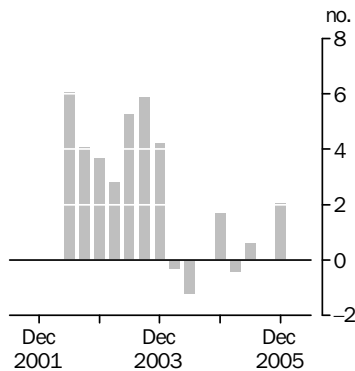


HOUSE PRICE INDEXES: EIGHT CAPITAL CITIES

EMBARGO: 11.30AM (CANBERRA TIME) FRI 24 FEB 2006

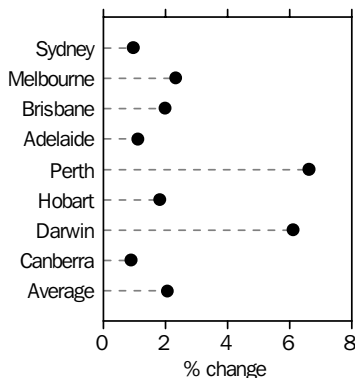
Established house prices

Weighted average of eight capital cities
Quarterly % change



Established house prices

Quarterly % change
December quarter 2005



KEY FIGURES

ESTABLISHED HOUSE PRICES

	Sep Qtr 05 to Dec Qtr 05 % change	Dec Qtr 04 to Dec Qtr 05 % change
Weighted average of eight capital cities	2.1	2.3
Sydney	1.0	-3.9
Melbourne	2.3	2.9
Brisbane	2.0	3.5
Adelaide	1.1	3.4
Perth	6.6	22.5
Hobart	1.8	5.4
Darwin	6.1	23.2
Canberra	0.9	0.8

KEY POINTS

ESTABLISHED HOUSE PRICES

QUARTERLY CHANGES

- Preliminary estimates show the price index for established houses in Australia increased 2.1% in the December quarter 2005, compared with no movement in the September quarter 2005.
- House prices rose in Perth (+6.6%), Darwin (+6.1%), Melbourne (+2.3%), Brisbane (+2.0%), Hobart (+1.8%), Adelaide (+1.1%), Sydney (+1.0%) and Canberra (+0.9%).
- The movement in the established house price index between June and September quarters 2005 has been revised from an estimated preliminary fall of 1.0% to no change.

ANNUAL CHANGES (DECEMBER QUARTER 2004 TO DECEMBER QUARTER 2005)

- Over the twelve months to December quarter 2005, preliminary estimates show that established house prices rose 2.3%.
- Annually, house prices rose in Darwin (+23.2%), Perth (+22.5%), Hobart (+5.4%), Brisbane (+3.5%), Adelaide (+3.4%), Melbourne (+2.9%) and Canberra (+0.8%). House prices fell in Sydney by 3.9%.
- The movement in the established house price index between December quarters 2004 and 2005 has been revised from an estimated preliminary rise of 1.0% to a rise of 1.9%.

INQUIRIES

For further information about these and related statistics, contact Mark King on Canberra (02) 6252 5342 or the National Information and Referral Service on 1300 135 070.

NOTES

FORTHCOMING ISSUES

<i>ISSUE (Quarter)</i>	<i>RELEASE DATE</i>
March 2006	25 May 2006
June 2006	24 August 2006

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CHANGES IN THIS ISSUE

A new table (Table 9 Revisions to Established House Price Index Series, Australia) is introduced with this publication. This table presents revisions in estimates of the 'leading indicator' terms, when compared with the subsequent final estimate, for the Established House Price Index, Weighted Average 8 Capital Cities. Equivalent capital city tables for these revisions are available from the ABS Website <<http://www.abs.gov.au>>. (Refer to the data cube under the 'Details' tab for *House Price Index: Eight Capital Cities* (cat. no. 6416.0).)

For more information on the 'leading indicator' terms, see paragraphs 12–15 of the Explanatory Notes.

HISTORIC ESTABLISHED HOUSE PRICE INDEX

The current methodology for calculating the established house price index was introduced in September quarter 2005, with historic data commencing in March quarter 2002. The previous established house price index, calculated using the pre-September quarter 2005 methodology, is available as time series spreadsheet table 10 of *House Price Indexes: Eight Capital Cities* (cat. no. 6416.0) on the ABS web site. The series commences in June quarter 1986 and concludes in June quarter 2005.

The table has been presented for historical purposes for users who may be interested in an indicator of established house prices movements over a longer period than is available using the current methodology. Because of the different methodologies used to calculate this historical series and the new established house price index series, it is not recommended that the historical series be used as a proxy for back-casting the new established house price index for periods prior to March quarter 2002.

Dennis Trewin
Australian Statistician

ESTABLISHED HOUSE PRICE INDEX NUMBERS (a)(b)

<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>
2002-03	89.3	89.9	75.5	83.1	84.4	69.0	87.7	82.7	86.6
2003-04	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2004-05	r96.1	r101.9	r104.2	106.5	r114.4	r111.8	115.9	r99.9	r101.2
2002									
June	81.6	84.3	64.5	73.3	77.2	57.6	81.6	70.7	78.8
September	85.4	86.3	69.3	76.1	79.0	60.5	84.1	74.9	82.0
December	88.5	88.3	72.5	80.3	82.4	63.9	86.0	80.1	85.0
2003									
March	89.7	90.2	77.1	85.5	85.9	71.9	89.3	84.7	87.4
June	93.7	94.9	83.1	90.5	90.2	79.7	91.3	90.9	92.0
September	98.4	99.0	93.3	97.0	94.0	91.4	93.6	97.7	97.4
December	102.4	102.0	100.6	99.6	98.8	99.3	98.5	101.7	101.5
2004									
March	101.5	99.6	102.3	101.0	102.3	101.6	104.8	100.3	101.2
June	97.7	99.4	103.8	102.4	104.9	107.8	103.0	100.3	100.0
September	97.1	99.7	102.6	104.5	106.9	108.6	108.2	98.7	100.0
December	97.6	102.4	104.0	106.5	111.8	111.4	112.7	100.3	101.7
2005									
March	95.5	102.0	104.8	107.0	116.3	112.5	120.1	100.6	101.3
June	r94.2	r103.4	r105.5	r107.8	r122.5	r114.5	r122.6	r100.0	r101.9
September	p92.9	p103.0	p105.5	p108.9	p128.4	p115.3	p130.8	p100.2	p101.9
December	p93.8	p105.4	p107.6	p110.1	p136.9	p117.4	p138.8	p101.1	p104.0

p preliminary figure or series subject to revision
r revised

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

(b) Estimates for the two most recent quarters are experimental
(see paragraph 12 and 13 of the Explanatory Notes).

ESTABLISHED HOUSE 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)									
2002-03	..	..	..	..	..	..	..	..	..
2003-04	12.0	11.2	32.5	20.3	18.5	44.9	14.0	20.9	15.5
2004-05	r-3.9	r1.9	r4.2	6.5	r14.4	r11.8	15.9	r-0.1	r1.2
PERCENTAGE CHANGE (from corresponding quarter of previous year)									
2002									
June	..	..	..	..	..	..	..	..	..
September	..	..	..	..	..	..	..	..	..
December	..	..	..	..	..	..	..	..	..
2003									
March	18.2	13.7	24.6	22.7	13.8	27.7	9.4	27.4	17.6
June	14.8	12.6	28.8	23.5	16.8	38.4	11.9	28.6	16.8
September	15.2	14.7	34.6	27.5	19.0	51.1	11.3	30.4	18.8
December	15.7	15.5	38.8	24.0	19.9	55.4	14.5	27.0	19.4
2004									
March	13.2	10.4	32.7	18.1	19.1	41.3	17.4	18.4	15.8
June	4.3	4.7	24.9	13.1	16.3	35.3	12.8	10.3	8.7
September	-1.3	0.7	10.0	7.7	13.7	18.8	15.6	1.0	2.7
December	-4.7	0.4	3.4	6.9	13.2	12.2	14.4	-1.4	0.2
2005									
March	-5.9	2.4	2.4	5.9	13.7	10.7	14.6	0.3	0.1
June	r-3.6	r4.0	r1.6	r5.3	r16.8	r6.2	r19.0	r-0.3	r1.9
September	p-4.3	p3.3	p2.8	p4.2	p20.1	p6.2	p20.9	p1.5	p1.9
December	p-3.9	p2.9	p3.5	p3.4	p22.5	p5.4	p23.2	p0.8	p2.3
PERCENTAGE CHANGE (from previous quarter)									
2002									
June	7.5	6.3	4.2	5.2	2.3	2.3	0.0	6.3	6.1
September	4.7	2.4	7.4	3.8	2.3	5.0	3.1	5.9	4.1
December	3.6	2.3	4.6	5.5	4.3	5.6	2.3	6.9	3.7
2003									
March	1.4	2.2	6.3	6.5	4.2	12.5	3.8	5.7	2.8
June	4.5	5.2	7.8	5.8	5.0	10.8	2.2	7.3	5.3
September	5.0	4.3	12.3	7.2	4.2	14.7	2.5	7.5	5.9
December	4.1	3.0	7.8	2.7	5.1	8.6	5.2	4.1	4.2
2004									
March	-0.9	-2.4	1.7	1.4	3.5	2.3	6.4	-1.4	-0.3
June	-3.7	-0.2	1.5	1.4	2.5	6.1	-1.7	0.0	-1.2
September	-0.6	0.3	-1.2	2.1	1.9	0.7	5.0	-1.6	0.0
December	0.5	2.7	1.4	1.9	4.6	2.6	4.2	1.6	1.7
2005									
March	-2.2	-0.4	0.8	0.5	4.0	1.0	6.6	0.3	-0.4
June	r-1.4	r1.4	r0.7	r0.7	r5.3	r1.8	r2.1	r-0.6	r0.6
September	p-1.4	p-0.4	p0.0	p1.0	p4.8	p0.7	p6.7	p0.2	p0.0
December	p1.0	p2.3	p2.0	p1.1	p6.6	p1.8	p6.1	p0.9	p2.1

.. not applicable

r revised

p preliminary figure or series subject to revision

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>
2002-03	96.1	96.2	88.4	94.0	91.4	92.2	94.8	91.6	93.1
2003-04	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2004-05	105.3	103.3	105.5	103.6	111.9	111.6	109.5	102.0	106.1
2002									
June	94.5	93.7	84.1	91.2	89.2	87.0	92.1	88.1	90.4
September	95.0	94.0	86.0	92.6	89.6	88.7	93.3	89.0	91.3
December	95.5	94.7	87.2	93.8	90.5	89.8	93.3	90.2	92.1
2003									
March	96.7	96.7	88.4	94.5	91.6	93.7	96.2	92.0	93.5
June	97.2	99.2	91.9	95.2	94.0	96.4	96.3	95.3	95.6
September	98.4	99.6	96.2	96.9	96.9	96.9	96.4	98.7	97.7
December	99.2	99.4	99.6	99.4	98.9	98.2	99.3	99.8	99.3
2004									
March	100.4	100.0	101.1	101.5	100.8	100.9	100.4	100.4	100.7
June	102.0	101.0	103.1	102.2	103.3	104.0	104.0	101.1	102.3
September	103.1	102.4	103.8	102.2	105.7	105.9	106.9	101.6	103.6
December	104.8	102.7	105.6	103.8	109.5	111.5	107.6	101.6	105.4
2005									
March	106.1	104.1	106.0	104.1	114.2	114.0	110.1	101.8	107.1
June	107.0	104.0	106.5	104.4	118.3	115.1	113.2	102.9	108.2
September	107.4	106.2	106.3	105.2	122.7	115.4	114.7	103.7	109.1
December	107.7	106.3	107.2	105.7	127.8	115.4	117.3	104.9	110.0

(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)									
2002-03	2.9	3.6	7.2	5.1	3.2	9.2	5.6	6.1	4.4
2003-04	4.1	4.0	13.1	6.4	9.4	8.5	5.5	9.2	7.4
2004-05	5.3	3.3	5.5	3.6	11.9	11.6	9.5	2.0	6.1
PERCENTAGE CHANGE (from corresponding quarter of previous year)									
2002									
June	2.7	4.2	3.6	5.4	2.2	5.5	4.8	5.3	3.3
September	2.7	2.7	5.5	5.9	1.9	6.9	6.0	5.5	3.6
December	2.5	1.6	6.7	5.5	2.4	7.7	4.9	4.9	3.6
2003									
March	3.4	4.0	6.8	5.0	3.0	11.4	6.7	6.4	4.5
June	2.9	5.9	9.3	4.4	5.4	10.8	4.6	8.2	5.8
September	3.6	6.0	11.9	4.6	8.1	9.2	3.3	10.9	7.0
December	3.9	5.0	14.2	6.0	9.3	9.4	6.4	10.6	7.8
2004									
March	3.8	3.4	14.4	7.4	10.0	7.7	4.4	9.1	7.7
June	4.9	1.8	12.2	7.4	9.9	7.9	8.0	6.1	7.0
September	4.8	2.8	7.9	5.5	9.1	9.3	10.9	2.9	6.0
December	5.6	3.3	6.0	4.4	10.7	13.5	8.4	1.8	6.1
2005									
March	5.7	4.1	4.8	2.6	13.3	13.0	9.7	1.4	6.4
June	4.9	3.0	3.3	2.2	14.5	10.7	8.8	1.8	5.8
September	4.2	3.7	2.4	2.9	16.1	9.0	7.3	2.1	5.3
December	2.8	3.5	1.5	1.8	16.7	3.5	9.0	3.2	4.4
PERCENTAGE CHANGE (from previous quarter)									
2002									
June	1.1	0.8	1.6	1.3	0.3	3.4	2.1	1.8	1.0
September	0.5	0.3	2.3	1.5	0.4	2.0	1.3	1.0	1.0
December	0.5	0.7	1.4	1.3	1.0	1.2	0.0	1.3	0.9
2003									
March	1.3	2.1	1.4	0.7	1.2	4.3	3.1	2.0	1.5
June	0.5	2.6	4.0	0.7	2.6	2.9	0.1	3.6	2.2
September	1.2	0.4	4.7	1.8	3.1	0.5	0.1	3.6	2.2
December	0.8	-0.2	3.5	2.6	2.1	1.3	3.0	1.1	1.6
2004									
March	1.2	0.6	1.5	2.1	1.9	2.7	1.1	0.6	1.4
June	1.6	1.0	2.0	0.7	2.5	3.1	3.6	0.7	1.6
September	1.1	1.4	0.7	0.0	2.3	1.8	2.8	0.5	1.3
December	1.6	0.3	1.7	1.6	3.6	5.3	0.7	0.0	1.7
2005									
March	1.2	1.4	0.4	0.3	4.3	2.2	2.3	0.2	1.6
June	0.8	-0.1	0.5	0.3	3.6	1.0	2.8	1.1	1.0
September	0.4	2.1	-0.2	0.8	3.7	0.3	1.3	0.8	0.8
December	0.3	0.1	0.8	0.5	4.2	0.0	2.3	1.2	0.8

SELECTED HOUSING PRICE INDEX NUMBERS (a), Australia

<i>Period</i>	<i>Established houses(b)</i>	<i>Project homes</i>	<i>Materials used in house building</i>	<i>Construction industry total hourly rates of pay</i>	<i>National accounts private housing investment</i>
2002-03	86.6	93.1	97.2	96.3	93.6
2003-04	100.0	100.0	100.0	100.0	100.0
2004-05	r101.2	106.1	103.4	105.1	105.8
2002					
June	78.8	90.4	95.2	93.8	91.0
September	82.0	91.3	95.9	95.1	92.0
December	85.0	92.1	96.9	95.7	92.8
2003					
March	87.4	93.5	97.5	96.9	93.9
June	92.0	95.6	98.4	97.4	95.7
September	97.4	97.7	99.0	98.8	97.7
December	101.5	99.3	99.5	99.1	99.4
2004					
March	101.2	100.7	100.1	100.3	100.8
June	100.0	102.3	101.4	101.7	102.2
September	100.0	103.6	102.2	103.2	103.6
December	101.7	105.4	103.0	104.6	105.0
2005					
March	101.3	107.1	103.8	105.9	106.6
June	r101.9	108.2	104.7	106.7	107.8
September	p101.9	109.1	105.0	108.1	109.0
December	p104.0	110.0	105.4	109.3	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) Estimates for the two most recent quarters are experimental (see paragraph 12 and 13 of the Explanatory Notes)

SELECTED HOUSING PRICE INDEX NUMBERS, Australia—Percentage Changes

<i>Period</i>	<i>Established houses</i>	<i>Project homes</i>	<i>Materials used in house building</i>	<i>Construction industry total hourly rates of pay</i>	<i>National accounts private housing investment</i>
PERCENTAGE CHANGE (from previous financial year)					
2002-03	..	4.4	3.6	3.4	4.0
2003-04	15.5	7.4	2.9	3.8	6.8
2004-05	r1.2	6.1	3.4	5.1	5.8

PERCENTAGE CHANGE (from corresponding quarter of previous year)					
2002					
June	..	3.3	2.7	2.7	2.9
September	..	3.6	3.2	3.0	3.6
December	..	3.6	3.9	3.1	3.5
2003					
March	17.6	4.5	3.8	3.6	3.9
June	16.8	5.8	3.4	3.8	5.2
September	18.8	7.0	3.2	3.9	6.2
December	19.4	7.8	2.7	3.6	7.1
2004					
March	15.8	7.7	2.7	3.5	7.3
June	8.7	7.0	3.0	4.4	6.8
September	2.7	6.0	3.2	4.5	6.0
December	0.2	6.1	3.5	5.5	5.6
2005					
March	0.1	6.4	3.7	5.6	5.8
June	r1.9	5.8	3.3	4.9	5.5
September	p1.9	5.3	2.7	4.7	5.2
December	p2.3	4.4	2.3	4.5	nya

PERCENTAGE CHANGE (from previous quarter)					
2002					
June	6.1	1.0	1.4	0.3	0.7
September	4.1	1.0	0.7	1.4	1.1
December	3.7	0.9	1.0	0.6	0.9
2003					
March	2.8	1.5	0.6	1.3	1.2
June	5.3	2.2	0.9	0.5	1.9
September	5.9	2.2	0.6	1.4	2.1
December	4.2	1.6	0.5	0.3	1.7
2004					
March	-0.3	1.4	0.6	1.2	1.4
June	-1.2	1.6	1.3	1.4	1.4
September	0.0	1.3	0.8	1.5	1.4
December	1.7	1.7	0.8	1.4	1.4
2005					
March	-0.4	1.6	0.8	1.2	1.5
June	r0.6	1.0	0.9	0.8	1.1
September	p0.0	0.8	0.3	1.3	1.1
December	p2.1	0.8	0.4	1.1	nya

.. not applicable
nya not yet available
p preliminary figure or series subject to revision
r revised

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
2002								
June	393.0	260.0	182.5	175.0	190.0	116.0	180.0	258.0
September	413.0	265.0	197.6	181.0	195.0	124.0	186.0	275.0
December	444.0	280.0	208.0	195.0	205.8	128.0	195.0	291.0
2003								
March	434.0	270.0	225.0	208.0	216.0	144.3	198.0	300.0
June	460.0	287.4	240.0	219.0	225.0	148.0	195.0	330.0
September	480.0	295.0	269.0	230.0	236.0	165.0	208.0	355.0
December	520.0	320.0	297.0	245.0	250.0	182.8	220.9	373.0
2004								
March	523.0	305.0	302.0	250.0	255.0	200.0	221.5	375.0
June	r498.3	r307.4	305.0	255.0	262.0	225.0	225.0	374.3
September	500.0	r302.0	r305.0	257.5	259.9	r227.1	235.0	351.0
December	515.0	r320.5	310.0	265.0	280.0	240.0	247.0	372.0
2005								
March	485.0	r310.0	r310.0	267.0	290.0	240.0	255.0	375.0
June	495.5	320.0	310.0	270.0	300.0	250.0	260.0	374.0
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 paragraph 27 of the Explanatory Notes.

NUMBER OF ESTABLISHED HOUSE TRANSFERS (a)

<i>Period</i>	<i>Sydney</i> no.	<i>Melbourne</i> no.	<i>Brisbane</i> no.	<i>Adelaide</i> no.	<i>Perth</i> no.	<i>Hobart</i> no.	<i>Darwin</i> no.	<i>Canberra</i> no.
2002-03	62 190	62 855	49 938	21 081	34 313	6 095	2 111	5 805
2003-04	r50 871	r57 414	r41 247	19 354	29 544	r5 154	2 671	4 621
2004-05	39 799	55 453	33 251	18 386	33 074	3 574	2 735	4 012
2002								
June	15 520	17 120	11 927	5 574	8 280	1 465	524	1 764
September	16 706	15 722	11 742	4 983	7 328	1 484	540	1 407
December	15 398	16 137	11 547	5 139	7 662	1 463	469	1 497
2003								
March	13 700	14 558	13 566	5 438	9 434	1 595	497	1 352
June	16 386	16 438	13 083	5 521	9 889	1 553	605	1 549
September	16 993	r17 073	14 480	5 117	8 237	1 584	680	1 363
December	11 809	r14 372	9 196	4 771	6 876	1 246	668	1 181
2004								
March	10 183	r12 588	r9 161	4 800	7 667	1 246	644	987
June	r11 886	r13 381	r8 410	4 666	6 764	r1 078	679	1 090
September	r10 184	r13 739	r8 510	4 591	8 495	r954	693	814
December	r10 761	r14 608	r8 224	4 735	7 632	r978	672	1 158
2005								
March	r8 871	r12 818	r8 586	r4 506	r8 493	r837	699	r995
June	9 983	14 288	7 931	4 554	8 454	805	671	1 045
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 paragraph 27 of the Explanatory Notes.

REVISIONS TO ESTABLISHED HOUSE PRICE INDEX SERIES, Australia(a)(b)(c)(d)(e)

<i>Period</i>				DIFFERENCE BETWEEN FINAL ESTIMATE AND:.....	
	<i>1st estimate</i>	<i>2nd estimate</i>	<i>Final estimate</i>	<i>1st estimate</i>	<i>2nd estimate</i>
INDEX NUMBER (c)			INDEX POINTS		
2005					
June	..	102.0	101.9	..	-0.1
September	101.0	101.9	nya	nya	nya
December	104.0	nya	nya	nya	nya
ANNUAL PERCENTAGE CHANGE (d)			PERCENTAGE POINTS		
2005					
June	..	2.0	1.9	..	-0.1
September	1.0	1.9	nya	nya	nya
December	2.3	nya	nya	nya	nya
QUARTERLY PERCENTAGE CHANGE (e)			PERCENTAGE POINTS		
2005					
June	..	0.7	0.6	..	-0.1
September	-1.0	0.0	nya	nya	nya
December	2.1	nya	nya	nya	nya

.. not applicable

nya not yet available

(a) Weighted average of eight capital cities.

(b) Series commence in June quarter 2005. See paragraphs 13–15 of the Explanatory Notes.

(c) Reference base: 2003-04 = 100.0

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

(e) 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 House purchase expenditure class of the Consumer Price Index (CPI). The index for Established Houses, 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 (from the Australian National Accounts). For information on the derivation of series in these tables see paragraphs 20-26.

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 Established house price indexes 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.

DEFINITIONS

Established houses

5 The price index for established houses 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

6 Project homes are dwellings available for construction on a client's block of land. Price changes relate only to the cost of constructing the dwelling (excluding land).

PRICE INDEXES

7 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.

8 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.

9 This standard procedure for constructing price indexes is not viable in the case of established houses as the observable prices in each period invariably relate to a different set of dwellings. The issue is how to utilise prices for an essentially heterogeneous set of dwellings to construct measures of price change for characteristic or homogeneous dwellings? The ABS *Information Paper: Renovating the Established House Price Index* (cat. no. 6417.0) provides a more detailed background.

EXPLANATORY NOTES *continued*

Controlling for the 'quality' effect

10 The ABS uses regional stratification to control for the 'quality' effect and compositional change. The approach uses location (suburb, postcode) to define regional strata that group together (or 'cluster') houses that are 'similar' in terms of their price determining characteristics. Apart from their physical characteristics, houses that are close share the same neighbourhood characteristics and so 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 observed property sales will occur. So 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. Ideally, each suburb would form its own cluster as this would maximise the homogeneity of the cluster. However, there are insufficient numbers of observations from quarter to quarter to support this methodology. The ABS has grouped similar suburbs to form clusters with sufficient ongoing observations to determine a reliable median price.

11 Analysis was undertaken to identify which characteristics were the most significant determinants of price. Many of the primary determinants of price were highly correlated with the Socio-Economic Indexes for Areas (SEIFA) index, meaning that the variability in price was largely described by this index. The result was that clusters could be most effectively compiled using the SEIFA index, the percentage of three bedroom houses and the geographical location of the suburb.

'Leading Indicator'

12 'Leading indicator' terms are compiled for the most recent two quarters using early VGs' data combined with mortgage lenders' data. These terms are labelled with a 'p' indicating a preliminary estimate. These terms will initially carry an 'experimental' tag until the ABS has sufficient historical data to fully analyse the relationship between these preliminary data and the benchmark series that they are being used to project.

13 It is important to note that the price indexes, and therefore the percentage changes, for the two most recent quarters are subject to revision as more complete data sets are obtained from the Valuers' General. Table 9, Revisions to Established House Price Index Series, Australia displays, for each time period, these 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. Until greater experience has been gained with these data sets, the ABS is unable to provide any indication of the likely magnitudes of the revisions.

14 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 this series was first published with respect to September quarter 2005, the first period for which preliminary data can be compared with final data is June quarter 2005. No preliminary estimates exist prior to this period.

15 Revisions to the weighted average of 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 data cube under the 'Details' tab for *House Price Index: Eight Capital Cities* (cat. no. 6416.0).)

Available data

16 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 government agencies 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.

EXPLANATORY NOTES *continued*

Available data continued

17 The delivery of government agency 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 on government agency data after approximately six months.

LIMITATIONS OF HOUSE
PRICE INDEXES

18 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 indexes for established houses as the number of price observations available depends on market activity in each quarter. This is most apparent in the established house price indexes for the smaller capital cities (Hobart, Darwin and Canberra).

19 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.

NATIONAL HOUSE PRICE AND
OTHER INDEXES

20 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

21 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. The values were obtained by combining 2001 Population Census house counts with March quarter 2002 mean prices.

Project homes

22 The series for project homes is derived by weighting together the indexes for each of the eight capital cities. In September quarter 2005, data on housing finance collected by the Australian Prudential Regulatory Authority was used to update the aggregate expenditure on secured finance commitments for the purchase of new dwellings by owner occupiers in 2004-05. The city weights were allocated using data from the Building Activity survey and census data. From June quarter 1996 to June quarter 2005 the value of commitments in 1994-95 was used. The source of weighting information was unpublished data from the ABS survey of Housing Finance for Owner Occupation. Between 1985-86 and June quarter 1996 the value of secured finance commitments to individuals in each of the states and territories for the construction of houses was used.

23 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 respective series at the national level are not directly comparable. The weighting pattern used in the CPI House purchase index differs from that described above for the project homes index. The weights used for CPI purposes relate to the net acquisition of dwellings (excluding land) by private households in each of the eight capital cities (i.e. they include dwellings acquired from the government and business sectors and alterations and additions to existing dwellings).

*Materials used in house
building*

24 The series for materials used in house building is based on 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.

*Construction industry total
hourly rates of pay*

25 The index for the construction industry total hourly rates of pay excluding bonuses, private and public, is that published in *Labour Price Index, Australia* (cat. no. 6345.0).

EXPLANATORY NOTES *continued*

Private Housing Investment

26 This series for the private housing investment is the annually-reweighted chain Laspeyres price index for private capital expenditure (houses), 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.

ACTIVITY BASED SERIES

27 Included in this publication are two activity based tables for unstratified (city-wide) median prices and sales counts for established houses. Table 7 presents unstratified median prices by city by quarter. Table 8 presents the number of established house sales by city by quarter. Both of these tables use VGs' data only, and there is a delay of several months in obtaining these data. Consequently the data presented in tables 7 and 8 will be lagged by two quarters. As the ABS receives more data, these figures will be revised as necessary. The data on median prices are not directly comparable with the established house price indexes (which are compiled in strata and weighted by the value of housing stock).

ANALYSIS OF CHANGES IN INDEX NUMBERS

28 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.

29 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.

30 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 2005	127.8 (see table 3)
less September Quarter 2005	122.7 (see table 3)
Change in index points	5.1
Percentage change	$5.1/122.7 \times 100 = 4.2\%$

31 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.

RELATED PUBLICATIONS

32 Users may also wish to refer to the following publications which are available from the ABS website:

- *Information Paper: Renovating the Established House Price Index*, cat. no. 6417.0
- *Australian National Accounts: National Income, Expenditure and Product*, cat. no. 5206.0 – issued quarterly
- *Building Activity, Australia*, cat. no. 8752.0 – issued quarterly
- *Building Approvals, Australia*, cat. no. 8731.0 – issued monthly
- *Consumer Price Index Australia*, cat. no. 6401.0 – issued quarterly
- *Housing Finance for Owner Occupation, Australia*, cat. no. 5609.0 – issued monthly
- *Producer Price Indexes, Australia*, cat. no. 6427.0 – issued quarterly.

33 Current publications and other products by the ABS are listed in the *Catalogue of Publications and Products* (cat. no. 1101.0). The Catalogue is available from any ABS office or the ABS web site <<http://www.abs.gov.au>>. The ABS also issues a daily Release Advice on the web site which details products to be released in the week ahead.

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