

25 September 2003

Mr Gary Banks
Chairman
Productivity Commission
Level 3
Nature Conservation House
Cnr Emu Bank & Benjamin Way
BELCONNEN ACT 2616

Dear Mr Banks,

Further to your recent conversation with Louis Milkovits, I have provided some background statistics which may be relevant to the early stages of your inquiry.

Please feel free to contact me if you would like clarification on the information contained herein.

Yours sincerely

Tim Redway
National Marketing & Sales Manager

c.c. Louis Milkovits

Background Statistics for the Productivity Commission

Interpretation and commentary by AVJennings

(1) Home Loan Affordability

(*Source REIA/AMP Qtrly Home Loan Affordability Report)

Home loan affordability has been eroded in the last 12 months by about 9.3% Australia wide because of the high capital gains achieved in the established real estate market. (The REIA/AMP Index fell from 41.0 points to 37.2 points in the period to March 2003).

New South Wales rates as the least affordable state in Australia for housing at 32.4 points, 13% behind the Australian average.

Conversely, Victoria and Queensland are slightly above the Australian average, rating as 38.3 and 38.0 (around 2% above).

South Australia is quite affordable to live in (43.0 points or 16% above national average) but not as affordable as the Northern Territory which rated 62.6 (68% above the national average), the most affordable place in Australia to live.

Remember that the affordability index takes into account median household incomes and average monthly loan repayments as its basis, making the Northern Territory the most affordable state to buy a home on the basis that family household incomes are well in excess of the Australian median (nearly 40% above).

(2) Floor Area of New Homes

AVERAGE FLOOR AREA OF NEW HOMES*

Region	2002	2001	% change	1992	% change
Aust	239.7m ²	235.3 m ²	+1.87	186.7	+28.4
NSW	269.9 m ²	256.1 m ²	+5.38	191.2	+41.16
Qld	244.1 m ²	233.2 m ²	+4.67	187.3	+30.32
Vic	233.4 m ²	226.7 m ²	+2.95	176.2	+32.46
SA	213.2 m ²	210.4 m ²	+1.33	178.7	+19.3

*Source: BIS Shrapnel

- Table demonstrates the massive increase in the size of new dwellings in the past decade. Up nearly 30% Australia wide.
- Most of this market is being driven by second and subsequent move up buyers. Despite eroding affordability, these buyers have sold an established home to finance their purchase of a larger new home (and hence the continued growth in floor area).

The following data sourced from the Australian Bureau of Statistics Year Book 2003

(3) Births

1980 Average age of birth mother = 26.6 years

2000 Average age of birth mother = 29.8 years

Impact On Housing

The rise in age of women who have children reflects the increase in age at which couples get married and 'form households'. The delay has increased the demand for smaller dwelling types.

1980 Birth of children for women over 40 = 0.8%

2000 Birth of children for women over 40 = 2.6%

Impact on Housing

The increase in percentage of women aged over 40 who have children reflects (medical advancements aside) the changes in life cycles of families. Changes in lifecycles impacts on the demand for housing types. If families are delaying children then this will increase the demand for housing types that are smaller.

(4) O/S Migration

Between 1995 and 2000 there were 438,633 permanent settlers from Overseas to Australia.

In the same period only 166,000 were permanent departures.

Impact on Housing

The difference between permanent departures and arrivals effects the demand for housing. In this case, significant positive demand.

(5) Marriage & Divorce

Marriage rate in 1976 was 62 couples / 1,000 men and women.

Marriage rate in 2000 was 33 couples / 1,000 men and women.

Age of marriage has increased	1971	23.8 men / 21.4 women
	2001	30.6 men / 28.6 women

Impact on Housing

Although the increased prevalence of defacto relationships decreases the marriage rate, the fall (nearly 50%) is supported by the rising number of single households.

The decreased rate of marriage increases the demand for housing overall. Further, the change also increases the demand for alternative dwelling types to the traditional family home.

The increased age at which people marry is also supports the demand for smaller housing alternatives.

Divorce rate increase

0.1 divorces per 1,000 people in 1901 - 1910

0.8 divorces per 1,000 people in 1961 - 1970

2.8 divorces per 1,000 people in 2001

Medium age at divorce men = 41.8
women = 39.1

Impact on Housing

Increase in the rate of divorce has also significantly increased the demand for housing as one household will now demand two dwellings. One or both of these dwellings is likely to be smaller in nature as the household is smaller.

(6) Households

- June 2001 estimate 7.4 million households in Australia.
- Number of households has out paced population growth.
- In the past 90 years households have grown at 2.4% per annum, while population has only grown at a rate of 1.6% per annum.
 - This reflects the fall in the average size of households;
 - 4.5 in 1911
 - 2.6 in 2001
 - The change is largely attributed to lower fertility rate growth in one and two person households over the period.
- In 1976, 60% of families were couples with children. By 2001 this had fallen to 41% (a drop of nearly 50%).
 - This change has been primarily driven by growth in 'couples and no children' households. Further effecting the change - people are having children later in life and living longer. Couples are spending more time together before having a child.

Projection in number of households

- Between 1996 and 2021 households are expected to grow by between 38% and 46% but Australia's population is only expected to grow by 24% for the same period.
- Household size anticipated to fall by between 2.6 people / home 96 to 2.2 in 2021.
- Lone person households projected to be 25-30% of all households by 2021.

- The aging population, increases in divorce and separation, delaying of marriage are all contributing forces to the rise in lone person households.
- They are expected to grow the fastest of all household types although families will remain the predominant type.

Impact on Housing

The changes in household types and numbers in the past 20 and future 20 years is having a significant impact on the demand for housing types.

Alternatives to the traditional family home are increasingly being sought.

SUMMARY IMPACT ON HOUSING AFFORDABILITY

Quite simply, with the growth in the number of single people, higher household separation (divorce) and delays in household formation, the purchase of a home has to be increasingly done on a single income.

With the increase in capital growth of house prices in all capital cities, this is beyond the reach of many of these single people, despite historically low interest rates.

New phenomena are emerging like the 'boomerang' generation, which are those late 20's and early 30's singles who have to move back to the parental home in a bid to save for a deposit to buy a property.

They do so in a time where there is not necessarily a guarantee of marriage or long term relationship (unlike their parents generation) which would normally provide the impetus for home purchase / ownership.

Housing demand is continually being driven by a growing diversity in house hold types.

Singles, empty nesters, baby boomers, 'boomerangers', single parents, divorcee's - a diverse group of households at varying ages, life cycles and with particular housing needs specific to their circumstances.

Some other background statistics on Housing In Australia

(7) Housing in Australia (1999 – 2000)

Dwelling Type

		High	Low
Separate House	79.3%	Tas 86.7	NT 70%
Semi Detached	9.9%	WA 15.1	QLD 7.1%
Unit / Apartment	10.1%	NT 15.5	WA 5.4%

- Tasmania has the highest number of detached homes, which likely reflects the high levels of housing affordability within that state.
- Western Australia has the highest number of semi-detached dwellings which likely reflects a preference for townhouse style medium density development as opposed to apartment development (note that WA has the lowest % of apartments in Australia).
- The Northern Territory has the highest percentage of unit and apartment development, but this reflects the relatively high cost of housing construction in that region coupled with strong rental demand generated from a transient population base.

Number of bedrooms ('000)

	Separate House	Semi Detached	Unit / Apartment	Total
1 Bed	50.2	67.3	194.0	329.1
2 Bed	639.7	327.0	437.3	1421.9
3 Bed	3,311.1	285.7	81.0	3,691.2
4 or more Bed	1,696.4	28.8	4.5	1,733.7
Total	5,697.4	708.9	725.8	7,188.1

% Bedrooms Australian Dwellings

1 bed	4.6%
2 bed	19.8%
3 bed	51.4%
4 or more bed	24.1%

Composition of Households in Dwellings by Room Number (1999 – 2000)

	1 Person	2 Person	3 Person	4 Person	5 Person	Total
1 Bed	77.5 %	19.5 %	1.8 %	1.1 %	-	100 %
2 Bed	43.1 %	39.8 %	11.2 %	4.6 %	1.3 %	100 %
3 Bed	19.1 %	35.7 %	19.7 %	18.1 %	7.4 %	100 %
4 Bed	6.8 %	23.3 %	17.5 %	26.1 %	26.3 %	100 %
Total	24.5 %	32.7 %	16.5 %	16.2 %	10.1 %	100 %

- 52.4% of 4 bed homes have 4 or 5 or more people in them and 69.9% have 3 or more.

- The relatively high proportion of 1 or 2 person households living in dwellings with 3 or more bedrooms is largely being driven by our aging population. That is, those retirees who have not moved from the family home into retirement accommodation.

(8) Home Ownership

71% living in their own home.

26% renting

38% owned their home outright

One third of outright owners were couples with no children (empty nesters in all likelihood).

Tenure by State

	Owner		Renter *	Other**
	Without Mortgage	With Mortgage		
NSW	39.8	30.5	28.1	1.6
VIC	43.6	32.0	22.1	2.3
QLD	34.6	31.7	31.6	2.1
SA	37.5	32.0	28.2	2.3
WA	31.5	37.9	27.6	3.0
TAS	41.7	30.3	25.1	2.9
NT	17.7	38.3	39.5	4.5
ACT	25.8	42.4	30.3	1.6
AUST	38.4	32.2	27.3	2.1

* Renter includes private landlord and state housing authority.

** Other reflects those accommodated in non traditional forms of housing like hostels and caravan parks etc.

- This table interestingly demonstrates that despite poor affordability in NSW, the state has high levels of outright home ownership. But it also has higher number of renters than the Australian average.
- The high percentage of renters in the Northern Territory reflects the transient nature of the population base. The high percentage of 'other' in the Northern Territory is likely to reflect the proportionally large indigenous population base who seek non-traditional housing types.