

NSW HOUSING – THE UNDERPERFORMANCE TO CONTINUE

The housing sector is weaker in New South Wales than anywhere else in the country, dragged down by significantly softer times in Sydney.

Commenting today on the release of the June quarter 2005 *HIA New South Wales State Outlook* publication, HIA's NSW Executive Director, Mr Wayne Gersbach, said that while there was no housing crash looming, the industry in Sydney in particular was certainly enduring tougher times.

"The housing sector enjoyed a great run but a significant pull-back from those heady times is definitely well underway," Mr Gersbach said.

"The cost of housing in Sydney is very high. Map onto that three interest rate rises since late 2003 and a slower economy in New South Wales than elsewhere even when looking beyond housing, and the housing sector is looking less than flash at present.

The exit vendor duty on investment properties, introduced by the State Government at a very irresponsible time given the housing industry was already turning down, and New South Wales being the only state government to raise taxes in a 2005/06 Budget, haven't exactly done our industry any favours either," he added.

After surging by 43 per cent in just two years the number of housing starts in New South Wales fell by 9 per cent in 2003/04. Housing starts are expected to fall by a further 15 per cent in 2004/05 and by 1 per cent in 2005/06, to a level of around 36,800. The risk to these forecasts is that the pull-back is even greater.

"Activity in the residential sector will be significantly weaker in 2005/06 and 2006/07. However, we shouldn't lose sight of some encouraging factors which, if we had to do without, would likely see the situation deteriorate even further than will be the case," Mr Gersbach said.

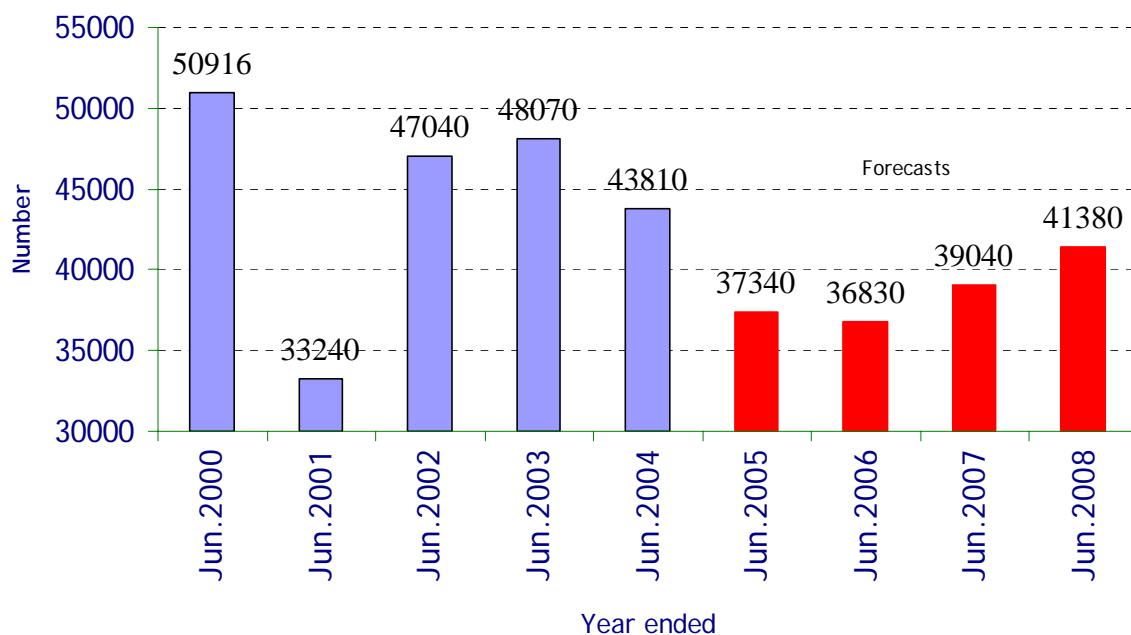
"The overseas migration intake will be historically quite high which is of disproportionate benefit to New South Wales, it is looking increasingly like we won't see another interest rate rise, and the labour market shouldn't deteriorate significantly over 2005/06. These factors will place a floor under the housing downturn," Mr Gersbach said.

Renovations activity has peaked, largely in reflection of the peaking in the house price cycle.

"With little or no capital growth in housing expected for a good few years renovations activity will continue to slow," Mr Gersbach said.

"A decline of 6 per cent over 2004/05 – 2006/07 is forecast. That would still leave you with over \$6.5 billion worth of renovations in a year, hardly a weak result. So, while the renovations market will be softer for some time, it will remain in a reasonably healthy state and that is a positive for the industry," Mr Gersbach added.

NSW Housing Starts



- 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.
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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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ORDERLY HOUSING SLOWDOWN TO CONTINUE

The housing sector in Victoria is continuing to slow but not to an alarming extent, and this situation will continue to play out in 2005/06 and into the following year.

Commenting today on the release of the June 2005 quarter *HIA Victoria State Outlook* publication, HIA's Executive Director, Victoria, Mr Graham Wolfe said that slower times were ahead but doom and gloom predictions for the industry were well wide of the mark.

"Housing activity is easing, the house price cycle has peaked, and the housing industry is in for a slower couple of years," Mr Wolfe said.

"A slowdown is not the same as a savage correction, however, and it is extremely difficult to find a trigger which would take us from the first, current case, to the second," he added.

"We had a jittery time of it in the first quarter this year with an interest rate rise unsettling people, exaggerated reporting of a weak growth outcome spooking people, and these two developments manifesting themselves in consumer confidence getting smashed," Mr Wolfe said.

"Since then the situation has settled down a little. The labour market has remained strong while at the same time overall economic developments have moved us further away from another interest rate increase, and consumer confidence has mounted a reasonable recovery. Oil prices are, admittedly, an additional negative factor for us to bear.

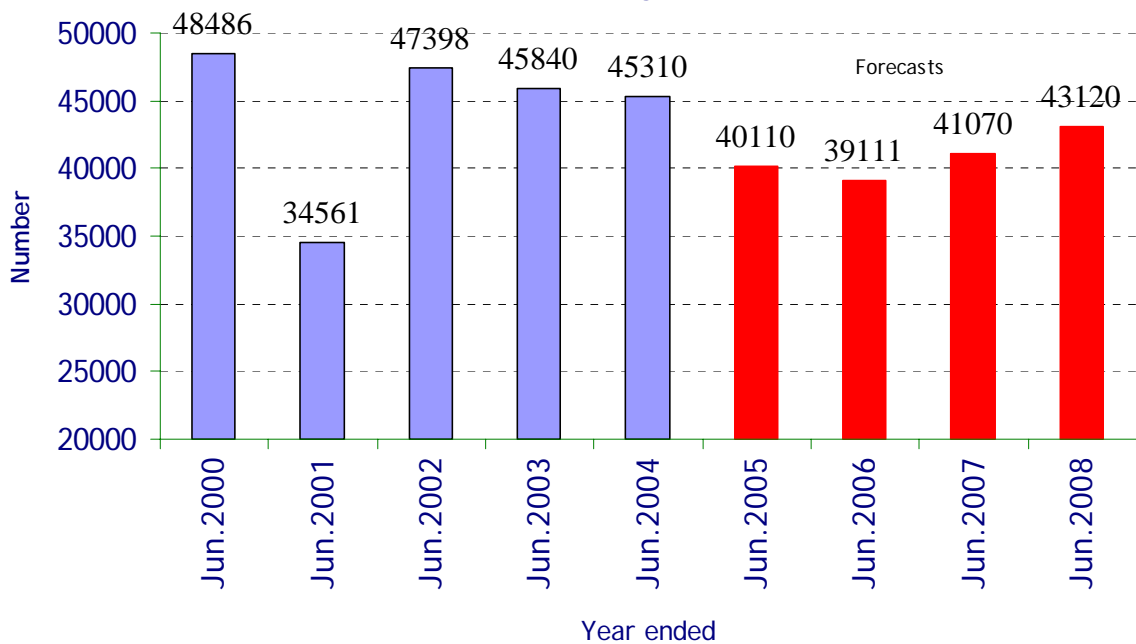
Overall, we are in reasonably good shape. Sure the Victorian economy is slowing, but there is no reason why the magnitude of the slowdown and its ultimate bottoming out point should turn nasty on us. We are on track to endure a period of weaker times, not a savage correction, and if we can get that following on from a decade and a half of economic expansion then we should take it and run with it," Mr Wolfe said.

"We hold with our view for a moderate down cycle for the housing industry. We expect to see the number of housing starts in Victoria fall by 11 per cent in 2004/05 and by a further 2 per cent in 2005/06, to a level of around 39,000. From 2006/07 we would expect to see some sustained life coming back into the industry. Starts are forecast to increase by 5 per cent over the two years to 2007/08, taking them to a level of over 43,000," Mr Wolfe added.

Renovation activity has peaked and is forecast to ease back by 7 per cent over 2004/05 – 2006/07, bottoming out at a value of over \$5.1 billion, hardly a weak outcome.

"House prices, where they haven't already stabilised, will continue moving towards that end, and there will also be some moderate falls. Overall, there is little prospect of capital growth in housing for some years ahead. In the absence of an external shock, which is hard to gauge, or a significant rise in interest rates, which we just can't see happening, there is simply no catalyst out there for a substantial pull-back in house prices in Victoria over the next couple of years," Mr Wolfe said.

Victoria Housing Starts



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SLOWER TIMES AHEAD FOR HOUSING

The housing sector in Queensland is continuing to slow but not to an alarming extent, and this situation will continue to play out in 2005/06 and into the following year.

Commenting today on the release of the June quarter 2005 *HIA Queensland State Outlook* publication, HIA's Executive Director, Queensland, Mr Rick Wiley, said that slower times were ahead but doom and gloom predictions for the industry were well wide of the mark.

"Housing activity is easing, the house price cycle has peaked, and the housing industry is in for a slower couple of years," Mr Wiley said.

"A slowdown is not the same as a savage correction, however, and it is extremely difficult to find a trigger which would take us from the first, current case, to the second," he added.

We had a jittery time of it in the first quarter this year with an interest rate rise unsettling people, exaggerated reporting of a weak growth outcome spooking people, and these two developments manifesting themselves in consumer confidence getting smashed," Mr Wiley said.

"Since then the situation has settled down a little. The labour market has remained strong while at the same time overall economic developments nationally have moved us further away from another interest rate increase, and consumer confidence has mounted a reasonable recovery. Oil prices are, admittedly, an additional negative factor for us to bear.

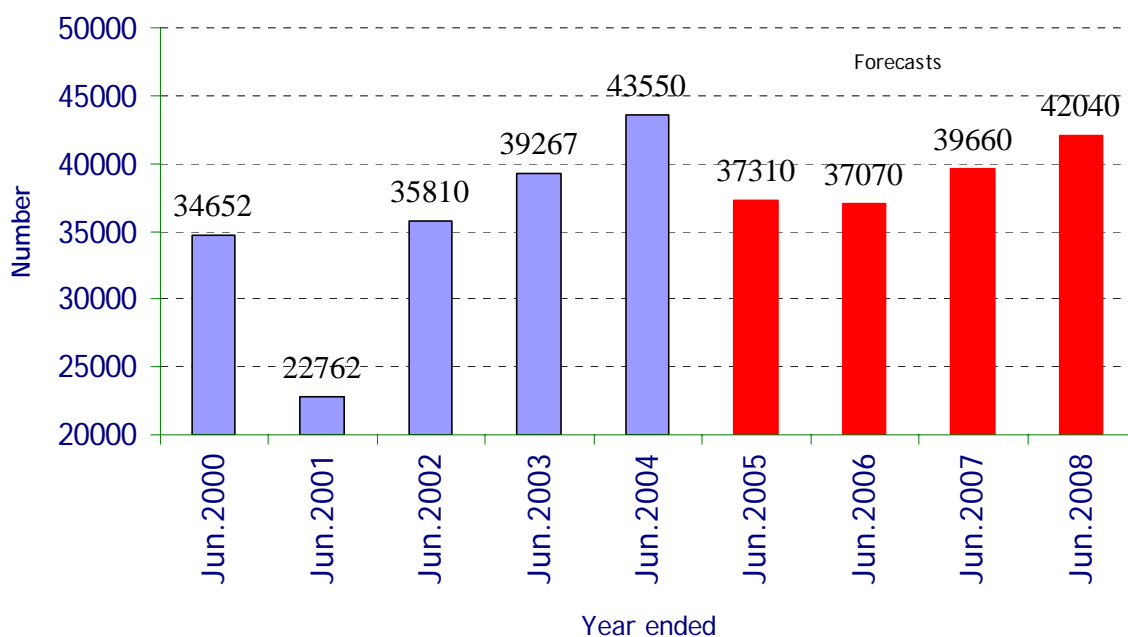
Overall, we are in reasonably good shape. Sure the Queensland economy is slowing, but it is still growing very strongly. Plus there is no reason why the magnitude of the slowdown and its ultimate bottoming out point should turn nasty on us. We are on track to endure a period of weaker times, not a savage correction, where we still out-perform most of the rest of the country. If we can get that following on from a decade and a half of economic expansion then we should take it and run with it rather than whinge about it," Mr Wiley said.

"We hold with our view for a moderate down cycle for the housing industry. We expect to see the number of housing starts fall by 14 per cent in 2004/05 and by a further 1 per cent in 2005/06, to a level of around 37,000. From 2006/07 we would expect to see some sustained life coming back into the industry. Starts are forecast to increase by 13 per cent over the two years to 2007/08, taking them to a level of 42,000," Mr Wiley added.

Renovation activity is expected to peak at around \$5.5 billion in 2004/05. Expenditure is forecast to ease back by 7 per cent over 2005/06 – 2006/07, bottoming out at a value of around \$5.1 billion, hardly a weak outcome.

"House prices, where they haven't already stabilised, will continue moving towards that end, and there will also be some moderate falls. Overall, there is little prospect of capital growth in housing for some years ahead. In the absence of an external shock, which is hard to gauge, or a significant rise in interest rates, which we just can't see happening, there is simply no catalyst out there for a substantial pull-back in house prices over the next couple of years," Mr Wiley said.

Queensland Housing Starts



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ORDERLY HOUSING SLOWDOWN TO CONTINUE

The housing sector in South Australia is continuing to slow but not to an alarming extent, and this situation will continue to play out in 2005/06 and into the following year.

Commenting today on the release of the June quarter 2005 *HIA South Australia State Outlook* publication, HIA's Executive Director, South Australia, Mr Brenton Gardner, said that slower times were ahead but doom and gloom predictions for the industry were well wide of the mark.

"Housing activity is easing, the house price cycle has peaked, and the housing industry is in for a slower couple of years," Mr Gardner said.

"A slowdown is not the same as a savage correction, however, and it is extremely difficult to find a trigger which would take us from the first, current case, to the second," Mr Gardner said.

"We had a jittery time of it in the first quarter this year with an interest rate rise unsettling people, exaggerated reporting of a weak growth outcome spooking people, and these two developments manifesting themselves in consumer confidence getting smashed," he added.

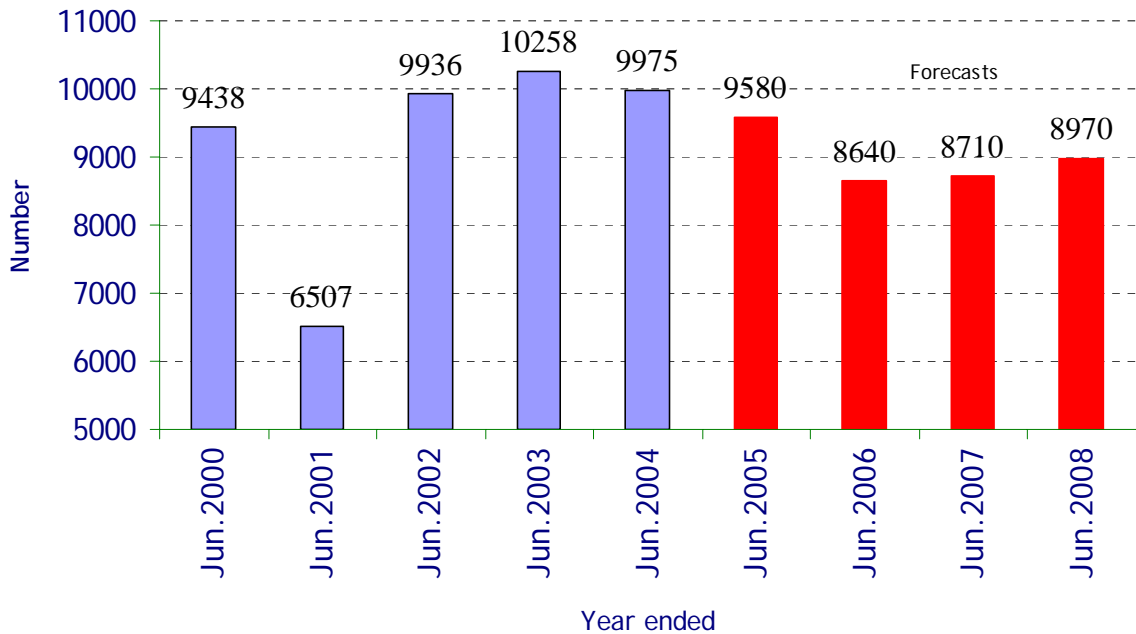
"Since then the situation has settled down a little. The labour market has remained strong while at the same time overall economic developments nationally have moved us further away from another interest rate increase, and consumer confidence has mounted a reasonable recovery. Oil prices are, admittedly, an additional negative factor for us to bear.

We hold with our view for a moderate down cycle for the housing industry. We expect to see the number of housing starts fall by 4 per cent in 2004/05 and by a further 12 per cent in 2005/06, to a level of around 8,460. From 2006/07 we would expect to see some sustained life coming back into the industry. Starts are forecast to increase by 6 per cent through to 2007/08, taking them to a level of around 8,970," Mr Gardner added.

Renovation activity has peaked and is forecast to ease back by 7 per cent over 2004/05 – 2006/07, bottoming out at a value of around \$1.4 billion, hardly a weak outcome.

"House prices, where they haven't already stabilised, will continue moving towards that end, and there will also be some moderate falls. Overall, there is little prospect of capital growth in housing for some years ahead. In the absence of an external shock, which is hard to gauge, or a significant rise in interest rates, which we just can't see happening, there is simply no catalyst out there for a substantial pull-back in house prices over the next couple of years," Mr Gardner said.

South Australia Housing Starts



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ORDERLY HOUSING SLOWDOWN TO CONTINUE

The housing sector in Tasmania is slowing but not to an alarming extent, and this situation will continue to play out in 2005/06 and into the following year.

Commenting today on the release of the June quarter 2005 *HIA Tasmania State Outlook* publication, HIA's Executive Director, Tasmania, Mr Tim Reardon, said that slower times were ahead but doom and gloom predictions for the industry were well wide of the mark.

"Housing activity is easing, the house price cycle has peaked, and the housing industry is in for a slower couple of years," Mr Reardon said.

"A slowdown is not the same as a savage correction, however, and it is extremely difficult to find a trigger which would take us from the first, current case, to the second," Mr Reardon said.

"We had a jittery time of it in the first quarter this year with an interest rate rise unsettling people, exaggerated reporting of a weak growth outcome spooking people, and these two developments manifesting themselves in consumer confidence taking a hammering," he added.

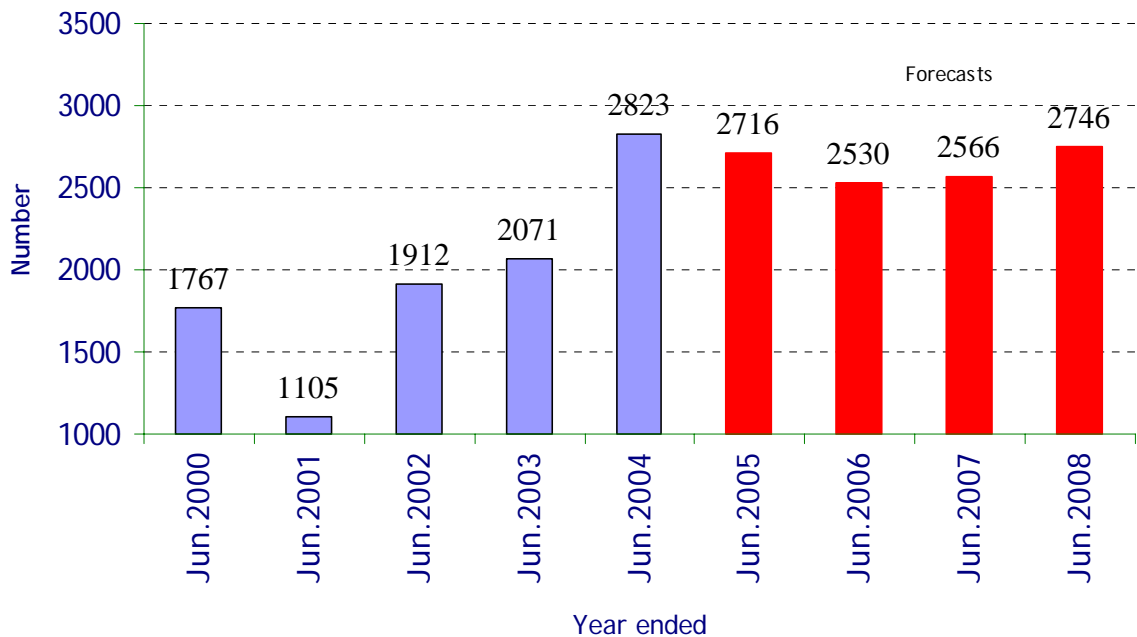
"Since then the situation has settled down a little. The labour market has remained strong while at the same time economic developments nationally have moved us further away from another interest rate increase, and consumer confidence has mounted a reasonable recovery. Oil prices are, admittedly, an additional negative factor for us to bear.

Overall, we are in reasonably good shape. Sure the Tasmanian economy is slowing, but there is no reason why the magnitude of the slowdown and its ultimate bottoming out point should turn nasty on us. We are on track to endure a period of weaker times, not a savage correction, and if we can get that following on from a decade and a half of economic expansion then we should take it and run with it," Mr Reardon said.

"We hold with our view for a moderate down cycle for the housing industry. We expect to see the number of housing starts fall by 4 per cent in 2004/05 and by a further 7 per cent in 2005/06, to a level of around 2,530. From 2006/07 we would expect to see some sustained life coming back into the industry. Starts are forecast to increase by 6 per cent in total over the two years to 2007/08, taking them to a level of around 2,750," he added.

Renovation activity has peaked and is forecast to ease back by 14 per cent over 2004/05 – 2006/07, bottoming out at a value of around \$400 million, hardly a weak outcome.

Tasmania Housing Starts



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HOUSING IN THE TERRITORY TO STAY ON HEALTHY TRACK

The outlook for the housing industry in the Northern Territory continues to be a bright one, with 2005/06 set to be another relatively strong year.

Commenting today on the release of the June quarter 2005 *HIA Northern Territory Outlook* publication, HIA's Northern Territory Branch Manager, Mr Graham Kemp, said that housing activity would continue to grow into the second half of the year, a stark contrast to the outlook for most of the rest of the country.

"Investment in housing in the Territory was nearly 60 per cent higher in the March quarter this year compared to last year. That is not a one quarter wonder story. It is looking like 2005 will be another healthy year for housing," Mr Kemp said.

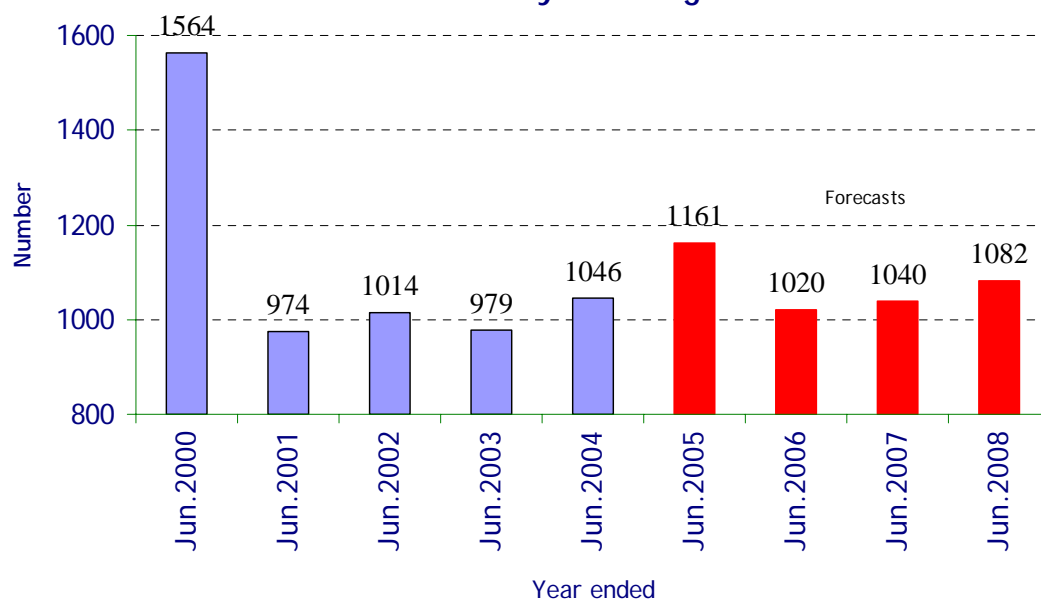
"There will be some easing in activity down the track, mainly starting in 2006, but there is nothing to suggest an alarming drop off is just around the corner," Mr Kemp said.

"We saw a 6 per cent lift in housing starts in 2003/04 and it is looking like we'll get a greater than 10 per cent jump in 2004/05. That augers well for new housing construction this year. Looking further out, our expectation for a 12 per cent pull-back in starts next financial year is not going to see our industry subsequently wind up in the doldrums," he added.

House price growth in the Northern Territory is currently the second fastest in the country and this is helping fuel an on-going boom in renovations activity.

"Expenditure on renovations looks to have jumped up by about 10 per cent in 2004/05 and we expect it to grow a few more legs next year, reaching a peak of around \$136 million. Renovations form an increasingly important part of the housing industry and the outlook for the next twelve months at least is very positive," Mr Kemp said.

Northern Territory Housing Starts



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HOUSING SLOWDOWN SET TO CONTINUE

The housing sector is slowing in the Australian Capital Territory and this situation will continue to play out in 2005/06 and into the following year.

Commenting today on the release of the June quarter 2005 *HIA Australian Capital Territory Outlook* publication, HIA's Executive Director, ACT/Southern NSW, Ms Caroline Lemezina, said that slower times were ahead but doom and gloom predictions for the industry were well wide of the mark.

"Housing activity is easing, the house price cycle has peaked, and the housing industry is in for a slower couple of years, especially the project home market," Ms Lemezina said.

"We had a jittery time of it in the first quarter this year with an interest rate rise unsettling people, exaggerated reporting of a weak growth outcome spooking people, and these two developments manifesting themselves in consumer confidence getting smashed," Ms Lemezina added.

"Since then the situation has settled down a little. The labour market in the Territory has remained strong while at the same time economic developments nationally have moved us further away from another interest rate increase, and consumer confidence has mounted a reasonable recovery. Oil prices are, admittedly, an additional negative factor for us to bear.

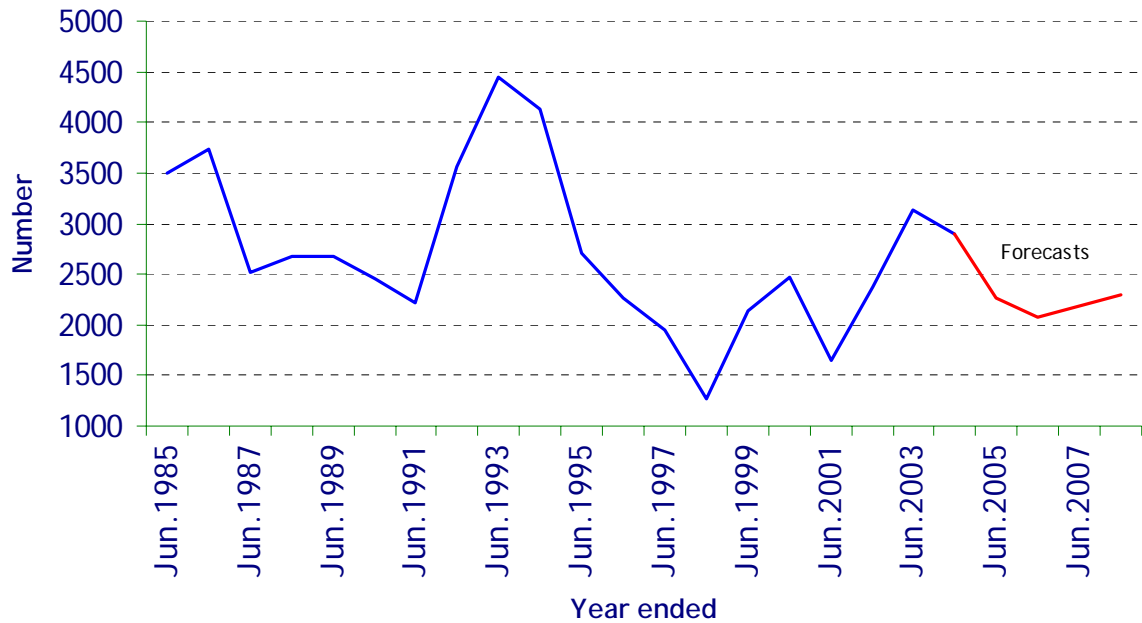
The slowdown in the ACT is certainly a long way from insignificant, but it would be looking far more savage if we didn't have a labour market holding up well, reasonably strong income growth, and interest rates at a relatively low level," Ms Lemezina said.

"We expect to see the number of housing starts fall by 22 per cent in 2004/05 and by a further 8 per cent in 2005/06, to a level of around 2,070. From 2006/07 we would expect to see some sustained life coming back into the industry. Starts are forecast to increase by 13 per cent over the two years to 2007/08, taking them to a level of over 2,300," Ms Lemezina said.

Renovation activity has peaked and is forecast to ease back by 8 per cent over 2004/05 – 2006/07, bottoming out at a value of over \$230 million, hardly a weak outcome.

"House prices have stabilised and in some instances are falling moderately. Overall, there is little prospect of capital growth in housing for some years ahead. In the absence of an external shock, which is hard to gauge, or a significant rise in interest rates, which we just can't see happening, there is simply no catalyst out there for a substantial pull-back in house prices over the next couple of years," Ms Lemezina said.

ACT Housing Starts



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