

MAJOR RENOVATION ACTIVITY HITS A TWO YEAR LOW

After two years of robust growth, activity in Australia's major renovation market has fallen sharply.

Commenting today on the latest release of HIA's quarterly *Renovations Monitor*, Australia's peak building industry body, HIA, said that activity fell in the December quarter 2004 by 28.6 per cent to \$881 million. Compared to 12 months ago, activity was down 16 per cent.

HIA's Chief Economist, Mr Simon Tennent, said that while today's figures pre-date last weeks interest rate rise, they are another in the growing list of indicators that confirm that the industry and the economy were slowing late last year.

"For the renovation sector, general fears over higher interest rates at a time when house prices were falling has led to potential home renovators taking a wait-and-see approach," Mr Tennent said.

"Last weeks interest rate rise will clearly keep a lid on any expected bounce in this current quarter but of deeper concern is the continued rise in building costs brought about by skills shortages and increasing compliance costs," he added.

"The shortage of skilled trades has seen trade costs increase by 8.3 per cent over 2004 confirming the need for urgent structural reforms on the skills training front."

"Furthermore, there has been a marked increase in compliance costs with increases in builders licensing fees, insurance, environmental and energy rating requirements, and Local Government development application fees that have risen by as much as 40 per cent over the year,"

"Looking ahead, renovation demand is likely to remain robust given the shrinking pool of new land and the high transaction costs associated with moving house, however these historically high costs will temper activity for some time to come." Mr Tennent said.

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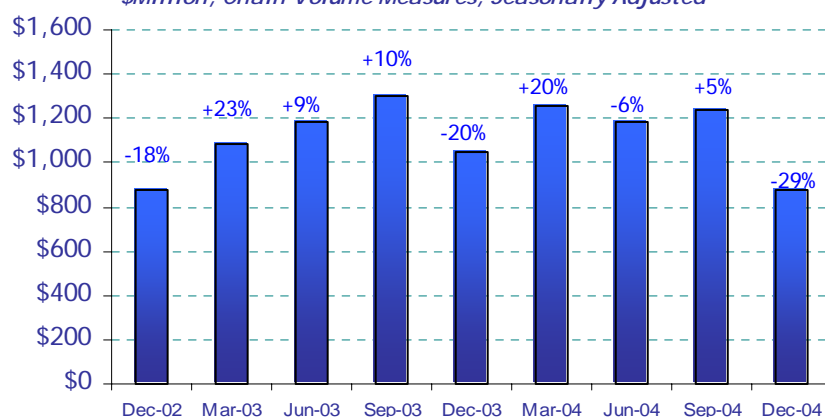
A total of 13,057 households undertook major home renovations over the three months to December at an average value of \$67,474 for each job. The most popular major renovation over the three months was a ground floor extension valued at \$102,382 and around 69 square metres in size.

Notes:

The *HIA Renovations Monitor* is a quarterly review of major renovation activity. Compiled from 5 years of insurance certificates from all states and territories, it splits major renovation activity into the categories of ground and second storey extensions, kitchens, bathrooms, garages, roofing and cladding, external improvements, and repairs and maintenance.

Expenditure on Major Renovations

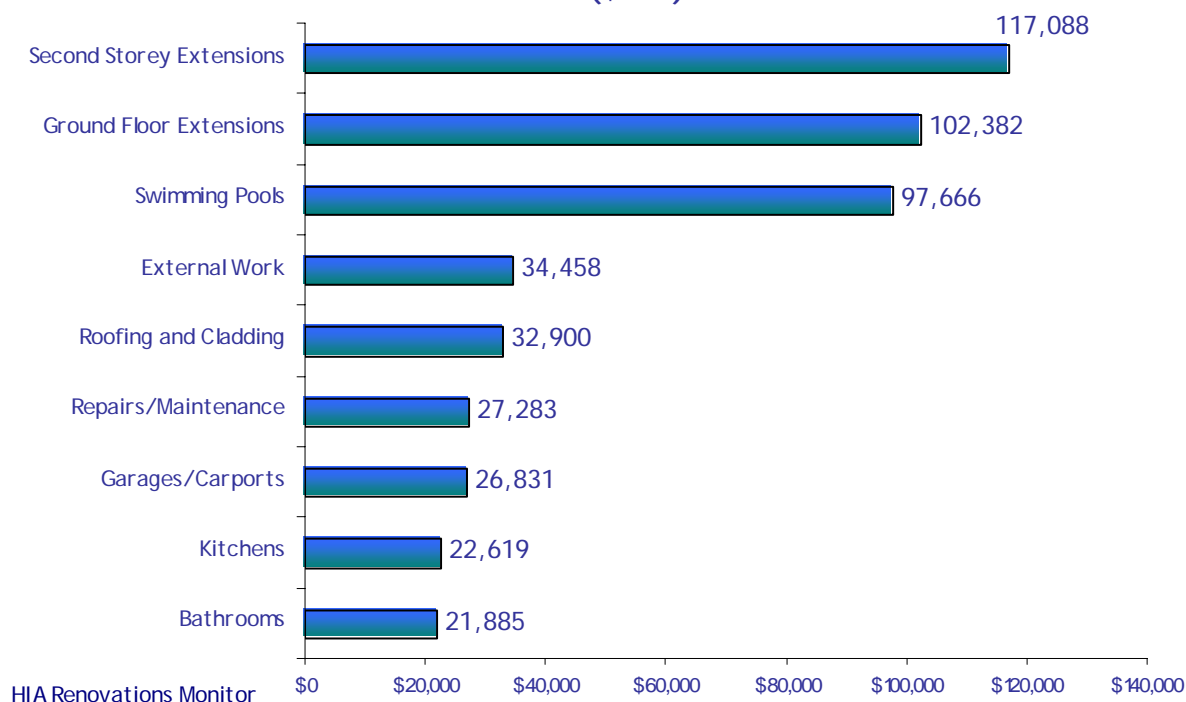
\$Million, Chain Volume Measures, Seasonally Adjusted



Source: HIA Renovations Monitor

Average Value of Major Renovation Projects, December 04

(\$000)



HIA Renovations Monitor