

Box D: House Price Measures

At the national level there are three main sources of data on house prices: the ABS, the Real Estate Institute of Australia (REIA) and the Commonwealth Bank (CBA). All three sources provide price measures for the capital cities. The ABS also publishes an Australia-wide measure, while the RBA constructs national measures using the REIA and CBA city-based data, using the number of capital-city households as weights.

All three series are based on transaction prices (Graph D1). They are published quarterly, although some commercial data providers produce monthly equivalents for their clients. Of these three measures only the ABS series attempts to control for changes in the geographic composition of houses that are sold during the quarter. None of these three price indices adjusts for improvement in the average quality of houses through time.

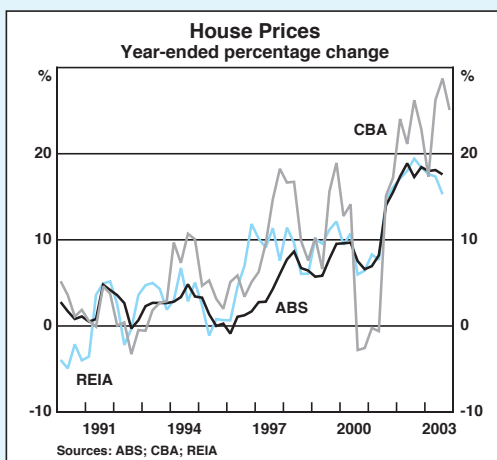
Residex, a commercial provider of house price data, constructs series for Sydney, Melbourne and Brisbane using data from repeat sales of individual properties. These repeat-sales indices control for compositional shifts in the stock of houses

sold in each quarter, and changes in the average quality of newer homes compared with older homes. They can therefore be useful for understanding longer-term trends. However, the series cannot adjust for the effects of renovations on the quality and price of existing homes, and recent observations can be subject to significant revisions.

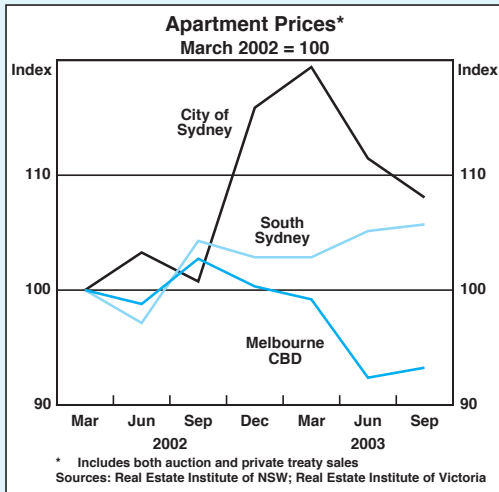
The ABS, Residex and REIA series record prices at settlement and are based on data provided to the land titles offices in each state, except in Victoria where the ABS and REIA use surveys of real estate agents. In contrast, the CBA series is derived from house purchases made by CBA home loan customers, with prices typically being recorded close to the date at which contracts are exchanged. It is available earlier than the other series, although given the smaller samples involved, it tends to be relatively volatile. Currently all three of the national series show prices rising at a relatively fast pace over the latest year for which data are available, though they also show that the rates of increase have come down from their most recent peaks.

Given that price movements can vary significantly across markets, it is also important to monitor price indices for specific geographical areas. Over the past year or so, particular attention has been paid to the inner-city apartment markets. Data for both private treaty and auction prices are available from a number of industry and commercial providers, although care needs to be exercised in interpreting movements because the samples can be quite small. While these data at times show marked differences across areas, they suggest that prices in a number of inner-city localities, including Melbourne's CBD and the City of Sydney, had come off their peaks by the September quarter (Graph D2). Whether this portends a lasting change in trend is unclear.

Graph D1



Graph D2



As noted above, most house price data are obtained from land titles offices, with prices recorded as at the time of settlement. The use of data from land titles offices means that there are significant lags between the time when sales occur and when a reliable median

of those prices can be estimated. This reflects the typical lag of at least six weeks between sale and settlement, as well as, in some states, significant reporting and processing lags.

A more timely indicator of price movements is provided by auction results, which are available from a number of commercial data providers soon after the auction takes place. These measures are most useful for Melbourne and Sydney markets, where auctions can account for up to a half and a quarter of all sales respectively. As discussed in the body of this *Statement*, recent auction data suggest that prices were relatively flat over the final months of 2003. In interpreting these data, however, it should be kept in mind that the samples are considerably smaller than those used to construct the quarterly price series discussed above, and that auctions tend to be concentrated in the higher-value end of the market. In Sydney, for example, the median auction price is close to double the median private treaty price. ↗