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MEDIA RELEASE

HIA Housing Report Card Sees Challenges Ahead

The recovery in new home building is well underway but is still forecast to fall well short of what is required to house Australia's growing population, according to the Housing Industry Association's latest National Outlook.

The HIA's Chief Economist, Dr Harley Dale said that there is no doubt that a first stage new home building recovery is underway, but the challenge lay with ensuring a strong, sustainable recovery beyond this year.

"HIA is forecasting growth of 20 per cent in new housing starts in financial year 2009/10 to a level of nearly 157,000. That result is testament to the success of stimulatory monetary and fiscal policies in 2009.

"Through 2009/10, the lion's share of this growth will occur in detached housing which is forecast to grow by 24 per cent, to 114,000 dwellings. The 'Other dwellings' sector, which covers all non-detached housing, is expected to grow off a very low base by only 10 per cent, to 43,000 dwellings.

"To ensure a sustainable new home building recovery we need to see further policy success in the form of reducing the myriad of supply side obstacles that needlessly constrain new home building.

"Failure to achieve this success at the same time as the stimulus effects from low interest rates, first time buyers, and social housing provision are receding, will only add unnecessary upward pressure to existing home values and rents. That would translate to higher interest rates than would otherwise be the case.

"A key challenge for policy makers is to ensure we make serious inroads into Australia's acute shortage of shelter. That requires rapid progress in removing the obstacles to boosting the nation's housing supply including lack of affordable land supply, skilled labour shortages, and the need for greater access to finance.

At the same time as the new home building market has been recovering so too has the renovations market.

"Total investment in renovations recovered in the second half of 2009 after falling by 4 per cent in 2008/09," said Harley Dale.

"Stronger than expected labour market conditions and existing home price gains are driving a resurgence in renovation activity which is forecast to see the total worth of this sector increase by 7 per cent in 2009/10 to \$33.4 billion.

Renovations activity is forecast to increase by 8 per cent over 2010/11 – 2011/12, reaching over \$35.9 billion.

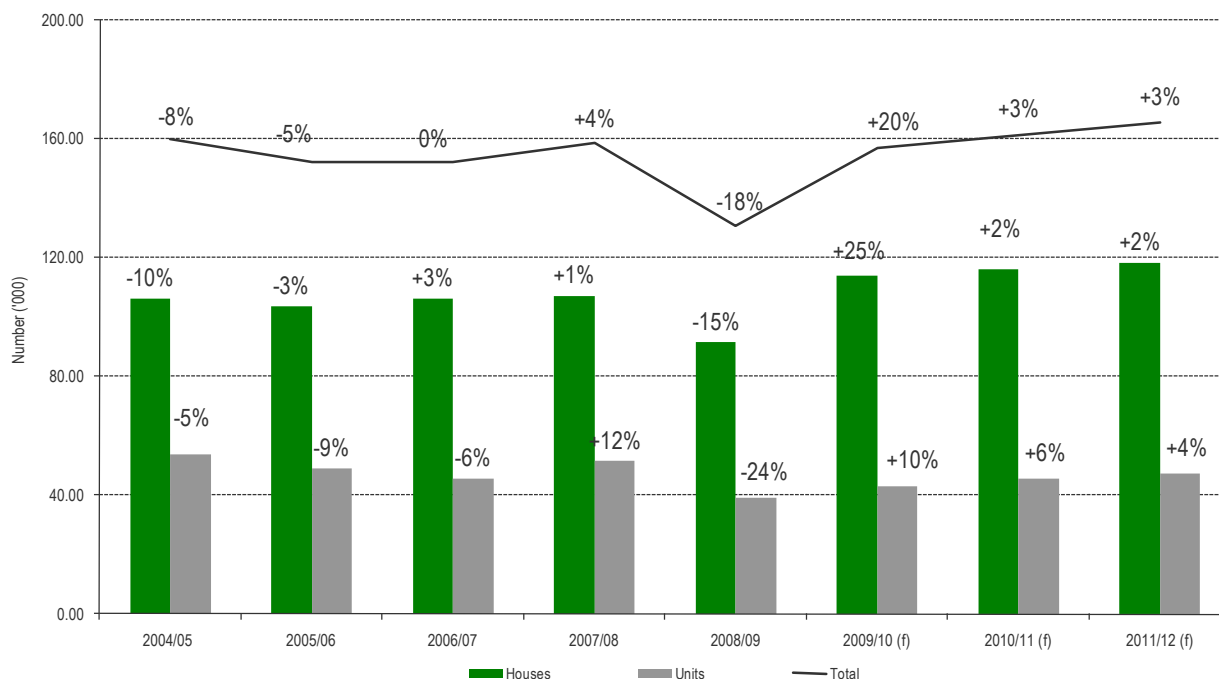
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New Housing Forecast, by Type, AUS Dwelling Starts

Source: HIA Economics Group



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, rpdata.com/Rismark, and HIA's own datasets.
3. For a copy of the full 80 page HIA Outlook reports (media only) please contact Kirsten Lewis on (02) 6245 1393 or k.lewis@hia.com.au. Copies of HIA State and National Outlook can be ordered from <http://economics.hia.com.au>