

SLOWER TIMES AHEAD FOR HOUSING

The housing sector began to slow in the second half of last year and this trend is set to continue until mid next year.

Commenting today on the release of the March quarter 2005 *HIA National Outlook* publication, HIA's Senior Economist Mr Harley Dale said that while there was no housing crash looming, the industry was in for a weaker couple of years.

"All indications continue to point to a relatively moderate correction for the housing industry, despite another interest rate rise which certainly wasn't helpful or necessary for the industry," Mr Dale said.

"A very large number of anecdotal reports from Australia's volume home builders show that there was never any chance of the housing sector gaining a second wind", he added.

In March we saw an interest rate rise, a weak update on the economy that was overplayed, and higher oil prices feeding through to the pump. These factors conspired to send confidence nose-diving in March and will remove a further chunk of buyer urgency from the housing market," Mr Dale said.

"Nevertheless the fundamentals of this economy remain sound, they just won't be in quite the same shape as we have become accustomed to in recent times. After surging by nearly 50 per cent in three years we expect to see the number of housing starts fall by 12 per cent in 2004/05 and by a further 4 per cent in 2005/06, to a level of around 145,600," Mr Dale added.

"That is a moderate, and manageable, correction to new housing construction, although the prospect of higher interest rates and the heightened uncertainty that is creating points to the only risk to this outlook being down."

"With strong underlying demand, aided by high overseas migration, we expect housing starts to begin growing again from 2006, increasing to a level of over 162,000 by 2007/08," Mr Dale said.

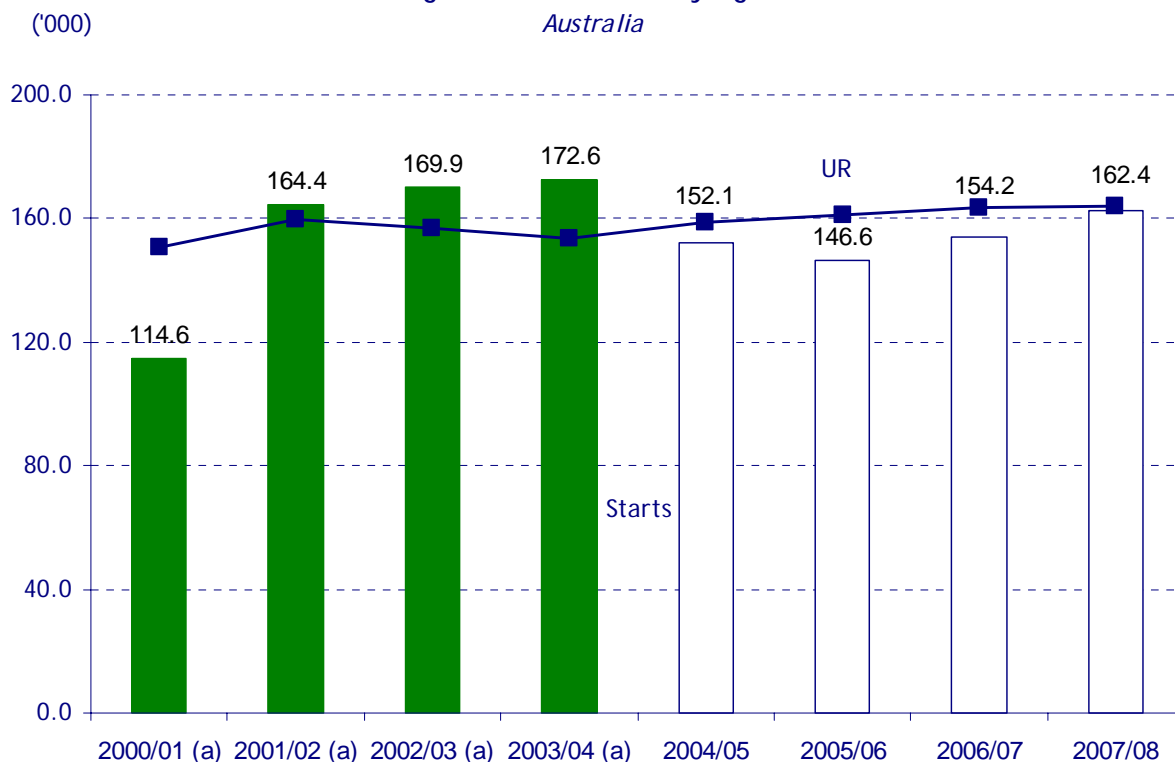
Renovation activity looks to have peaked and is forecast to fall by around 6 per cent over 2004/05 – 2006/07.

"An easing of around 6 per cent in renovations activity over the next couple of years still leaves you with a very healthy level of activity of over \$20 billion," Mr Dale said.

"Renovations activity now makes up over 40 per cent of total housing activity and we expect to see the trend towards a higher share for renovations continue in coming years," Mr Dale added.

Dwelling Starts and Underlying Demand

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 9 reports in the set. Individual State Outlook publications will be released on Monday 4 April.
2. The data is sourced each quarter from the Australian Bureau of Statistics, the Department of Employment and Workplace Relations, 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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