

Housing Report Card – scores a D minus

HIA, Australia's largest building industry association, today released the nation's most comprehensive report card on the residential sector.

The report highlights a large fall in home building activity that will see the shortage of housing stock blow out to 45,000 dwellings in 2008/09 alone.

Commenting today on the release of the June 2008 quarter *HIA National Outlook* publication, HIA Chief Executive - Policy, Mr Chris Lamont, said that housing starts looked certain to fall to around 145,000 in the current financial year.

"Sharply higher borrowing rates and building materials prices, together with hefty statutory costs to building, have generated a sharp decline in leading housing indicators over the last six to nine months," said Chris Lamont.

"The time for navel gazing has long past, this is not a cyclical trend that will correct itself," said Chris Lamont.

New dwelling starts are forecast to be down by 6 per cent in 2008/09, marking an unprecedented fifth year in a row when new home building has failed to recover.

"Interest rate reductions will, in time, boost confidence and then construction activity, but that's a 2009/10 story. We have a relatively inelastic supply side, so no immediate bounce is expected and this is bad news particularly for those searching for affordable rental housing," Mr Lamont said.

"We expect the recovery to be modest over 2009/10 – 2010/11 given the lack of skilled labour in the industry and the long road ahead in lifting housing affordability to reasonable levels," said Chris Lamont.

On a brighter note, the renovations sector appears relatively resilient.

"It's hard to see renovations activity growing in the current economic climate, but even a largely flat year will see the sector well out-perform new home building. The performance of the renovation sector in part reflects the onerous statutory costs faced by new construction," added Chris Lamont.

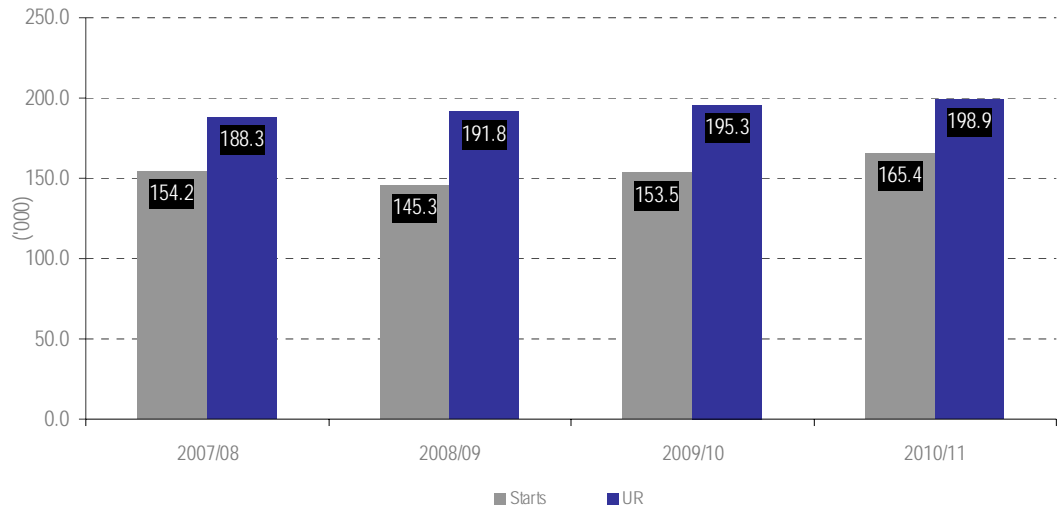
Total investment in renovations is forecast to be around \$30 billion in 2008/09.

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Underlying Requirement for Housing vs Forecast Dwelling Starts - Australia



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.
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.asn.au>