owner-occupier finance commitments has picked up over the past year. Annual growth in the value of investor finance commitments has declined over the last several months.*

### Housing finance value growth

	Month on month (%)	Through the year (%)
	Jul-17	Jul-17
Owner-occupiers	0.9	5.8
Investors	-3.9	-0.1

# HOUSING INDICATORS

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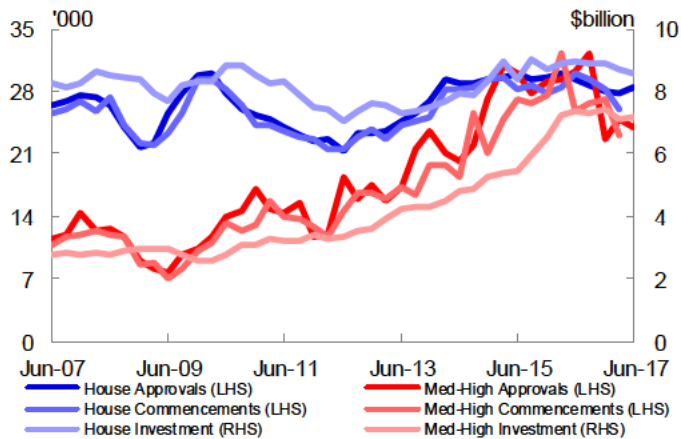
20 September 2017

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## Private approvals, commencements and investment



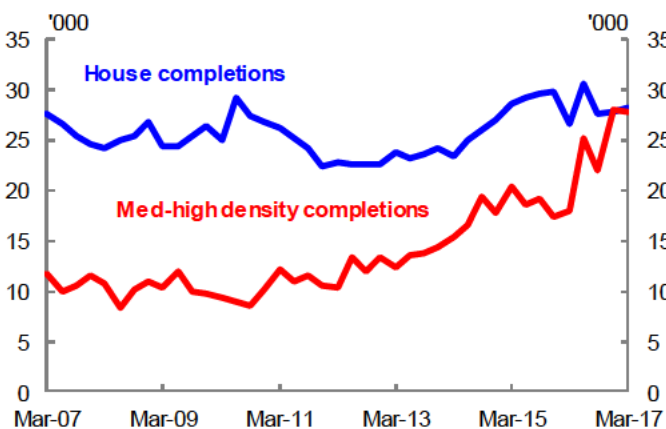
Source: ABS 8731.0 Building Approvals  
 ABS 8752.0 Building Activity  
 ABS 5206.0 Australian National Accounts

*Commencements fell in the March quarter, and approvals remain well below their peak. Investment was relatively flat in the June quarter.*

### Private approvals, commencements and investment

	Quarter on Quarter (%) Jun-17	Through the year (%) Jun-17 (qtr)
Approvals (H)	2.0	-3.7
Commencements (H)	-7.9 (Mar)	-8.7 (Mar)
Investment (H)	-1.3	-4.5
Approvals (M-H)	-3.7	-20.5
Commencements (M-H)	-15.3 (Mar)	-28.6 (Mar)
Investment (M-H)	0.1	-2.8

## Completions



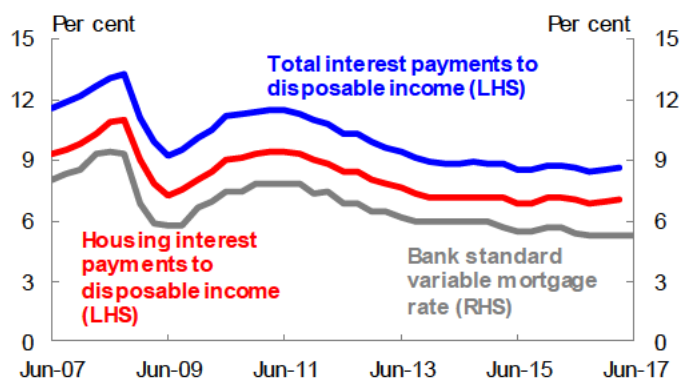
Source: ABS 8752.0 Building Activity

*Medium-high density completions were relatively flat in the March quarter, but have risen sharply through the year.*

### Private completions

	Quarter on Quarter (%) Mar-17	Through the year (%) Mar-17
Completions (H)	1.5	6.1
Completions (M-H)	-0.6	55.3

## Household interest repayments



Source: RBA F5 Indicator Lending rates  
 RBA E2 Household Finances – Selected Ratios

*Household interest repayments are low, due to very low interest rates.*

### Interest repayments (% of disposable income)

	Latest value (%)	5 year average (%)
Total int. payments	8.6 (Mar-17)	9.0
Housing int. payments	7.0 (Mar-17)	7.3
Bank SVR	5.2 (Aug-17)	5.8

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# HOUSING INDICATORS

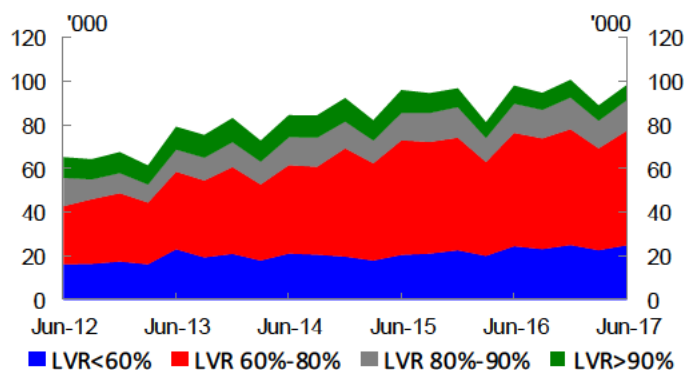
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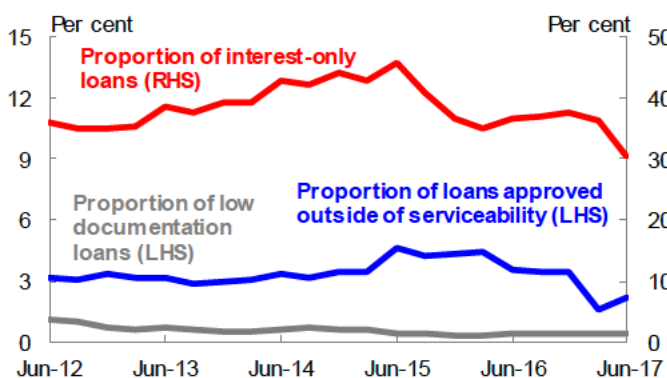
## Loan to value ratios (LVRs), new loans



*The share of high-LVR loans is below its 5-year average.*

Loan to value ratios, share of total		
	Latest value (%)	5 year average (%)
LVR > 90%	6.9	10.9
LVR 80%-90%	14.3	14.0
LVR 60%-80%	53.3	50.4
LVR < 60%	25.4	24.7

## Serviceability of new loans



*The proportion of interest-only loans fell in the June quarter from 36.2 to 30.5 per cent, just above APRA's 30 per cent limit.*

Measures of serviceability		
	Latest value (%)	5 year average (%)
Interest-only loans	30.5	38.4
Low doc loans	0.4	0.5
Loans outside serviceability	2.2	3.4



# HOUSING INDICATORS

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# Discussion points

- PPI revisions
- New service industry indexes
- Upcoming Releases
  - Selected Living Cost Indexes (3<sup>rd</sup> of August)
  - Wage Price Index (17<sup>th</sup> of August)
  - Retail trade Price Index (23<sup>th</sup> of August)
  - Residential Property Price Index (20<sup>th</sup> of September)
- Update on CPI Multilateral index work
- CPI attached dwellings

# Attached dwellings

## Concept

- Net additions of dwellings (excluding land) for owner occupiers.

## Measurement challenges

- Difficult to measure price change to constant quality.

## CPI assumption

- Price inflation is similar for houses and attached dwellings.



# Possible approaches

## Input approach

- Use PPI data to measure input cost inflation and combine with a demand side indicator (e.g. RPPI)

## Hedonic model

- Purchased RP Core Logic data.
- Concern of using sale prices as includes land/location value.
- Series is inherently lumpy.

**From:** s 22  
**To:**  
**Cc:**  
**Subject:** RE: Available data on rent: core logic data [SEC=UNCLASSIFIED]  
**Date:** Wednesday, 12 April 2017 9:14:37 AM  
**Attachments:** [Federal Treasury Delivery 201703.xls](#)

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Thanks s 22 – that’s correct. s 22 we do have more recent data which I have attached.

s 22

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**From:** s 22  
**Sent:** Tuesday, 11 April 2017 5:50 PM  
**To:** s 22  
**Cc:**  
**Subject:** Available data on rent: core logic data [SEC=UNCLASSIFIED]

Good evening,

As discussed, please find attached Corelogic data on rent (which starts in January 1996 for all capital cities except Darwin and Hobart). This is the only other data source on rent (besides national accounts and CPI) that I know of.

s 22 please correct me if you know of anything else.

Thanks  
s 22

Analyst

Macroeconomic Conditions Division  
The Treasury, Langton Crescent, Parkes ACT 2600  
s 22

**From:** s 22  
**To:**  
**Cc:**  
**Subject:** RE: Corelogic rents and CPI rents [DLM=For-Official-Use-Only]  
**Date:** Tuesday, 20 September 2016 10:03:01 AM  
**Attachments:** [image001.png](#)

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s 47G

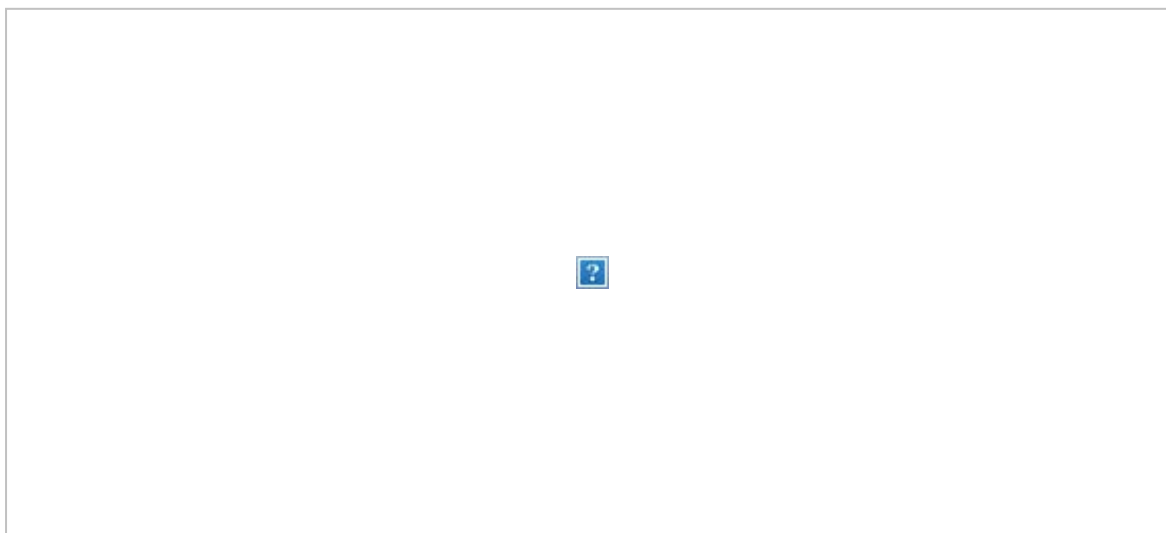
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**From:** s 22  
**Sent:** Tuesday, 20 September 2016 10:01 AM  
**To:** s 22  
**Cc:**  
**Subject:** Corelogic rents and CPI rents [DLM=For-Official-Use-Only]

Hi s 22

s 47G

s 22



s 22

Macroeconomic Conditions Division  
The Treasury, Langton Crescent, Parkes ACT 2600  
phone <sup>s 22</sup>  
email:

*The department acknowledges the traditional owners of country throughout Australia and their continuing connection to land, sea and community. We pay our respects to traditional owners, their cultures and elders past and present.*





s 22

**From:** s 22  
**Sent:** Thursday, 11 February 2016 9:55 AM  
**To:** s 22  
**Subject:** RE: PBLCI and CPI "housing chart" [SEC=UNCLASSIFIED]

Hi s 22

As discussed, the link to the pre-ERC forecasts are below.

P:\JFEG\2016\Pre-ERC\Prices I think the final sheet is "FC - Prices - Forecasts (Pre ERC) - CPI outcome update - 2<sup>nd</sup>" but it might be best to check with s 22

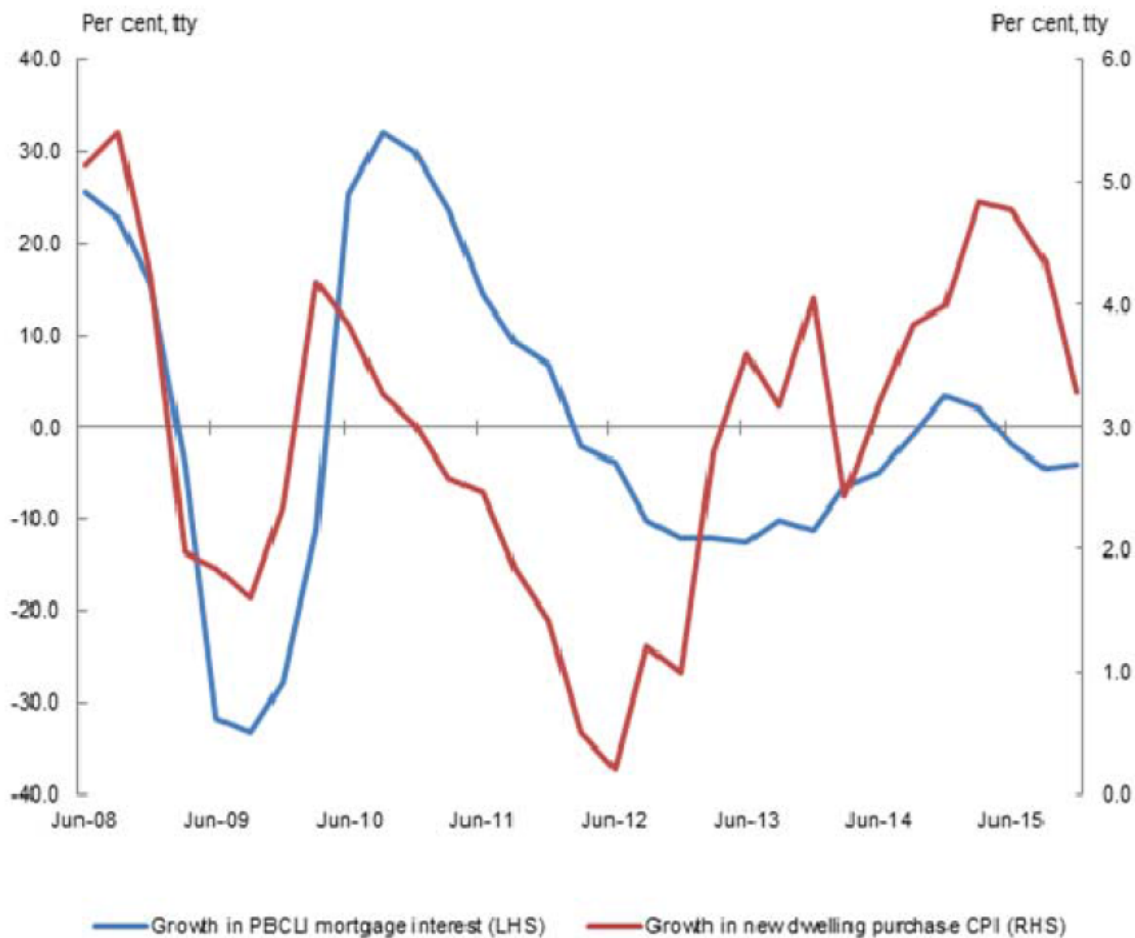
Best  
s 22

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**From:** s 22  
**Sent:** Wednesday, 10 February 2016 5:29 PM  
**To:** s 22  
**Subject:** PBLCI and CPI "housing chart" [SEC=UNCLASSIFIED]

Hi s 22

Below is a chart of through-the-year growth in mortgage interest (in PBLCI) and new dwellings (in CPI).



Could you check this chart and can we discuss before I send to s 22

Thanks again  
s 22

s 22

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**From:** s 22  
**Sent:** Friday, 21 April 2017 9:50 AM  
**To:** s 22 MEG MECD Domestic Analysis Unit  
**Cc:** s 22  
**Subject:** RE: FYI - AFR critique on CPI [SEC=UNOFFICIAL]

I agree, plus s 47F

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**From:** s 22  
**Sent:** Friday, 21 April 2017 9:43 AM  
**To:** MEG MECD Domestic Analysis Unit  
**Cc:** s 22  
**Subject:** FYI - AFR critique on CPI [SEC=UNOFFICIAL]

But I don't think this article presents a valid critique, while I can sympathise with the idea that large increases in house prices make them less affordable to many people, the CPI is NOT a cost of living index.

A living cost index reflects changes over time in the purchasing power of the after-tax incomes of households. It measures the impact of changes in prices on the out-of-pocket expenses incurred by households to gain access to a fixed basket of consumer goods and services. The Australian Consumer Price Index (CPI), on the other hand, is designed to measure price inflation for the household sector as a whole and is not the conceptually ideal measure for assessing the changes in the purchasing power of the disposable incomes of households.

A [consumer price index](#) measures the change in the prices paid by households for goods and services consumed. All expenditure by businesses, and expenditure by households for investment purposes, are out of scope of a consumer price index. In this regard, expenditure on housing presents particular difficulties as it can be considered as part investment and part purchase of shelter-related services.

Rant.end.

s 22

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**From:** s 22  
**Sent:** Monday, 29 February 2016 9:06 AM  
**To:** s 22  
**Cc:** MEG MECD Domestic Analysis Unit  
**Subject:** RE: Imputed rent data [SEC=UNCLASSIFIED]

To my knowledge (prices, wages and labour) don't do anything regularly with imputed rent which is found in national accounts data. Data for rent in the CPI is collected from real estate agents, state housing authorities, Centrelink and Department of Defence, it is more like the dollar amount actually paid to private or government landlords. We probably wouldn't look into it unless the dwellings team needs some assistance with a task or project, in that case, always happy to help.

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**From:** s 22  
**Sent:** Monday, 29 February 2016 8:42 AM  
**To:** s 22

**Cc:** MEG MECD Domestic Analysis Unit

**Subject:** RE: Imputed rent data [SEC=UNCLASSIFIED]

My recollection from when I was at the ABS was that the experimental imputed rent series came from the SIH (from Labour and income branch) but that the national accounts branch may have had a different view about how to estimate rent for the purposes of national accounts.

If that recollection is right, it might be most useful for us to get back to the ABS about what MECD uses relating to rent (and for us to touch base with NAU about what information they use on rents).

I think I know at least one person in the ABS that is involved in SIH (§ 22 ) so if there is any need for clarification I can potentially contact them.