

## Census Consensus

### Under supply and a rise in vacancies?

**Update:** The breadth and depth of data released as part of the Census 2016 will take some time to unlock. One misleading statistic that is starting to be reported is that 11.2 per cent of dwellings in Australia (over 1 million) are unoccupied.

This is of particular interest as both the Federal and Victorian Governments have recently announced punitive measures on properties that are left vacant. These measures are designed to ease housing affordability.

Conversely, the census also shows that there are now more people living in each house and in particular a dramatic increase in over-crowding.

**Insight:** Before policy makers jump to the conclusion that more than one in ten homes in Australia are vacant, it is worth noting that this data is not collected through the census itself, but directly from the ABS employees who distribute the Census forms.

In distributing Census forms, ABS employees are asked to report, based on criteria, if a house is considered vacant at the time they deliver the Census form. The 11.2% vacancy rate is based upon this subjective reporting from ABS employees, not from data reported by respondents.

As the method of collection is not from the self-reported data in the Census, there is a need to gain a detailed understanding of the criteria that ABS employees use to determine vacancy. Moreover, a house that is vacant for the weeks prior to the Census day and therefore 'vacant' for the purposes of Census collection is a very different interpretation to that which is being sought by policymakers.

Another caveat is that this data does not distinguish between domestic and foreign owners, a key component of both the Federal and Victorian measures. This reporting system does not appear to distinguish between holiday residences, inhabitable dwellings or indicate if they are simply vacant for the duration of the Census.

Given the online nature of the 2016 Census there is merit in further analysis of the outcomes of this data.

Conversely, self-reported data from the census shows us more clearly that there is a constraint on housing.

The number of people living in each dwelling has increased in Sydney and Melbourne to 2.7 people (2.6 nationally). Furthermore, the number of households with six or more people has increased by 20 per cent since 2011.

### Renting households on the rise

**Update:** There has been a significant increase in the share of the population that is living in a rental property (10 per cent) with a corresponding decline in the number of people that own their own house outright or with a mortgage.

**Insight:** Rental costs have increased by 24 per cent in Sydney and 17 per cent in Melbourne, which was generally in line with income growth. Rental prices were growing quickly at the time of the 2011 Census but that rate of growth has slowed in more recent years.

The Census data also shows that the average cost of servicing a mortgage has fallen, which is largely due to declining interest rates. While mortgage costs have not risen as interest rates declined, household indebtedness has increased since 2011. This highlights a risk that if interest rates begin to rise there may also be a significant rise in mortgage stress.

In many locations around the country, namely the east coast capital cities, the housing market continues to be under-supplied. The consequential pressure on home prices has made owner-occupation a less accessible tenure for many households. This is particularly evident amongst younger households.

Home-owners have also been increasingly switching away from single dwellings to apartment living. The number of people living in medium and high density has housing increased by 32 per cent since the last census, largely as a consequence of the high cost of land.

### Back-to-back increases in monthly new home sales

**Update:** New home sales increased by 1.1 per cent during May. This was helped by a 2.2 per cent increase in new detached house sales although multi-unit sales were down by 2.6 per cent during the month.

**Insight:** Large increases in new home sales in Queensland and New South Wales during May drove new home sales nationally higher for the second consecutive month.

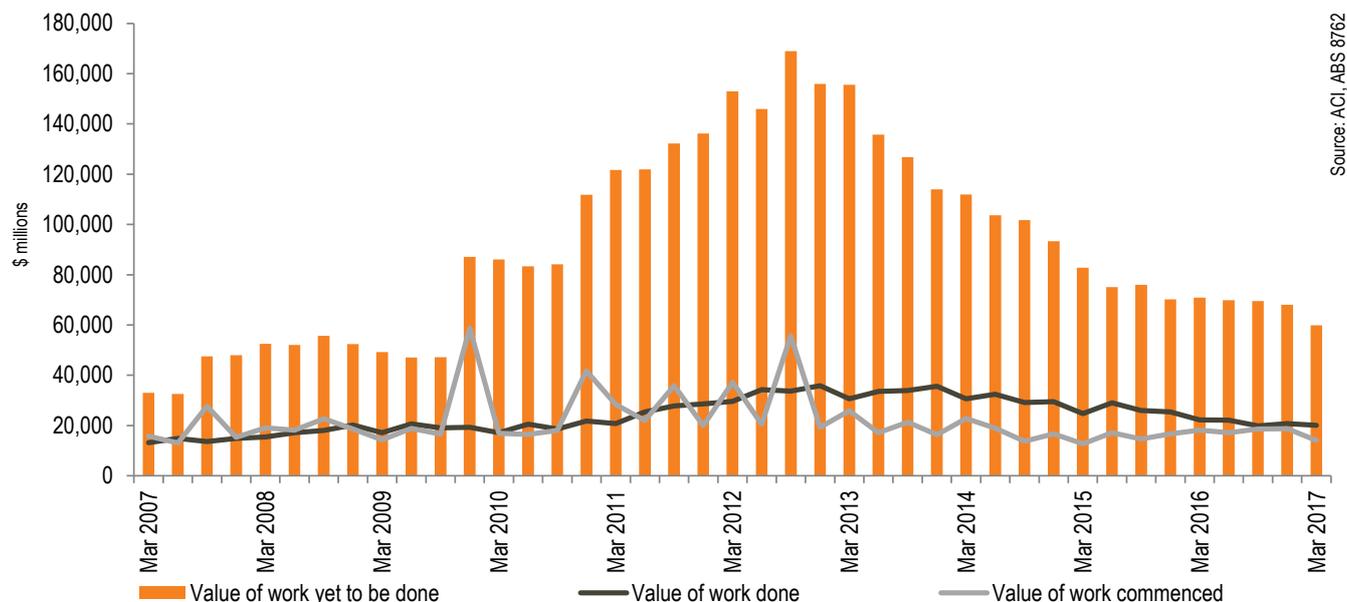
The latest results contained in the HIA New Home Sales Report are consistent with our updated forecasts released in last week's HIA National Outlook report.

A modest contraction will continue to occur in detached house starts across Australia up until the end of the decade whilst a much larger reduction in multi-unit commencements is anticipated to continue over the coming years as activity retreats from the unprecedented levels of recent years.

## Top of the charts:

Engineering construction activity continued to recede in the March 2017 quarter, as the last of the work on resource sector investment boom gradually runs its race. The value of engineering construction work undertaken during the March quarter of 2017 was up by 2.8 per cent compared with December 2016 quarter, however the volume of work was still 12.5 per cent below the year ago level. Activity in the engineering construction sector is still dominated by work on resource related projects. With work on existing resource projects ongoing and very few entering the pipeline, the value of work outstanding is gradually being reduced. The aggregate value of engineering construction work outstanding at the end of the March quarter dipped below \$60 billion for the first time since 2009.

### TOTAL ENGINEERING CONSTRUCTION



## The fortnight ahead – key dates and releases

### Monday 3 July

ABS Building Approvals May 2017, 11:30am  
CoreLogic House Price data, 9:30am

### Tuesday 4 July

ABS Census of Population and Housing: TableBuilder  
Reserve Bank of Australia Interest Rate decision, 2.30pm

### Thursday 6 July

HIA Renovation Roundup, July 2017, 11am

### Friday 7 July

HIA-AIG Performance of Construction Index 9:30am

### Tuesday 11 July

ABS Housing Finance, May 2017, 11:30am

### Wednesday 12 July

ABS Building Activity, March Qtr 2017, 11:30am  
ABS Census of Population and Housing: General Community Profile DataPack

### Thursday 13 July

HIA Housing Scorecard Winter 2017, 11am

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