

HOUSING REPORT CARD HIGHLIGHTS RISK FROM HIGHER RATES

Australia's most comprehensive report card on the future of the housing industry highlights a further slowing in 2006/07 together with the risk of a deeper, more prolonged downturn resulting from a higher and more uncertain interest rate environment.

Commenting today on the release of the June 2006 quarter *HIA National Outlook* publication, HIA Chief Economist, Mr Harley Dale, said that strong anecdotal feedback and evidence from New Home Sales point to the May rate rise taking an immediate bite out of housing.

"The housing industry continues to undergo a moderate slowdown nationally and we should see that situation continue in 2006/07," Mr Dale said.

"However, in early 2006 the biggest fear within the housing industry was that of higher interest rates and their negative effect on sentiment towards housing. Early evidence points to this situation now coming to pass and as a consequence the risk of a sharper pull-back in housing activity has increased," Mr Dale added.

"Stark regional differences in housing conditions across Australia will continue to be apparent throughout 2006/07."

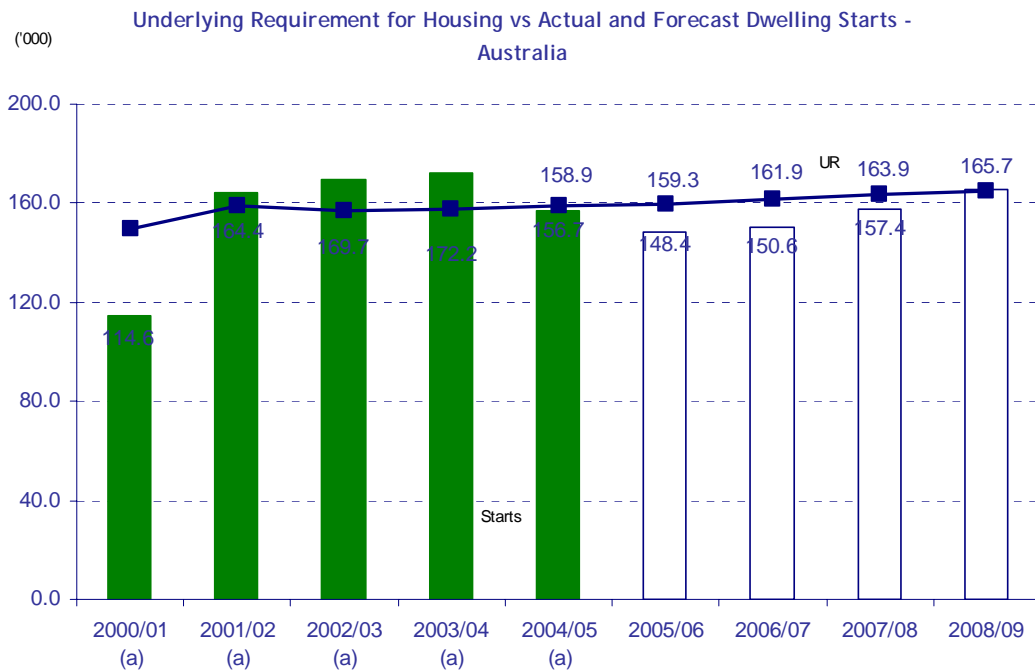
"The housing industry in New South Wales is very soft, reflecting extremely weak conditions in Sydney which will have only been exacerbated by the interest rate rise in May."

"Housing is looking very healthy in the resource abundant areas of Australia – Western Australia, North Queensland, and the Northern Territory."

"Dwelling investment in Victoria, South Australia, Tasmania, the Australian Capital Territory, and south east Queensland is either in decline or slowing, but not alarmingly so, a situation that will continue in 2006/07."

"Housing starts are forecast to fall by 5 per cent in 2005/06 to a level of 148,380. This view is little changed from our previous forecast of a 6 per cent decline. Housing starts are forecast to grow by 2 per cent in 2006/07 compared to our previous forecast for growth of 4 per cent. Interest rate uncertainty and very low housing affordability will constrain the recovery next financial year."

"After falling by a bare 1 per cent in 2004/05, renovations expenditure is expected to be down by around 2 per cent in 2005/06, a brighter outlook than the previously forecast drop of 4 per cent. Spending on renovations is forecast to ease by a further 2 per cent in 2006/07, bottoming out at a historically very strong level of \$24.8 billion."



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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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