

More Pressure on Housing Starts

The HIA National Outlook, Australia's most comprehensive report card on the residential sector, points to a rough short term outlook for residential construction.

Commenting today on the release of the September 2008 quarter *HIA National Outlook* publication, HIA Chief Economist, Harley Dale, said that big reductions in interest rates and large fiscal stimulus will help stabilise activity, but 2008/09 is going to be a challenging period for the industry.

"Housing starts will be significantly weaker in 2008/09, reflecting the lagged impact of higher interest rates last year running head on into the global credit crisis and a sustained lack of household and business confidence in Australia," Harley Dale said.

The number of housing starts is forecast to fall by 7 per cent in 2008/09 to a level of 145,300, largely due to a very weak second half of 2008.

"We do expect to see a moderate recovery in new home building over 2009/10 – 2010/11 and this will be very important in bolstering overall activity in the Australian economy," said Harley Dale.

Housing starts are forecast to grow by 4 per cent in 2009/10 and 5 per cent in 2010/11, reaching a level of 158,000 starts.

"Lower interest rates and increased government spending needs to boost confidence and we need state and local governments to do more in removing the many barriers faced by residential construction," said Mr Dale.

"Without reform of red tape and taxation then there is a real possibility that the industry will not see any pick up in activity before 2010," Mr Dale added.

The outlook is brighter for the renovations sector.

"A flat year for renovations in 2008/09 is expected to be replaced by an increase in investment over the following two years," said Harley Dale.

"Having reached a record of \$30 billion in 2007/08, total investment in renovations is forecast to surpass the \$32 billion mark in 2010/11," Mr Dale added.

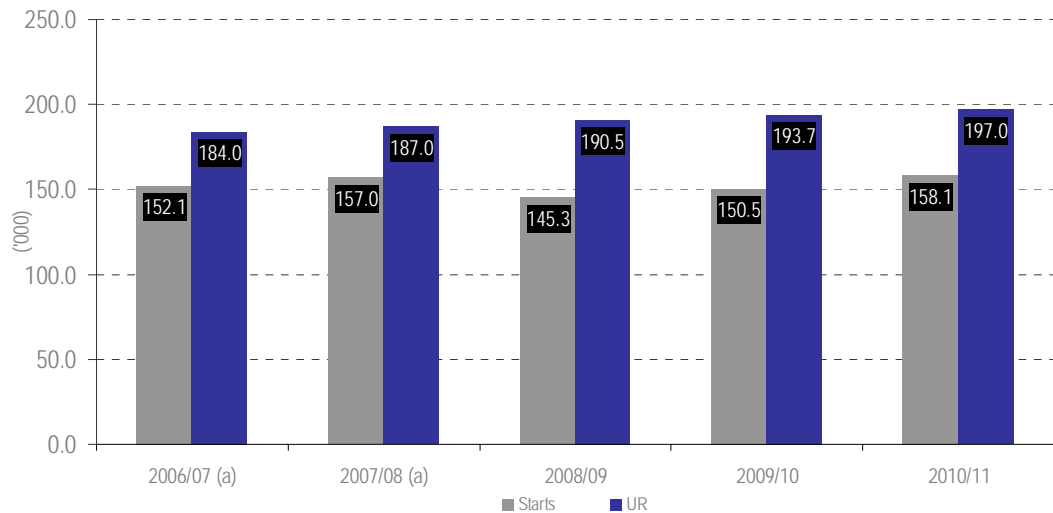
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Underlying Requirement for Housing vs Forecast Dwelling Starts - Australia



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 nine reports in the set.
2. The data is sourced each quarter from the Australian Bureau of Statistics, the Department of Employment and Workplace Relations, the National Centre for Vocational and Education Research, and HIA's own datasets.
3. For a copy of the full 80 page HIA Outlook reports (media only) please contact Kirsten Lewis on (02) 6245 1393 or k.lewis@hia.com.au Copies of HIA State and National Outlook can be ordered from <http://economics.hia.asn.au>