

HOUSING SECTOR TO SLOW BUT NO CRASH IN SIGHT

The housing sector enjoyed a very strong three years but is now set to take a breather until 2007.

Commenting today on the release of the December quarter 2004 *HIA National Outlook* publication, HIA's Senior Economist Mr Harley Dale said that levels of residential activity would remain reasonably healthy over the next couple of years.

"Economic growth, while slowing, won't fall off a cliff, the unemployment rate is historically low which is very important to the housing sector, and there hasn't been the overbuilding of previous cycles," Mr Dale said.

"In this kind of environment a moderate correction to housing activity is on the cards. Forward indicators for the sector, together with our own survey research, continue to point to this situation dropping out over the next couple of years," he added.

"While the housing industry doesn't need another hike, there is also the prospect of a further interest rate rise in the second half of the year. Throw everything into the mix and we are forecasting a drop in housing starts of 11 per cent in 2004/05 followed by a further decline of 3 per cent next year, which would see starts bottom at around 150,000," Mr Dale said.

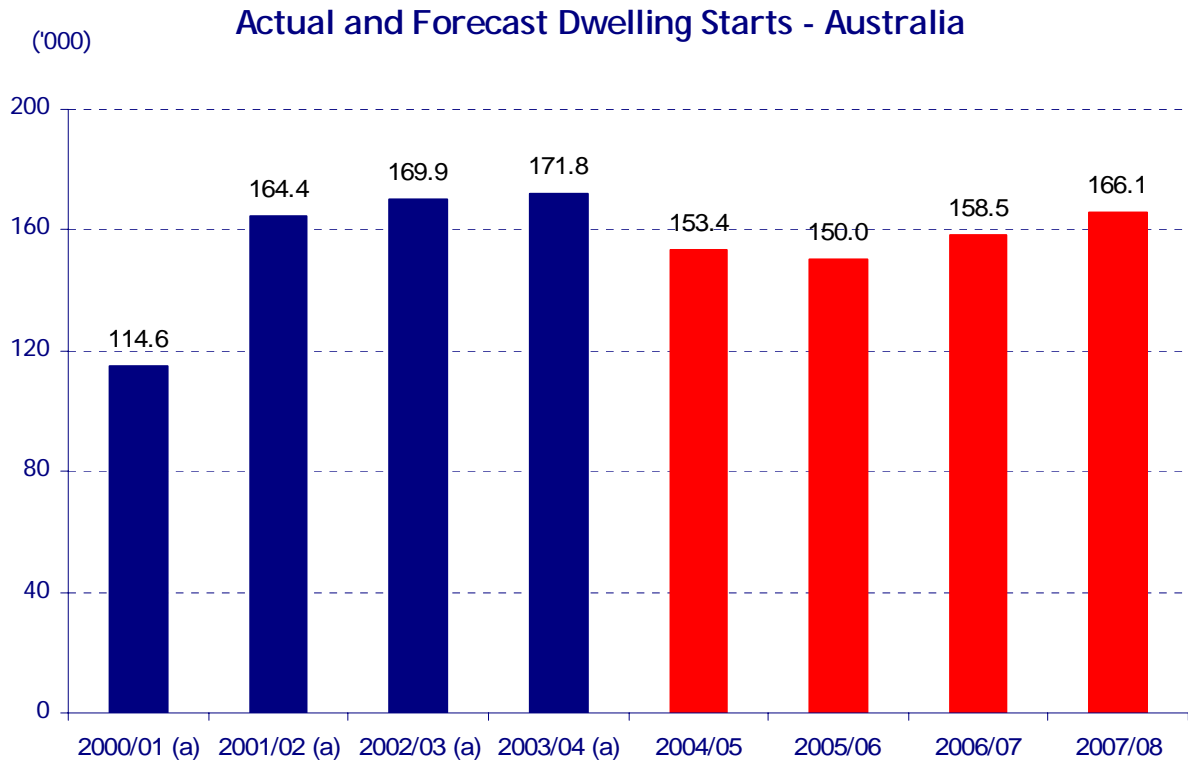
"Our forecasts reflect the view that we see no evidence of a massive fall-out in housing such as those which befell the industry in the 1980's and again in the 1990's."

"With strong underlying demand, aided by a healthy Australian economy and high overseas migration, we expect housing starts to resume an upward march from 2006, increasing to a level of around 166,000 by 2007/08," Mr Dale said.

On the other side of the housing ledger, renovation activity is expected to grow by a further 1 per cent in 2004/05 to \$22.2 billion.

"Investment in renovations surged by over 40 per cent in three years so any further growth from here is impressive. The strong underlying fundamentals of the economy, particularly low unemployment and commensurately high consumer confidence at a time when land prices remain historically high, are certainly supportive of another healthy year for renovations in 2004/05," Mr Dale said.

"Following the peaking in the new construction market, the renovations sector will slow. We are forecasting a 2 per cent dip in 2005/06 followed by a further fall of 4 per cent the following year. Thereafter we expect to see the renovations sector gain some fresh legs, with activity increasing by 3 per cent to around \$21.3 billion by the end of 2007/08," Mr Dale added.



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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 9 reports in the set and they are released on the last working day of March, June, September and December quarters.
2. The data is sourced each quarter from the Australian Bureau of Statistics, the Department of Employment and Workplace Relations, and HIA’s own datasets on home sales, affordability, and trade prices and availability.
3. For individual state-based releases or copies 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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