

ORDERLY HOUSING SLOWDOWN TO CONTINUE

The housing sector 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 National Outlook* publication, HIA's Senior Economist Mr Harley Dale 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 Dale 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 Dale 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 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 rather than whinge about it," Mr Dale said.

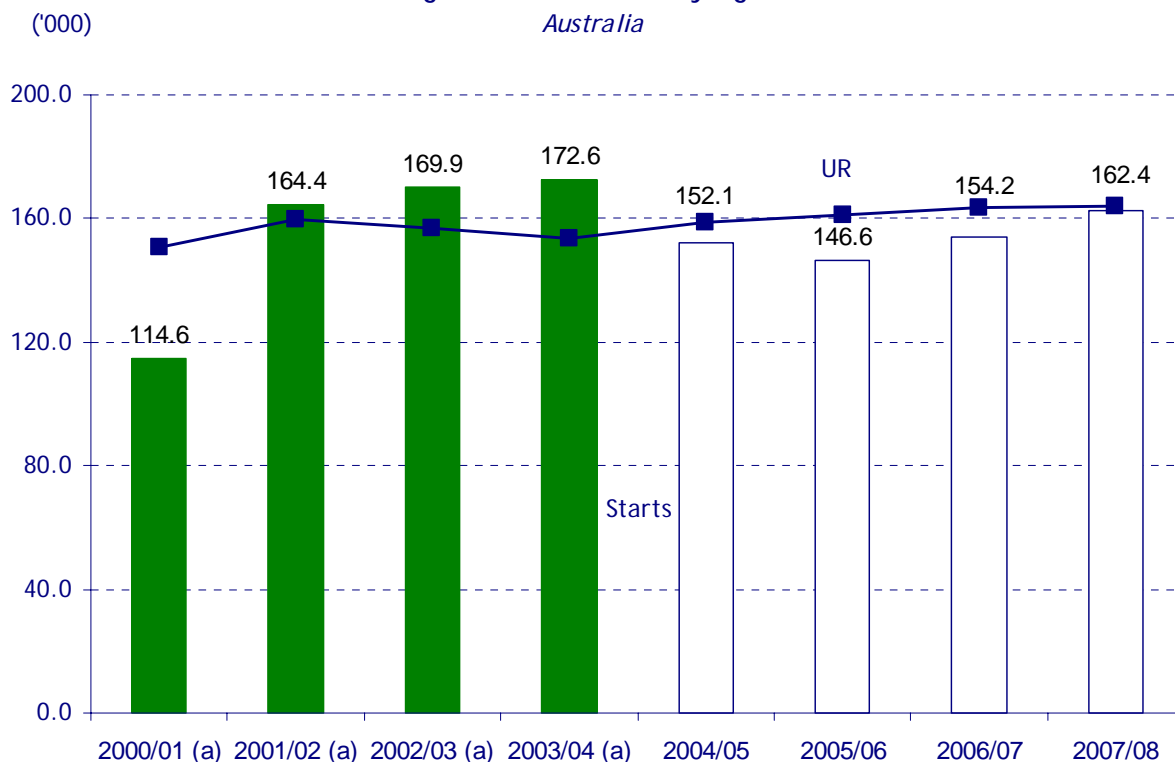
"We hold with our view for a moderate down cycle for the housing industry. We expect to see the number of housing starts fall by 12 per cent in 2004/05 and by a further 4 per cent in 2005/06, to a level of around 145,600. From 2006/07 we would expect to see some sustained life coming back into the industry. Starts are forecast to increase by 5 per cent over the two years to 2007/08, taking them to a level of over 162,000," Mr Dale added.

Renovation activity has peaked and is forecast to ease back by 6 per cent over 2004/05 – 2006/07, bottoming out at a value of around \$20.7 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 Dale said.

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 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, 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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