

13 December, 2005

RENOVATION BOOM COOLS FURTHER

Flat house prices and a difficulty finding building trades has slowed demand among Australia's home renovators.

Commenting today on the latest release of HIA's quarterly *Renovations Monitor*, Australia's peak building industry body, HIA, said that major renovation activity (jobs carried out by licensed builders and contractors) fell 4.1 per cent in the September quarter of 2005 to \$797 million.

HIA's Senior Economist, Mr Harley Dale, said that the weak result is consistent with the overall cooling in the housing sector but still remains historically high.

"With a peaking in the house price cycle, many households are choosing to pay down debt rather than keep withdrawing equity," Mr Dale said.

"As a result, that speculative element has all but disappeared from the market as those households spending tens of thousands on renovations in an effort to boost their home's value are being disappointed come sale time," he added.

"On the other hand however, the lack of affordable new land and the prohibitive costs associated with moving house are two significant factors that have put a floor under activity."

"For those households who are in it for the long haul and wish to improve their standard of living, the attraction of adding floor area continues as evidenced by the value of council approved alterations and additions – primarily ground floor and second storey extensions - barely falling over the past year," Mr Dale said.

"It is in this context that while renovation activity is forecast to cool further, the fall will be modest compared to previous cycles."

Major renovations expenditure was lower in most parts of Australia. Expenditure in the three months to September fell by 21.4 per cent in the Australian Capital Territory, 8.6 per cent in Victoria, 7 per cent in South Australia, 3 per cent in Queensland, 2 per cent in the Hunter Region, and 1.5 per cent in New South Wales. Expenditure increased by 5.7 per cent in Tasmania and increased by 1.3 per cent in Western Australia.

The average dollar spend increased for ground and second floor extensions in addition to kitchens, bathrooms, and repairs and maintenance. Average spending fell for roofing/cladding, garages/carports, and external work.

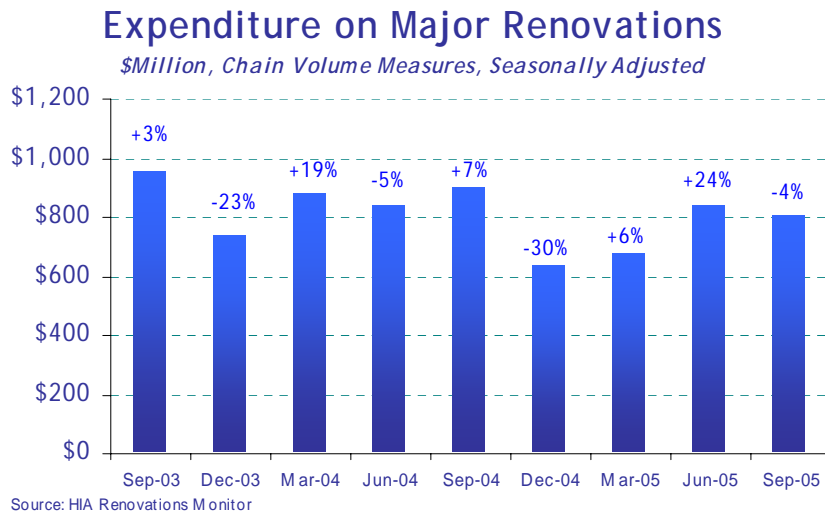
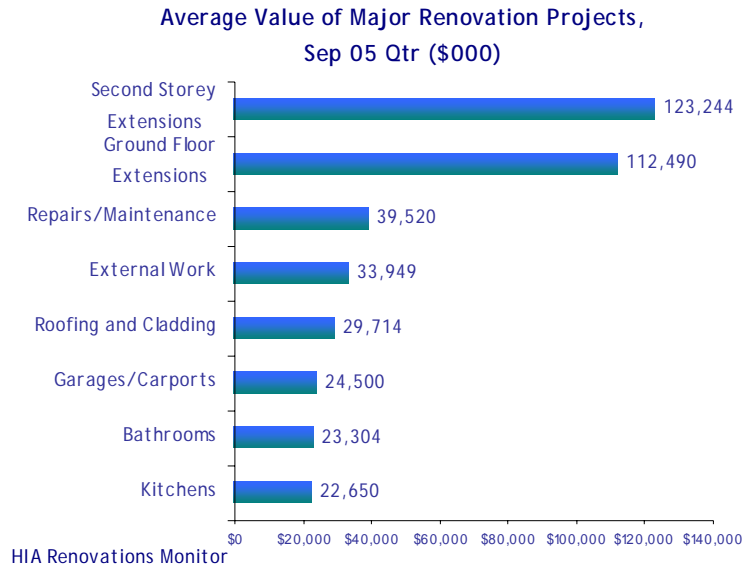
NOTES TO EDITORS

A total of 10,375 households undertook major home renovations over the three months to September at an average value of \$76,856 for each job. The most popular major renovation over the three months was a ground floor extension valued at \$112,490 and around 63 square metres in size.

Notes:

a). The *HIA Renovations Monitor* is a quarterly review of major renovation activity. Compiled from six 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.

b). Market share adjustments have led to a revision to the history of the levels of major renovations expenditure and the number of major renovation jobs. The magnitudes of quarterly changes to renovation activity are little changed.



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