

HOUSING REPORT CARD HIGHLIGHTS TOUGH CONDITIONS AHEAD

Australia's most comprehensive housing report card highlights a slow recovery in 2007 as the industry fights against the headwinds of very low affordability.

Commenting today on the release of the December 2006 quarter *HIA National Outlook* publication, HIA Chief Economist, Mr Harley Dale, said that the crisis in housing affordability would mean a lower level of residential activity in 2006/07.

"New building activity will be softer this year but a recovery should slowly emerge over 2007/08," Mr Dale said.

"A stable interest rate environment in 2007 will create the platform for a gradual improvement in housing conditions as we move through the year."

"The onus is on all levels of government to fully utilise that steady rate platform and ensure the unsustainably high barriers to new home entry are reduced," Mr Dale said.

"The gap between the cost of new housing and what medium and low income households can afford to pay is wider than ever. Stable interest rates won't bridge that gap, only government action will," Mr Dale added.

"Spending on renovations, meanwhile, will hold at healthy levels as the retention of house price gains and the substitution from high cost new housing continues."

"Higher interest rates last year will see housing starts fall by a forecast 1 per cent in 2006/07 following a 13 per cent drop over the previous two years. That would see starts bottom at a level of 149,600."

"The risk is for a sharper decline as New South Wales is yet to show a sustained recovery in building as high land prices hurt Sydney and as the drought weighs down on regional building activity."

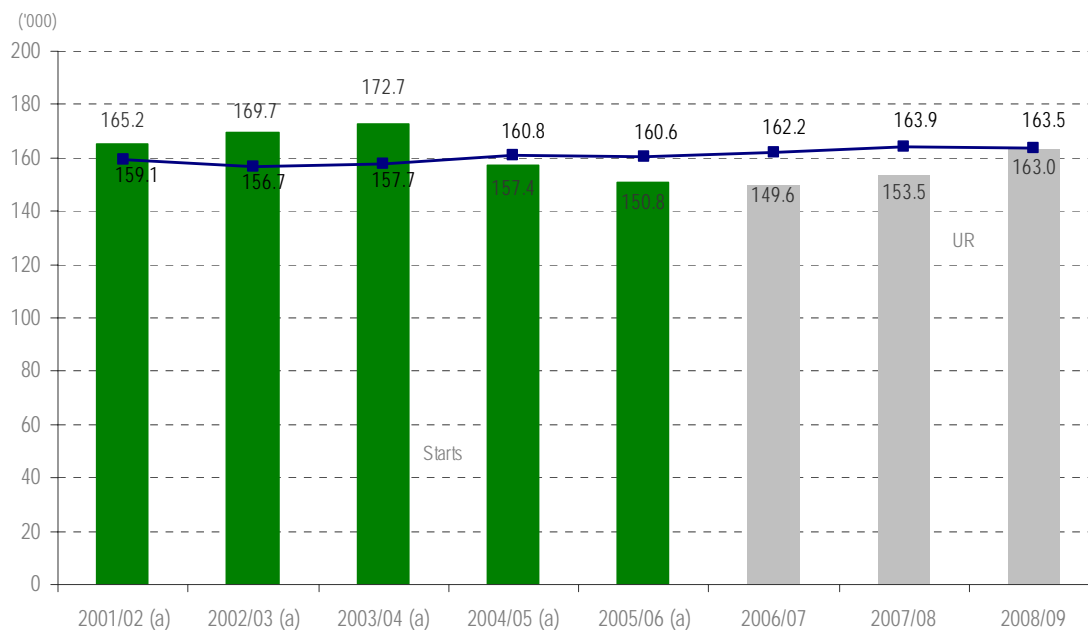
"Starts are forecast to grow by 3 per cent in 2007/08 and by a further 6 per cent in 2008/09, within which the stark differences evident across states in recent years will remain. Over 2007/08 starts are forecast to rise by 6 per cent in NSW, from an extremely low base, but fall by 13 per cent in Western Australia."

"The renovations sector has out-performed in recent years and this situation will continue. From an all time record high level of expenditure of \$27.7 billion in 2003/04, spending has only fallen by 3 per cent."

"The market for renovations is more sensitive to interest rate rises than ever before and would have been knocked around by further hikes in 2007. However, with rates on hold, spending on renovations is also forecast to hold steady in 2006/07 before growing by 8 per cent over 2007/08 – 2008/09 to a new record of \$28.9 billion."

Underlying Requirement for Housing vs Actual and Forecast Dwelling Starts

- Australia



- Ends -

Note to Editors

1. HIA's State and National Outlook publications are a comprehensive quarterly roundup of key housing indicators on a state by state and National basis. There are nine reports in the set.
2. The data is sourced each quarter from the Australian Bureau of Statistics, the Department of Employment and Workplace Relations, the National Centre for Vocational and Education Research, and HIA's own datasets on home sales, affordability, and trade prices and availability.
3. For a copy of the full 40 page HIA Outlook reports (media only) please contact Kirsten Lewis on (02) 6245 1393. Copies of HIA State and National Outlook can be ordered from <http://economics.hia.asn.au>

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