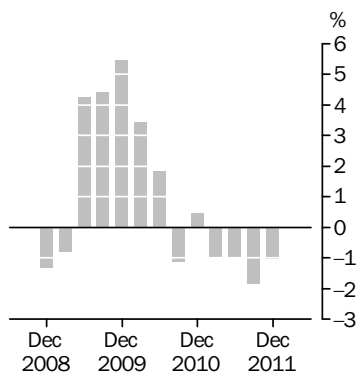


HOUSE PRICE INDEXES: EIGHT CAPITAL CITIES

EMBARGO: 11.30AM (CANBERRA TIME) WED 1 FEB 2012

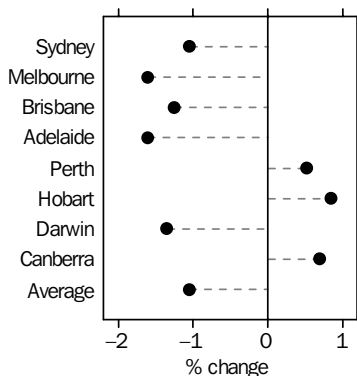
Established house prices

Weighted average of eight capital cities
Quarterly % change



Established house prices

Quarterly % change
December quarter 2011



KEY FIGURES

ESTABLISHED HOUSE PRICES

	Sep Qtr 11 to Dec Qtr 11 % change	Dec Qtr 10 to Dec Qtr 11 % change
Weighted average of eight capital cities	-1.0	-4.8
Sydney	-1.0	-2.7
Melbourne	-1.6	-6.1
Brisbane	-1.3	-6.7
Adelaide	-1.6	-6.4
Perth	0.5	-4.9
Hobart	0.8	-4.0
Darwin	-1.4	-5.4
Canberra	0.7	-2.6

KEY POINTS

ESTABLISHED HOUSE PRICES

QUARTERLY CHANGES

- Preliminary estimates show the price index for established houses for the weighted average of the eight capital cities decreased 1.0% in the December quarter 2011.
- The capital city indexes decreased in Melbourne (-1.6%), Sydney (-1.0%), Brisbane (-1.3%), Adelaide (-1.6%) and Darwin (-1.4%) and increased in Perth (0.5%), Canberra (0.7%) and Hobart (0.8%) .

ANNUAL CHANGES (DECEMBER QUARTER 2010 TO DECEMBER QUARTER 2011)

- Preliminary estimates show that the price index for established houses for the weighted average of the eight capital cities decreased 4.8% in the year to the December quarter 2011.
- Annually, house prices decreased in Brisbane (-6.7%), Adelaide (-6.4%), Melbourne (-6.1%), Darwin (-5.4%), Perth (-4.9%), Hobart (-4.0%), Sydney (-2.7%) and Canberra (-2.6%).

INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Mark Dubner on Sydney (02) 9268 4448.

NOTES

FORTHCOMING ISSUES

<i>ISSUE (Quarter)</i>	<i>RELEASE DATE</i>
March 2012	1 May 2012
June 2012	1 August 2012
September 2012	6 November 2012
December 2012	5 February 2013



CHANGES IN THIS ISSUE

There are no changes in this issue.

REVISIONS

Estimates for the two most recent quarters of the HPI series are preliminary and subject to revision (see paragraphs 15 to 19 of the Explanatory Notes).



ABBREVIATIONS

ABS	Australian Bureau of Statistics
ASGC	Australian Standard Geographical Classification
ASGS	Australian Statistical Geography Standard
CPI	Consumer Price Index
GCCSA	Greater Capital City Statistical Area
HPI	House Price Index
SD	statistical division
SEIFA	Socio-Economic Indexes for Areas
VGs	Valuers-General

Brian Pink
Australian Statistician

ANALYSIS

PRELIMINARY:

December Quarter 2011
(-1.0%)

The preliminary price index for established houses for the weighted average of the eight capital cities fell 1.0% in the December quarter 2011. The index fell 4.8% through the year to the December quarter 2011.

The negative movement in the December quarter 2011 was the result of falls in Melbourne (-1.6%), Sydney (-1.0%), Brisbane (-1.3%), Adelaide (-1.6%), and Darwin (-1.4%). This was partially offset by rises in Perth (0.5%), Canberra (0.7%), and Hobart (0.8%).

The preliminary estimate for Melbourne (-1.6%) follows falls in the March, June, and September quarters 2011 (-1.4% -1.1% and -2.1% respectively). Most clusters across the range of median price levels contributed to the December quarter 2011 fall.

The preliminary estimate for Perth (+0.5%) was the first rise in that city since the March quarter 2010. The index fell 4.9% through the year to the December quarter 2011, a lower annual fall than the previous two quarters (-6.6% and -5.4% in the June and September quarters respectively). Although most clusters featured in the turnaround in the December quarter 2011, those with median prices less than \$650 000 contributed the most.

REVISED:

September Quarter 2011
(-1.9%)

The preliminary price index for established houses for the weighted average of the eight capital cities fell 1.9% in the September quarter 2011. This was revised from a preliminary estimated fall of 1.2%. The through the year movement has been revised from an estimated fall of 2.2% to an estimated fall of 3.4%.

The negative movement in the September quarter 2011 was the result of falls in Melbourne (-2.1%, revised from -1.7%), Sydney (-1.6%, revised from -0.2%), Brisbane (-2.8%, revised from -2.5%), Perth (-1.4%, revised from -1.3%), Adelaide (-1.1%, revised from -0.9%), Canberra (-3.1%, revised from -2.0%) and Hobart (-0.7%, revised from -1.0%). The preliminary result for Darwin (+0.7%, revised from -0.4%) was the only rise in the September quarter 2011.

The revision to the preliminary estimate for Sydney (from -0.2% to -1.6%) was the main contributor to the revision to the weighted average of the eight capital cities. Sydney fell 2.0% through the year to the September quarter 2011, revised from a fall of 0.3%.

Clusters in Sydney with median prices between \$700 000 and \$2 200 000 contributed the most to the fall in the September quarter 2011 and offset rises in some of the clusters with lower median prices.

FINAL:

June Quarter 2011
(-1.0%)

The final price index for established houses for the weighted average of the eight capital cities fell 1.0%. This was revised from a second preliminary estimated fall of 0.5%. The movement in the index through the year to the June quarter 2011 was revised from an estimated fall of 2.2% to a fall of 2.7%.

The movement in the June quarter 2011 was the result of falls in Perth (-3.0%, revised from -1.9%), Melbourne (-1.1%, revised from -0.5%), Adelaide (-2.2%, revised from -1.3%), Brisbane (-0.9%, unchanged), Hobart (-3.4%, revised from -1.9%), Darwin (-3.2%, revised from -3.0%) and Canberra (-0.1%, revised from -0.7%). These falls were partially offset by a rise in Sydney (+0.2%, revised from +0.3%).

ANALYSIS *continued*

June Quarter 2011
(-1.0%) continued

The revision to the second estimate for Melbourne (from -0.5% to -1.1%) was the main contributor to the revision to the weighted average of the eight capital cities second estimate, followed by the revision to Perth (-1.9% to -3.0%).

ABS HOUSE PRICE METHODOLOGY

The ABS uses a stratification approach to control for compositional change in the sample of houses used to compile the House Price Indexes each quarter. This approach stratifies (clusters) houses according to two characteristics: the long-term level of prices for the suburb in which the house is located, and the neighbourhood characteristics of the suburb, as represented by the ABS Socio-Economic Indexes for Areas (SEIFA).

Each cluster of houses in a capital city contributes a proportion of the total value of the housing stock in that capital city. The proportion of the total value is referred to as the cluster's weight. Some clusters have a large weight; some have a small weight.

Each quarter, the clusters are re-valued by applying a price relative which is derived by comparing the current median price of the cluster to the previous median price of the cluster. The current period values of each cluster are then summed to derive the current value of the total housing stock in the capital city. Index numbers are subsequently derived from the total values.

Thus the movement of a particular index is determined by both the movements of the median prices of the clusters and the weights of the clusters in the index structure.

Low numbers of price observations can affect the reliability of the cluster medians, and therefore index movements.

For more detailed information, please refer to the Explanatory Notes in this issue, or to *Information Paper: House Price Indexes: Concepts, Sources and Methods* (cat. no. 6464.0).

LIST OF TABLES

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ADDITIONAL TABLE AVAILABLE ON ABS WEBSITE

10	Established house price index numbers, pre-September quarter 2005 methodology	
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ESTABLISHED HOUSE PRICE INDEX NUMBERS (a)

<i>Period</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Hobart</i>	<i>Darwin</i>	<i>Canberra</i>	<i>Weighted average of eight capital cities</i>
2008-09	98.0	139.0	139.8	146.9	184.0	141.4	190.1	123.2	126.1
2009-10	111.7	166.7	151.7	158.0	202.5	155.3	216.6	141.6	143.5
2010-11	116.7	r174.3	150.2	r160.8	r200.2	r158.5	r219.9	r147.6	r147.5
2008									
June	101.1	143.2	146.1	147.0	190.8	143.1	177.7	126.7	129.9
September	98.8	138.5	140.5	146.9	186.6	139.7	181.9	122.3	126.5
December	97.2	137.0	138.0	146.6	182.4	141.0	188.5	121.9	124.8
2009									
March	95.6	136.3	138.3	145.1	181.6	140.0	192.6	122.2	123.8
June	100.3	144.3	142.2	149.0	185.3	145.0	197.5	126.4	129.1
September	104.8	153.6	146.7	151.8	191.0	147.9	204.2	131.9	134.8
December	110.6	163.7	151.9	157.6	202.0	156.8	218.5	140.6	142.2
2010									
March	114.2	172.2	153.8	159.7	208.7	160.1	220.2	147.2	147.1
June	117.3	177.2	154.3	162.8	208.3	156.2	223.6	146.6	149.8
September	117.0	174.0	152.0	162.3	202.8	156.4	222.4	147.0	148.1
December	116.7	176.6	151.9	163.3	202.7	161.7	223.8	148.0	148.8
2011									
March	116.4	174.2	149.1	160.6	200.6	160.6	220.2	147.8	147.3
June	r116.6	r172.2	r147.7	r157.1	r194.5	r155.1	r213.2	r147.7	r145.8
September	p114.7	p168.6	p143.5	p155.3	p191.8	p154.0	p214.7	p143.1	p143.1
December	p113.5	p165.9	p141.7	p152.8	p192.8	p155.3	p211.8	p144.1	p141.6

p preliminary figure or series subject to revision
r revised

(a) Reference base of each index: 2003-04 = 100.0.

PROJECT HOME PRICE INDEX NUMBERS (a)

<i>Period</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Hobart</i>	<i>Darwin</i>	<i>Canberra</i>	<i>Weighted average of eight capital cities</i>
2008-09	117.1	112.8	128.4	120.4	153.4	129.9	152.8	118.6	123.2
2009-10	121.4	118.6	129.9	123.3	156.0	135.9	157.2	121.4	127.2
2010-11	124.9	122.3	132.8	125.4	159.9	140.4	162.5	124.6	130.7
2008									
June	114.8	113.3	124.6	116.6	150.0	128.4	146.7	113.9	121.1
September	115.9	114.0	127.5	119.0	152.5	129.7	149.2	118.3	122.8
December	116.7	112.4	128.9	120.6	154.0	129.7	151.9	118.2	123.1
2009									
March	116.7	111.1	127.9	120.7	153.4	129.7	154.2	118.2	122.5
June	119.1	113.5	129.1	121.3	153.6	130.4	155.9	119.6	124.3
September	119.9	117.2	129.2	122.3	154.1	135.2	156.2	120.8	125.9
December	120.9	118.3	129.2	122.7	154.5	135.4	156.6	120.8	126.6
2010									
March	122.1	118.9	130.3	123.8	156.6	136.3	157.8	121.2	127.7
June	122.6	120.1	130.8	124.3	158.6	136.8	158.3	122.9	128.6
September	122.8	120.7	131.3	124.8	159.2	140.3	160.1	124.1	129.2
December	124.3	121.6	132.5	125.1	159.6	140.3	162.6	124.1	130.2
2011									
March	125.6	123.2	133.2	126.0	160.0	140.5	163.3	125.1	131.3
June	127.0	123.7	134.1	125.7	160.6	140.6	163.9	125.1	132.1
September	126.7	124.2	132.0	124.4	161.7	140.8	163.7	125.1	131.8
December	127.6	123.8	132.0	124.5	162.4	140.8	163.9	125.1	132.1

(a) Reference base of each index: 2003-04 = 100.0.

PROJECT HOME PRICE INDEXES, Percentage Changes

<i>Period</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Hobart</i>	<i>Darwin</i>	<i>Canberra</i>	<i>Weighted average of eight capital cities</i>
PERCENTAGE CHANGE (from previous financial year)									
2008-09	4.3	1.4	5.9	5.8	3.2	2.5	5.6	5.5	3.7
2009-10	3.7	5.1	1.2	2.4	1.7	4.6	2.9	2.4	3.2
2010-11	2.9	3.1	2.2	1.7	2.5	3.3	3.4	2.6	2.8
PERCENTAGE CHANGE (from corresponding quarter of previous year)									
2008									
June	5.4	5.8	7.9	6.0	2.5	4.3	5.8	4.4	5.4
September	5.1	5.4	9.1	6.8	3.3	3.6	4.6	6.7	5.7
December	5.2	1.8	6.9	7.6	3.8	2.5	5.4	5.4	4.5
2009									
March	3.1	-1.6	4.2	5.0	3.1	2.4	6.1	5.1	2.2
June	3.7	0.2	3.6	4.0	2.4	1.6	6.3	5.0	2.6
September	3.5	2.8	1.3	2.8	1.0	4.2	4.7	2.1	2.5
December	3.6	5.2	0.2	1.7	0.3	4.4	3.1	2.2	2.8
2010									
March	4.6	7.0	1.9	2.6	2.1	5.1	2.3	2.5	4.2
June	2.9	5.8	1.3	2.5	3.3	4.9	1.5	2.8	3.5
September	2.4	3.0	1.6	2.0	3.3	3.8	2.5	2.7	2.6
December	2.8	2.8	2.6	2.0	3.3	3.6	3.8	2.7	2.8
2011									
March	2.9	3.6	2.2	1.8	2.2	3.1	3.5	3.2	2.8
June	3.6	3.0	2.5	1.1	1.3	2.8	3.5	1.8	2.7
September	3.2	2.9	0.5	-0.3	1.6	0.4	2.2	0.8	2.0
December	2.7	1.8	-0.4	-0.5	1.8	0.4	0.8	0.8	1.5
PERCENTAGE CHANGE (from previous quarter)									
2008									
June	1.4	0.4	1.5	1.5	0.8	1.3	0.9	1.2	1.0
September	1.0	0.6	2.3	2.1	1.7	1.0	1.7	3.9	1.4
December	0.7	-1.4	1.1	1.3	1.0	0.0	1.8	-0.1	0.2
2009									
March	0.0	-1.2	-0.8	0.1	-0.4	0.0	1.5	0.0	-0.5
June	2.1	2.2	0.9	0.5	0.1	0.5	1.1	1.2	1.5
September	0.7	3.3	0.1	0.8	0.3	3.7	0.2	1.0	1.3
December	0.8	0.9	0.0	0.3	0.3	0.1	0.3	0.0	0.6
2010									
March	1.0	0.5	0.9	0.9	1.4	0.7	0.8	0.3	0.9
June	0.4	1.0	0.4	0.4	1.3	0.4	0.3	1.4	0.7
September	0.2	0.5	0.4	0.4	0.4	2.6	1.1	1.0	0.5
December	1.2	0.7	0.9	0.2	0.3	0.0	1.6	0.0	0.8
2011									
March	1.0	1.3	0.5	0.7	0.3	0.1	0.4	0.8	0.8
June	1.1	0.4	0.7	-0.2	0.4	0.1	0.4	0.0	0.6
September	-0.2	0.4	-1.6	-1.0	0.7	0.1	-0.1	0.0	-0.2
December	0.7	-0.3	0.0	0.1	0.4	0.0	0.1	0.0	0.2

SELECTED HOUSING PRICE INDEX NUMBERS (a), Australia

<i>Period</i>	<i>Established houses(b)</i>	<i>Project homes(b)</i>	<i>Materials used in house building(c)</i>	<i>Construction industry total hourly rates of pay</i>	<i>National accounts private housing investment(b)</i>
2008-09	126.1	123.2	120.7	126.7	r125.3
2009-10	143.5	127.2	121.9	130.8	128.9
2010-11	r147.5	130.7	124.5	135.9	132.5
2008					
June	129.9	121.1	115.5	123.2	122.6
September	126.5	122.8	118.6	124.9	r124.3
December	124.8	123.1	120.1	125.9	125.4
2009					
March	123.8	122.5	121.7	127.2	125.4
June	129.1	124.3	122.2	128.7	125.9
September	134.8	125.9	121.3	129.4	127.3
December	142.2	126.6	121.3	130.2	128.4
2010					
March	147.1	127.7	121.7	131.0	r129.4
June	149.8	128.6	123.1	132.4	130.4
September	148.1	129.2	123.5	134.1	131.2
December	148.8	130.2	124.2	135.4	132.0
2011					
March	147.3	131.3	124.3	136.5	133.0
June	r145.8	132.1	125.8	137.6	133.9
September	p143.1	131.8	126.0	139.3	134.2
December	p141.6	132.1	126.1	nya	nya

nya not yet available

p preliminary figure or series subject to revision

r revised

(a) Reference base of each index: 2003-04 = 100.0.

(b) Weighted average of eight capital cities.

(c) Weighted average of six capital cities.

SELECTED HOUSING PRICE INDEX NUMBERS, Australia—Percentage Changes

<i>Period</i>	<i>Established houses(a)</i>	<i>Project homes(a)</i>	<i>Materials used in house building(b)</i>	<i>Construction industry total hourly rates of pay</i>	<i>National accounts private housing investment(a)</i>
PERCENTAGE CHANGE (from previous financial year)					
2008-09	-2.2	3.7	6.5	4.6	r4.4
2009-10	13.8	3.2	1.0	3.2	r2.9
2010-11	r2.8	2.8	2.1	3.9	2.8
PERCENTAGE CHANGE (from corresponding quarter of previous year)					
2008					
June	8.0	5.4	4.5	4.7	5.6
September	1.4	5.7	6.5	4.7	r5.9
December	-4.1	4.5	6.9	4.5	5.4
2009					
March	-5.5	2.2	6.9	4.9	3.6
June	-0.6	2.6	5.8	4.5	2.7
September	6.6	2.5	2.3	3.6	r2.4
December	13.9	2.8	1.0	3.4	2.4
2010					
March	18.8	4.2	0.0	3.0	r3.2
June	16.0	3.5	0.7	2.9	3.6
September	9.9	2.6	1.8	3.6	3.1
December	4.6	2.8	2.4	4.0	2.8
2011					
March	0.1	2.8	2.1	4.2	r2.8
June	r-2.7	2.7	2.2	3.9	2.7
September	p-3.4	2.0	2.0	3.9	2.3
December	p-4.8	1.5	1.5	nya	nya
PERCENTAGE CHANGE (from previous quarter)					
2008					
June	-0.8	1.0	1.5	1.6	1.3
September	-2.6	1.4	2.7	1.4	r1.4
December	-1.3	0.2	1.3	0.8	r0.9
2009					
March	-0.8	-0.5	1.3	1.0	0.0
June	4.3	1.5	0.4	1.2	0.4
September	4.4	1.3	-0.7	0.5	1.1
December	5.5	0.6	0.0	0.6	0.9
2010					
March	3.4	0.9	0.3	0.6	r0.8
June	1.8	0.7	1.2	1.1	r0.8
September	-1.1	0.5	0.3	1.3	0.6
December	0.5	0.8	0.6	1.0	0.6
2011					
March	-1.0	0.8	0.1	0.8	0.8
June	r-1.0	0.6	1.2	0.8	0.7
September	p-1.9	-0.2	0.2	1.2	0.2
December	p-1.0	0.2	0.1	nya	nya

nya not yet available

p preliminary figure or series subject to revision

r revised

(a) Weighted average of eight capital cities.

(b) Weighted average of six capital cities.

MEDIAN PRICE OF ESTABLISHED HOUSE TRANSFERS (UNSTRATIFIED) (a)

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
<i>Period</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008								
June	517.0	400.0	425.0	365.0	455.0	305.0	422.3	474.5
September	482.0	385.0	410.0	360.0	440.0	292.5	430.0	447.0
December	468.0	385.0	399.0	355.0	425.0	300.0	445.0	452.5
2009								
March	448.0	375.0	400.0	r353.5	439.0	r296.5	455.0	460.0
June	490.0	400.0	420.0	363.0	455.0	310.0	465.0	460.0
September	500.0	422.0	430.0	370.0	473.0	310.1	490.0	465.0
December	595.0	477.0	455.0	r398.5	505.0	350.0	520.0	r511.5
2010								
March	582.5	468.0	460.0	r403.0	517.8	r350.5	529.0	r536.0
June	r612.0	500.0	465.0	410.0	510.0	r346.0	530.0	r538.3
September	595.0	490.0	460.0	400.0	r500.0	340.0	535.0	540.0
December	620.0	r520.0	460.0	410.0	500.0	345.0	545.0	r543.0
2011								
March	575.0	r485.0	450.0	r400.0	500.0	r340.0	510.0	r533.8
June	595.0	500.0	442.0	395.0	485.0	330.0	500.0	540.0
September	nya	nya	nya	nya	nya	nya	nya	nya
December	nya	nya	nya	nya	nya	nya	nya	nya

nya not yet available
r revised

(a) See paragraphs 32 to 35 of the Explanatory Notes.

NUMBER OF ESTABLISHED HOUSE TRANSFERS (a)

	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Hobart</i>	<i>Darwin</i>	<i>Canberra</i>
<i>Period</i>	no.	no.	no.	no.	no.	no.	no.	no.
2008-09	48 470	r54 617	r32 176	r17 853	r22 338	r3 743	1 792	r4 385
2009-10	r51 270	r62 381	r31 402	r16 863	r25 799	r3 767	1 448	r4 622
2010-11	43 643	47 893	24 962	15 419	20 844	3 172	1 140	4 265
2008								
June	10 618	r14 039	6 616	4 437	4 356	811	388	1 020
September	10 653	r13 119	7 103	4 166	5 020	782	439	997
December	11 240	r13 092	6 938	r4 225	4 254	r860	459	982
2009								
March	12 259	r13 091	9 329	r4 585	r5 916	r1 100	425	1 113
June	14 318	r15 315	r8 806	r4 877	7 148	1 001	469	r1 293
September	r14 816	r16 313	r9 068	r4 473	7 701	r1 033	436	r1 335
December	r12 785	r16 519	r7 843	r4 229	r6 635	r921	363	r1 274
2010								
March	r11 078	r14 070	7 636	r3 985	6 400	r976	339	r943
June	r12 591	r15 479	r6 855	r4 176	r5 063	r837	310	r1 070
September	r11 268	r13 347	r6 920	r4 115	r5 128	r830	278	r979
December	r11 638	r12 686	r6 360	r3 971	r4 954	r829	277	r1 251
2011								
March	r9 815	r10 163	r5 824	r3 692	r5 643	r834	270	r948
June	10 922	11 697	5 858	3 641	5 119	679	315	1 087
September	nya	nya	nya	nya	nya	nya	nya	nya
December	nya	nya	nya	nya	nya	nya	nya	nya

nya not yet available

r revised

(a) See paragraphs 32 to 35 of the Explanatory Notes.

REVISIONS TO ESTABLISHED HOUSE PRICE INDEX SERIES, Weighted average of eight capital cities(a)(b)(c)

Period	1st estimate	2nd estimate	Final estimate	DIFFERENCE BETWEEN FINAL ESTIMATE AND:	
				1st estimate	2nd estimate
INDEX NUMBER (a)			INDEX POINTS		
2009					
December	141.8	141.7	142.2	0.4	0.5
2010					
March	148.5	148.2	147.1	-1.4	-1.1
June	152.8	150.1	149.8	-3.0	-0.3
September	150.3	149.4	148.1	-2.2	-1.3
December	150.5	149.3	148.8	-1.7	-0.5
2011					
March	146.8	147.1	147.3	0.5	0.2
June	147.0	146.5	145.8	-1.2	-0.7
September	144.8	143.1	nya	nya	nya
December	141.6	nya	nya	nya	nya
ANNUAL PERCENTAGE CHANGE (b)			PERCENTAGE POINTS		
2009					
December	13.6	13.5	13.9	0.3	0.4
2010					
March	20.0	19.7	18.8	-1.2	-0.9
June	18.4	16.3	16.0	-2.4	-0.3
September	11.5	10.8	9.9	-1.6	-0.9
December	5.8	5.0	4.6	-1.2	-0.4
2011					
March	-0.2	0.0	0.1	0.3	0.1
June	-1.9	-2.2	-2.7	-0.8	-0.5
September	-2.2	-3.4	nya	nya	nya
December	-4.8	nya	nya	nya	nya
QUARTERLY PERCENTAGE CHANGE (c)			PERCENTAGE POINTS		
2009					
December	5.2	5.1	5.5	0.3	0.4
2010					
March	4.8	4.2	3.4	-1.4	-0.8
June	3.1	2.0	1.8	-1.3	-0.2
September	0.1	-0.3	-1.1	-1.2	-0.8
December	0.7	0.8	0.5	-0.2	-0.3
2011					
March	-1.7	-1.1	-1.0	0.7	0.1
June	-0.1	-0.5	-1.0	-0.9	-0.5
September	-1.2	-1.9	nya	nya	nya
December	-1.0	nya	nya	nya	nya

nya not yet available

(a) Reference base of each index: 2003-04 = 100.0.

(b) Percentage change from corresponding quarter of previous year.

(c) Percentage change from previous quarter.

EXPLANATORY NOTES

INTRODUCTION

1 This publication provides estimates of changes in house prices for each of the eight capital cities of Australia. The information is presented in the form of price indexes constructed separately for Established Houses and for Project Homes (see below for definitions). It is calculated on the reference base 2003–04 = 100.0 for each of the eight capital cities as well as a weighted average of them. The capital city indexes measure price movements over time in each city individually. They do not measure differences in price levels between cities.

2 The index for Project Homes is compiled for use in calculating the New dwelling purchase by owner-occupiers expenditure class of the Consumer Price Index (CPI). The index for Established Houses (referred to from now on as the HPI), while not contributing to the CPI, is compiled and published along with the Project Homes index in recognition of the widespread interest in information specifically relating to housing prices.

3 To assist in the analysis of housing price movements at the national level, aggregated series have also been compiled and are presented in tables 5 and 6 along with series for prices of materials used in house building, construction industry hourly rates of pay and private housing investment. For information on the derivation of series in these tables see paragraphs 25–31.

4 Table 7 presents a city-wide median price (unstratified) of house sales data available from the State/Territory Land Titles Office or Valuers-General (VGs) Office in each capital city. These median prices are ‘raw’ medians from the available data set and quarterly changes in them will not concord with the published HPIs for each city which are compiled in strata and weighted by the value of housing stock. Numbers of established house transfers recorded each quarter by the VGs are presented in Table 8.

5 For more detailed information on house price indexes than is provided in these explanatory notes refer to *Information Paper, House Price Indexes: Concepts, Sources and Methods, Australia, 2009* (cat. no. 6464.0).

DEFINITIONS

Capital City

6 Capital City Statistical Divisions (SDs) are predominantly urban in character and represent the State/Territory capital cities in the wider sense. A Capital City SD is defined to contain the anticipated urban development of a capital city and it delimits an area which is stable for general statistical purposes.

7 Currently, HPI capital city SDs are based on the *2006 Australian Standard Geographical Classification (ASGC)* (cat. no. 1216.0). The ASGC will be replaced by the *Australian Statistical Geography Standard (ASGS)* (Vol 1, cat. no. 1270.0.55.001) from July 2011. HPI geographic coverage will be defined by the ASGS Greater Capital City Statistical Areas (GCCSA) during the next index review in 2012. The December quarter 2013 HPI publication is expected to be the first release of the HPI series based on the ASGS.

Established houses

8 The HPI covers transactions in detached residential dwellings on their own block of land regardless of age (i.e. including new houses sold as a house/land package as well as second-hand houses). Price changes therefore relate to changes in the total price of dwelling and land.

Project homes

9 Project homes are dwellings available for construction on an existing block of land. Price changes therefore relate only to the price of the dwelling (i.e. excluding land).

PRICE INDEXES

10 A price index is concerned with measuring pure price change – that is, it is concerned with isolating and measuring that element of price change which is not brought about by any change to either the quantity or the quality of the goods or services for which the index is required.

EXPLANATORY NOTES *continued*

PRICE INDEXES *continued*

11 The techniques used to construct a price index for project homes are similar to those used for most other goods. A representative sample of project home models is selected in each city, prices are obtained each quarter and the price movements for each model are weighted together. Constant quality is preserved by calculating price movements on a matched sample basis (i.e. the price movements between adjacent quarters are based on the same models in each quarter). If the specification of an individual model changes substantially or a price is unable to be obtained then that model is excluded from the calculation of price movement. Adjustments are made to raw prices to compensate for any minor changes in specifications.

12 This standard procedure for constructing price indexes is not viable in the case of established houses as the observable prices in each period relate to a different set of dwellings for each period. The challenge is how to utilise prices for a heterogeneous set of dwellings to construct measures of price change for characteristic or homogeneous dwellings.

Controlling for the compositional change effect

13 The ABS uses stratification to control for this 'compositional' effect by grouping (or 'clustering') houses according to a set of characteristics. The finer the level of stratification available, the more similar or homogenous the cluster of houses will be. However, the finer the level of stratification, the fewer the property sales in the period. Therefore, the clusters defined have to balance the homogeneity of housing characteristics and the number of observations required to produce a reliable median price. The lowest level geographical classification that is commonly available across data sets is the suburb. Therefore, suburbs are the building blocks on which the clusters are based.

14 Analysis by the ABS has found that the most effective stratification approach uses two characteristics: the long term level of prices for the suburb in which the house is located, and neighbourhood characteristics of the suburb, as represented by the ABS produced Socio-Economic Indexes for Areas (SEIFA). A new set of clusters produced with this stratification method was introduced in the December quarter 2008 issue of 6416.0, together with updated housing stock weights derived using quantity data from the 2006 Census of Population and Housing. The link period for these changes was the March quarter 2008. Therefore, only the index numbers from the June quarter 2008 onwards reflect the new weights and stratification. The new approach is a refinement of the previous stratification method, which was based on structural attributes of dwellings within suburbs, the physical location of the dwelling, and neighbourhood characteristics of suburbs.

Benchmark and Leading Indicator series

15 Though a complete coverage of property sales data can eventually be obtained from VGs, this data is not available on a timely basis for the most recent quarters. As a result, the ABS has adopted a two-stage approach to produce the HPI to allow the compilation and publication of a more timely estimate of price change. The first stage is to compile the benchmark series based on the complete, or near complete, VGs dataset for each quarter. This will be the third most recent quarter in any publication. The second stage, referred to as the leading indicator series, involves compiling price indexes for the two most recent quarters based on a combination of mortgage lenders' data and the VGs data available at that point in time. It should be noted that for Darwin, mortgage lenders' data is combined with VGs data for the most recent quarter only.

16 The index numbers for the leading indicator series are preliminary estimates and are revised as more data are progressively received from VGs. These index numbers are labelled with a "p" indicating a preliminary estimate. The benchmark series (labelled with an "r" if it has been revised since the previous quarter's leading indicator estimate) are final estimates and will not be subject to further revision once published.

EXPLANATORY NOTES *continued*

*Benchmark and Leading
Indicator series continued*

17 The revisions to price indexes and percentage changes are reported in Table 9, Revisions to Established House Price Index Series, Australia. This table displays, for each time period, the preliminary and final estimates, and the corresponding annual and quarterly percentage changes. The table also displays the size of the revisions made to preliminary estimates of house price index movements.

18 The columns titled 'Difference between final estimate and first and second estimate' are calculated by subtracting the initial estimates from the final estimate. Consequently, no revisions information will be available until a final estimate has been published. As the HPI series was first published with respect to the September quarter 2005, the first period for which preliminary data can be compared with final data is the June quarter 2005. No preliminary estimates exist prior to this period.

19 Revisions to the weighted average of the eight capital cities are included in this publication. Revisions made to each of the individual capital cities are available on the ABS website <<http://www.abs.gov.au>> (refer to the time series spreadsheets under the 'Downloads' tab for *House Price Indexes: Eight Capital Cities* (cat. no. 6416.0)).

Available data

20 Price information for project homes is obtained each month from a sample of project home builders in each capital city. Sales prices of established houses are obtained from VGs and home mortgage lenders, and are based on the exchange date of the sales. The exchange date most closely approximates the time at which the market price is determined. Exchange date information is available for all cities except Adelaide and Darwin. For these cities, a modelled exchange date is used.

21 The delivery of VGs data relating to exchange date is delayed by the normal contract settlement and reporting processes. It is only possible to publish reliable house price movements based solely on VGs data after approximately six months.

LIMITATIONS OF HOUSE
PRICE INDEXES

22 The reliability of each index is largely dependent upon the availability of sufficient pricing information each quarter. While not a problem for project homes, difficulties are sometimes encountered when compiling the HPI. Although the HPI clusters have been defined to balance the homogeneity of housing characteristics and the number of observations required to produce a reliable median price, the number of price observations available depends on market activity in each quarter and there may be occasions when clusters have low numbers of price observations. This is most apparent in the established house price indexes for the smaller capital cities (Hobart, Darwin and Canberra).

23 The series most affected by limited market scope is the Darwin established house price index. As can be seen from the data in Table 8, the series for Darwin is affected by a relatively low number of transactions in any quarter. Rather than suppress publication, the series are included here because it is believed that the long term trends are reliable. However, because of the limitations in the reliability of individual quarter-to-quarter movements, users are advised to exercise due care when analysing such movements.

24 It should be noted that when the number of price observations available for a cluster is nil or extremely low in a quarter, a price movement for the cluster is derived using imputation methods based on price movements of other clusters.

NATIONAL HOUSE PRICE AND
OTHER INDEXES

25 These series are presented to facilitate analysis of price movements at a national level. Although coverage is not strictly national in all cases, this does not significantly impair their usefulness. The derivation or source of each series is set out below.

Established houses

26 The series for established houses is derived by weighting together the indexes for each of the eight capital cities according to the relative value of housing stock in each capital city. From the June quarter 2008 onwards, the values were obtained by combining 2006 Population Census house counts with March quarter 2008 mean prices. Prior to

EXPLANATORY NOTES *continued*

Established houses continued

this, the values were obtained by combining 2001 Population Census house counts with March quarter 2002 mean prices. It is important to understand that in the compilation of this index (and other fixed weighted indexes) it is not the housing stock values that are held constant from period to period. What is held constant is the quantity (e.g. number of houses) underpinning these values.

Project homes

27 The series for project homes is derived by weighting together the indexes for each of the eight capital cities. The city weights are derived from the value of net additions to the number of owner-occupier households, calculated by applying the average value of private dwelling completions from Building Activity statistics to quantity data calculated from Census 2006 counts of owner-occupied houses moved forward using data from *Household and Family Projections, Australia* (cat. no. 3236.0). As extensions and renovations are conceptually part of the CPI expenditure class, their value is included in the calculation of the weights. No prices specifically relating to these activities are collected as their prices are assumed to move similarly to those of new houses.

28 Although the capital city price indexes for project homes are compiled for use in calculating the House purchase expenditure class of the CPI, price movements exhibited in the published CPI series are not comparable to those published with the established house price index because the CPI for house purchase is a broader aggregate which also covers fixed appliances and an adjustment for government subsidies directly related to house purchase.

Materials used in house building

29 The index for materials used in house building is that published for the weighted average of the six state capital cities in *Producer Price Indexes, Australia* (cat. no. 6427.0), re-referenced to 2003–04 = 100.0. For more information on this index refer to *Producer and International Trade Price Indexes: Concepts, Sources and Methods, 2006* (cat. no. 6429.0).

Construction industry total hourly rates of pay

30 The index for the construction industry total hourly rates of pay excluding bonuses, private and public, is that published in *Labour Price Indexes, Australia* (cat. no. 6345.0), re-referenced to 2003–04 = 100.0 for ease of comparison with other series. For more information on this index refer to *Labour Price Index: Concepts, Sources and Methods, 2004* (cat. no. 6351.0.55.001).

Private Housing Investment

31 The index for private housing investment is the annually-reweighted chain Laspeyres price index for private capital expenditure on new and used dwellings, as used (but not separately published) in *Australian National Accounts: National Income, Expenditure and Product* (cat. no. 5206.0), referenced to 2003–04 = 100.0. For more information on this index refer to *Australian National Accounts: Concepts Sources and Methods, 2000* (cat. no. 5216.0).

Established house transfer prices and counts

32 As well as the price indexes based on stratified weights for each city, the ABS publishes the median price of all established house transfers, and the number of established house transfers. Both these series are based on VGs house sales data, and are only available for those quarters for which final index estimates are available.

33 The median prices presented in Table 7 are calculated using all available VGs records for each city each quarter, with no stratification or weighting applied. These 'raw' medians will not correspond to the published index numbers and will not produce price movements that are consistent with those numbers.

34 The number of transfers of established houses recorded each quarter by the VG in each capital city is presented in Table 8 to provide an indication of the level of sales activity for the capital city each quarter.

EXPLANATORY NOTES *continued*

*Established house transfer
prices and counts continued*

35 As the ABS receives more VGs data, the median prices and numbers of house transfers are revised as necessary. This practice is distinct from the HPI which is not revised once published as a final benchmark estimate, even if additional data are available. Therefore, the HPI, the medians and the numbers of house transfers are calculated from the same set of price information only in the most recent quarter of HPI final benchmark estimates.

ANALYSIS OF CHANGES IN
INDEX NUMBERS

36 Each of the indexes presented in this publication is calculated on a quarterly basis with a reference base of 2003–04 = 100.0. In compiling these indexes quarterly, the objective is to measure the change in price levels between quarters.

37 Index numbers are also presented for financial years where the index numbers for financial years are simple (arithmetic) averages of the quarterly index numbers. Index numbers for calendar years may be derived in the same way.

38 Movements in indexes from one period to another can be expressed either as changes in index points or as percentage changes. The following example illustrates the method of calculating index points changes and percentage changes between any two periods:

Project Homes: Perth index numbers —

December Quarter 2011	162.4 (see table 3)
less September Quarter 2011	161.7 (see table 3)
<i>equals</i> change in index points	0.7
Percentage change	$0.7/161.7 \times 100 = 0.4\%$

39 In this publication, percentage changes are calculated to illustrate three different kinds of movements in index numbers:

- movements between consecutive financial years (change between average price levels during one financial year and average price levels during the next financial year)
- movements between corresponding quarters of consecutive years
- movements between consecutive quarters.

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