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MEDIA RELEASE

HIA Housing Report Card – Rate Cuts Can't Do All The Lifting

The Housing Industry Association, the voice of Australia's residential building industry, today released the summer edition of its National Outlook, Australia's most comprehensive housing report card.

The summer Outlook confirms deteriorating conditions for the housing industry in the final quarter of 2011.

"There is an immediate requirement for direct, short term stimulus to new home building," said HIA Chief Economist, Harley Dale. "This needs to occur within an over-arching, renewed focus on structural reform to reduce the disproportionately high, inefficient and inequitable cost of new housing."

"On current indications the crisis in Europe will require further interest rate cuts here in 2012. However, further rate cuts wouldn't, nor shouldn't be expected to, do all the heavy lifting in bolstering Australia's economic prospects," Harley Dale said.

"The combination of stimulus and structural reform led by the Federal Government would ensure increased provision of a necessity good - shelter, create a positive multiplier impact to the wider domestic economy during a time of fragility and uncertainty, and generate a medium/long term level of new home building more commensurate with the requirements of Australia's growing population."

Following a 4.9 per cent fall in 2010/11, HIA is forecasting a 10.4 per cent decline in new housing starts in 2011/12 to a level of just over 141,000.

"Latest evidence from leading new housing indicators confirms the risk that starts fall short of this mark, instead revisiting levels comparable to those endured during the GFC, which would be a major negative for unemployment," Harley Dale said.

The renovations sector has been out-performing new home building for some time, but total investment still fell by 1.2 per cent last financial year.

"The high transaction costs involved in moving home, the largest of which is a highly inefficient tax in the form of stamp duty, creates an inherent bias towards households considering renovation work over new home building," said Harley Dale.

"Renovations investment still didn't grow at all in the September 2011 quarter, but there is a chance we may see slight growth of 1 per cent in 2011/12 driven by smaller alteration and addition jobs," added Harley Dale.

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New Housing Forecast, by Type, AUS Dwelling Starts

Source: HIA Economics Group

