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## **Australian House Prices – a new data source\***

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\* This paper presents a new data sample on Australian house prices. It is based on the Roy Morgan Research Single Source database and concerns respondents' perceptions about the value of their dwellings. The relevant question is part of the Roy Morgan "face-to-face" establishment survey, which involves approximately 37,000 respondents per annum living in non-rental property.

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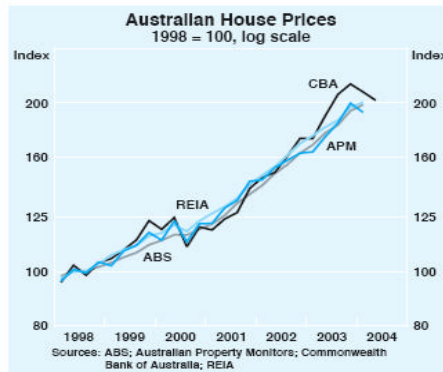
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## Australian House Prices – a new data source

There is a lot of confusion about what is happening to house prices in Australia. The Reserve Bank has said the available data is “hopeless” (Hansard EFPA 22, Friday 4 June 2004 – Ian Macfarlane). The graph below was published in a recent major article on the subject by the Reserve Bank (Measuring House Prices – RBA Bulletin July 2004).

**Graph1: Australian House Prices (originally published in RBA Bulletin July 2004)**



The data used in this graph all concern recent sale prices. One series comes from bank lending departments (the CBA provides data), another from the Real Estate Institute of Australia (REIA) and the Australian Bureau of Statistics (ABS), based on settlement data from state titles offices or sales by member REI's, and also the Australian Property Monitors, based on prices measured at point of contract exchange.

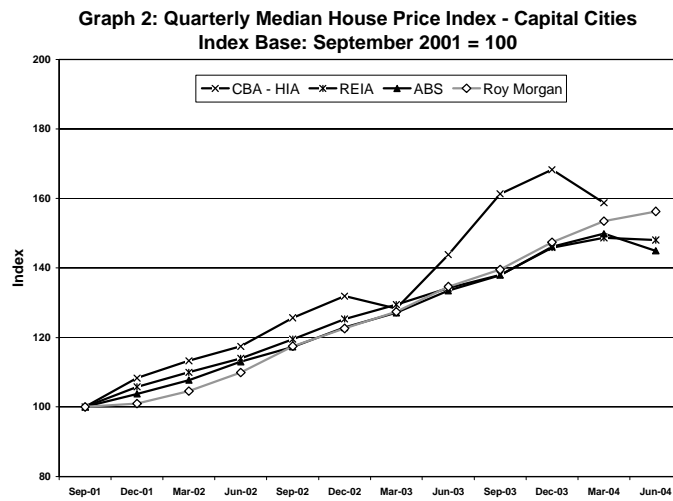
Roy Morgan Research has for many years been asking people about their specific asset and liability positions and, since July 2001, has collected data about the perceived value of their dwellings. The overall data on assets and liabilities of Australian households correlates well with Reserve bank data on these subjects.

The specific question concerning the value of a person's house is: “*Would you please say the approximate value of this property?*” This question is asked of people who own their house outright and a similar question is asked of people who have a mortgage. The size of mortgages is also recorded, so that it becomes possible to measure both assets and liabilities.

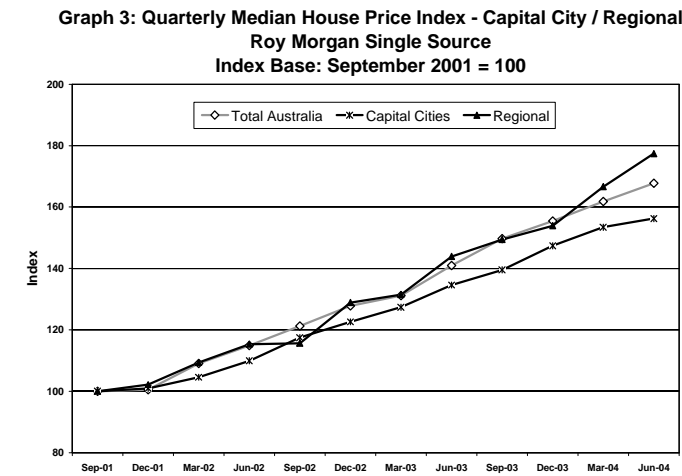
The Roy Morgan data clearly relates to the whole stock of housing properties, not just recent sales. It concerns *perceptions*, not market data, although for many purposes, perceptions may in fact be more relevant. The data is available for all of Australia, with a sample size of 37,000 respondents per annum living in non-rental properties, weighted to represent the population. It covers new and established houses, flats and townhouses and even caravans. Subject to sample size, it is possible to show median price movements in each category – and to cover rural and regional prices as well as the CBD prices that are reported by existing series.

Since the relevant survey – part of Roy Morgan Single Source – is conducted every month, a monthly indication of perceived price movement is possible to extract from the survey, again recognizing that the sample size in any month is approximately one twelfth of the annual sample. For the purposes of comparability with other series, we use only data on house prices – ie we exclude data on flats, units, apartments, caravans, etc. In the Roy Morgan data, house prices and total dwellings data show very similar trends – partly of course because the data refers only to dwellings owned (or part owned) by the occupant.

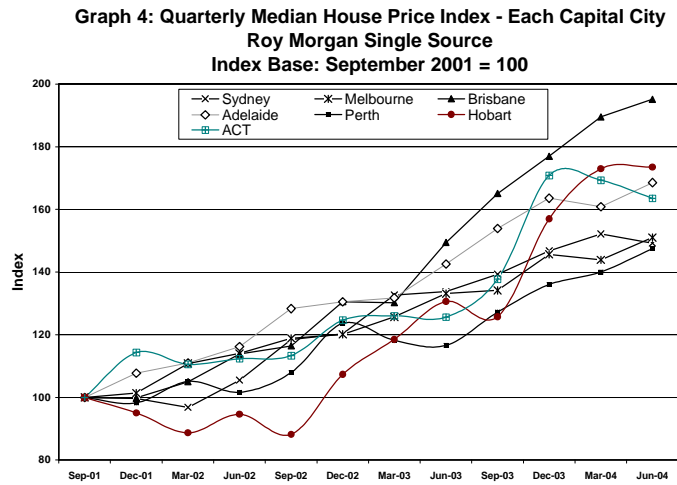
What do the figures show? We start with the aggregate data for Australia. The following graph (Graph 2) extends and updates the first graph shown above, and adds the Roy Morgan house price perception data. Clearly perceptions are more stable than available data on “recent sales.” Of most interest, perhaps, is the fact that perceived dwelling prices continued to rise in the March and June quarters, despite the (rather variable) story shown by the alternative measures.



We can break out the Roy Morgan data in several interesting ways. Graph 3 shows the overall index and capital city versus “rural and regional.” This graph shows, interestingly, that house prices in regional Australia have grown more quickly in recent times than city prices. This pattern is supported by other series such as the CBA (ref: HIA- Commonwealth Bank Affordability Report)

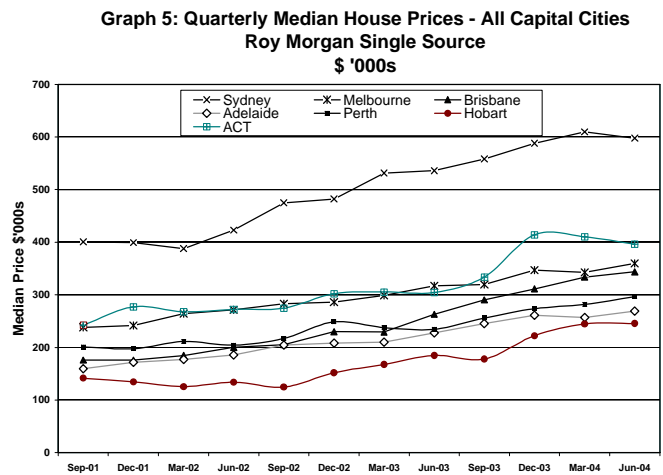


The next graph (Graph 4) shows data from Canberra and the state capitals, excluding Darwin whose sample size is too small to be reliable. Brisbane has led the upward surge in prices, while prices in Hobart fell in 2002 but have recovered strongly since then. Canberra had a strong surge in the second half of 2003, but has fallen back in the first half of 2004. Melbourne prices have risen relatively steadily, with a slight dip in the March quarter of 2004 and a recovery in June.



These results are in accord with our general expectation, derived presumably from newspaper reports and conversations at weekend barbeques.

Graph 5 shows median prices in dollars for each city – another consistency check. Clearly Sydney leads the pack, with Melbourne and Canberra fighting it out for second position, and Brisbane catching up fast. These rankings are broadly consistent with the REIA numbers.



**Concluding thoughts:** It is evident that the Roy Morgan series, which measure people's *perceptions*, are broadly consistent with other data series. It is even more evident that, for Australia as a whole, the Roy Morgan weighted median house price *perception* index has **not** fallen so far in 2004. However, price perceptions do seem to have fallen in Canberra in the first half of 2004, in Melbourne in the first quarter, and in Sydney in the latest June quarter.

But by no stretch of the imagination could it be said that there is any sign of a housing bust.

We do, however, await with interest the results for the remainder of 2004.

**Sources:**

Graph 1: Reproduced from Reserve Bank Bulletin July 2004.

Graph 2: Roy Morgan Research using Australian Bureau of Statistics (ABS), Real Estate Institute of Australia (REIA) and Commonwealth Bank data (published by the HIA), as for Graph 1. Note that this and subsequent graphs use arithmetic scales whereas Graph 1 uses a logarithmic scale.

Graph 3, 4, and 5: based on Roy Morgan Single Source data from July 2001 up to June 2004.

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