

HOUSING REPORT CARD HIGHLIGHTS SUBDUED YEAR AHEAD

Australia's most comprehensive report card on the future of the housing industry highlights another soft year for the residential sector amidst stark differences in housing conditions across the nation.

Commenting today on the release of the September 2006 quarter *HIA National Outlook* publication, HIA Chief Economist, Mr Harley Dale, said that while the housing sector certainly isn't about to nose dive, the higher interest rate climate in 2006 will delay a much needed recovery.

"Outside of the resource-abundant areas of Australia, housing conditions remain softer than they were. This situation will persist throughout 2006/07," Mr Dale said.

"In the resource-poor states sentiment towards housing has been dented and very low housing affordability is stifling any chance of a recovery in the short term."

"The resource abundant states, while continuing to look healthy on the surface, are increasingly banging up against the wall of land supply constraints and a lack of skilled labour," Mr Dale said.

"The recently announced 'Skills for the Future' package is a very positive development for the industry. At the same time, however, progress in addressing low housing affordability sits somewhere between slow and non-existent, and moves to address critical land supply shortages began after the horse had bolted," Mr Dale added.

"It is little wonder that once you put higher interest rates on top of this situation we won't see the housing industry grow in 2006/07."

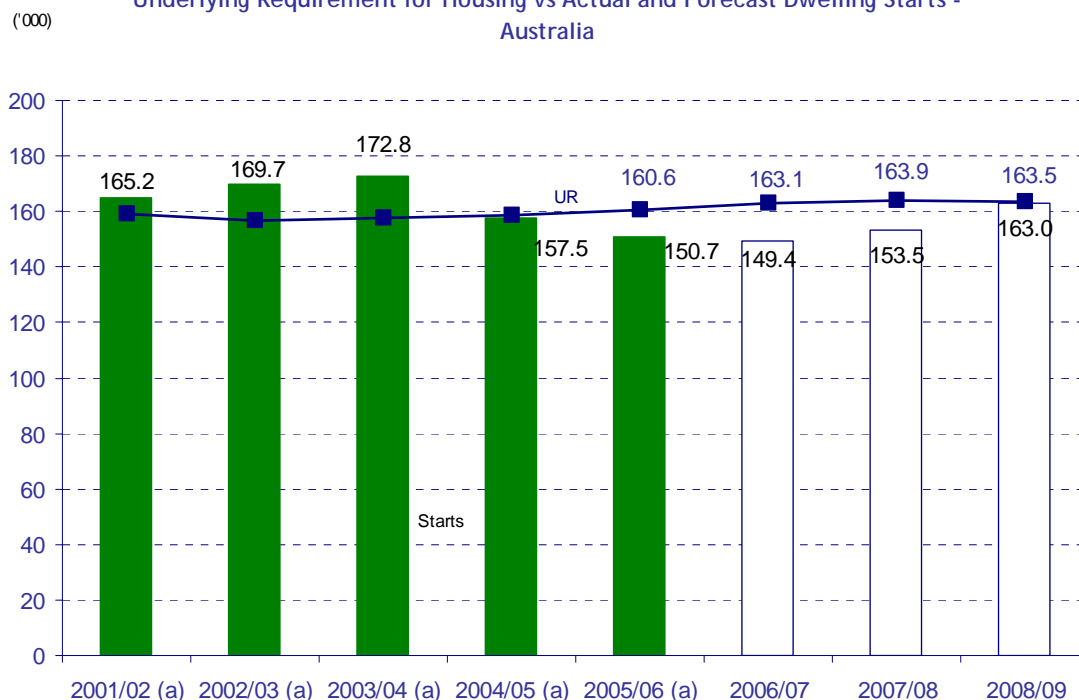
"Housing starts fell by 4 per cent to a level of 150,728 in 2005/06, compared to HIA's forecast for a 5 per cent decline. The pull-back in starts nationally has been moderate this cycle, but this masks substantial differences across states."

"In Western Australia starts have shot up by 25 per cent over the last three years but over this same period starts in New South Wales have plummeted by 37 per cent."

"Housing starts are forecast to fall by 1 per cent in 2006/07 as higher rates delay a recovery in New South Wales and Victoria and a shortage of available land in Western Australia sends detached house starts lower. Housing starts are forecast to grow by 3 per cent in 2007/08 and by 6 per cent in 2008/09, reaching a level of 163,000. This is lower than our previous forecast for over 165,000 starts."

"The renovations sector continues to hold up better than new housing. Expenditure on renovations fell by 2 per cent in 2005/06 to \$26.8 billion, still the third highest amount on record. In a relatively stable house price environment little change in spending on renovations is envisaged for 2006/07 before growth of 8 per cent over 2007/08 – 2008/09."

Underlying Requirement for Housing vs Actual and Forecast Dwelling Starts - Australia



- Ends -

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 on home sales, affordability, and trade prices and availability.
3. For a copy of the full 40 page HIA Outlook reports (media only) please contact Kirsten Lewis on (02) 6245 1393. Copies of HIA State and National Outlook can be ordered from <http://economics.hia.asn.au>

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