

HIGH LAND PRICES FUEL MAJOR RENOVATIONS

Resilient house prices, a strong labour market, and high vacant land prices are fuelling spending on major renovations.

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) increased by 5 per cent in the September 2006 quarter to \$891 million. The latest rise marks the third in a row.

HIA's Chief Economist, Mr Harley Dale, said that expenditure on major renovations was at its highest level in two years.

"The retention of large capital gains from residential property together with continuing labour market strength is making major renovation projects an enticing proposition."

"This is especially the case at a time when land supply constraints, higher interest rates, and unjustifiably high government-imposed costs are conspiring to make new residential construction a less appealing option than it should be."

"As new housing continues to look sluggish it is very encouraging to see the major renovations segment growing. It is good news for building material manufacturers and suppliers," Mr Dale said.

"The average amount households are willing to spend on a major renovation increased by 3.1 per cent in the September quarter. However, the most interest rate sensitive renovations – ground floor and upper floor extensions – lost ground," Mr Dale added.

In the three months to September major renovations expenditure shot up by 68 per cent in the Australian Capital Territory and 61 per cent in Tasmania following significant weakness in these two regions earlier in the year. Rises were also recorded in South Australia, up 17 per cent, Victoria, up 3 per cent, and New South Wales, up 0.2 per cent within which the Hunter region increased by 7 per cent. Major renovation expenditure fell by 6 per cent in Western Australia and by 4 per cent in Queensland.

NOTES TO EDITORS

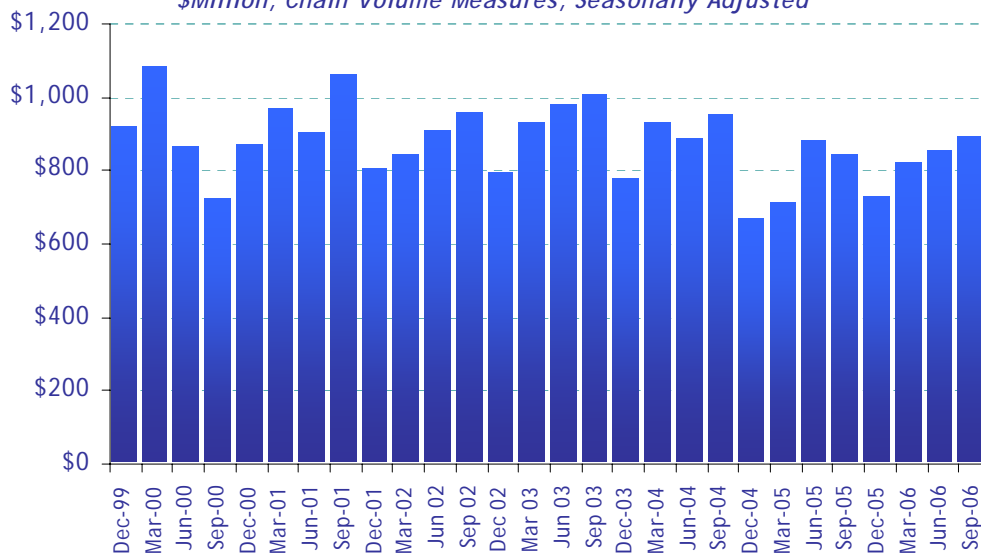
Nationally, a total of 10,308 households undertook major home renovations over the three months to September at an average value of \$86,476 for each job. The most popular major renovation over the three months was a ground floor extension valued at \$107,952 and around 65 square metres in size.

Notes:

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

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