

## MAJOR RENOVATION ACTIVITY BOUNCES IN EARLY 2005

Following a disappointing drop off late last year, major renovation activity recovered, to an extent, in the first quarter of 2005.

Commenting today on the latest release of HIA's quarterly *Renovations Monitor*, Australia's peak building industry body, HIA, said that activity increased in the March 2005 quarter by 6.2 per cent to \$881 million. Compared to twelve months ago, however, activity was down by 24 per cent.

HIA's Senior Economist, Mr Harley Dale, said that a recovery in early 2005 was encouraging but that overall the major renovation market was lining up with other indicators for the housing industry in confirming a cooling in housing conditions since mid 2004.

"For the renovation sector, a stabilisation in the house price cycle has taken the heat out of the market. Total dollars spent are down significantly on the heady levels of the three years through to mid last year," Mr Dale said.

"Nevertheless the fact that house prices aren't falling sharply means that the individual dollar values spent on major renovation jobs are still historically high. We expect this situation to continue through 2005/06," he added.

"In the March quarter the average value on a major renovation job increased for ground floor and second floor extensions, kitchens, bathrooms, roofing and cladding, and repairs and maintenance."

"Some evidence of an easing in the availability of tradespeople was apparent via a reduction in completion times across all major renovation categories, with the exception of ground and second floor extensions. Continuing structural reforms on the skills training front are the only way to ensure that this trend continues."

"Within an outlook for relatively stable house prices over the next couple of years major renovation demand is expected to hold up reasonably well. Nevertheless activity will remain weaker than the record levels seen in recent years for some time to come," Mr Dale said.

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A total of 8,890 households undertook major home renovations over the three months to March at an average value of \$84,607 for each job. The most popular major renovation over the three months was a ground floor extension valued at \$116,799 and around 66 square metres in size.

Notes:

a). 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.

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.

