

## REPORT CARD POINTS TO ON-GOING SLOWDOWN FOR HOUSING

Australia's most comprehensive report card on the future of the housing industry shows a slower year in 2006 for both new housing and renovations.

Commenting today on the release of the March 2006 quarter *HIA National Outlook* publication, HIA Chief Economist, Mr Harley Dale, said that the national slowdown in housing would continue to be moderate, but stark differences across states and territories would remain in play throughout the year.

"House prices are relatively stable, new housing activity is undergoing a reasonably moderate down cycle, and spending on renovations is slightly off the boil. This situation will persist throughout 2006," Mr Dale said.

"Within this aggregate situation, the differences across Australia are, and will remain, stark. At one extreme you have states with an abundance of resources – Western Australia, the Northern Territory, and North Queensland – where housing remains very strong."

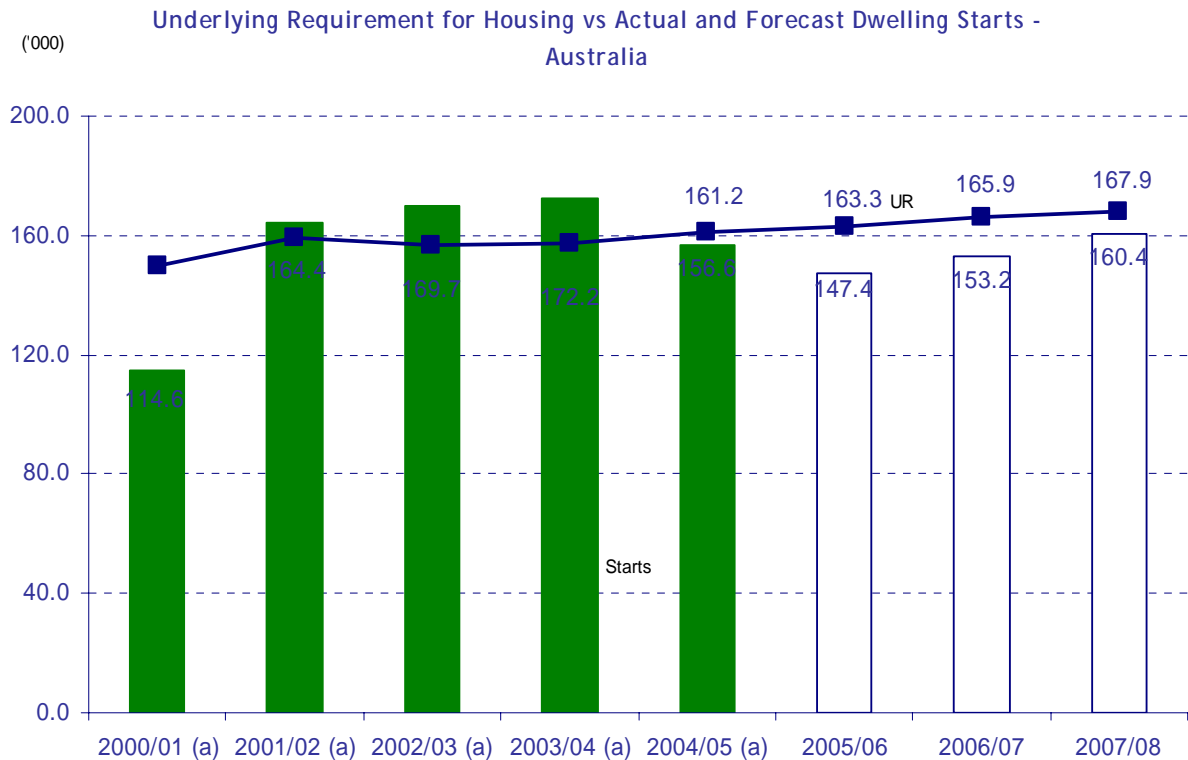
"At the other extreme, you have New South Wales which is heavily weighed down by a severe housing affordability crisis in Sydney. The rest of Australia falls in between these two extremes and will experience softer housing activity this year compared to last," Mr Dale said.

"Against a backdrop of low and competitive interest rates, slightly softer but still very healthy labour market conditions, and largely stable house prices, we would expect to see a modest recovery begin to show through for housing over the course of 2006/07," he said.

"The recovery will be somewhat muted, however, because housing affordability continues to be a major hurdle anywhere and everywhere across Australia. Until such time as governments address this issue, the next up-cycle in housing will be significantly constrained," Mr Dale added.

"Having fallen by 9 per cent in 2004/05, the number of housing starts is forecast to decline by a further 6 per cent in 2005/06, bottoming at a level of 147,440. Starts are forecast to increase by 9 per cent over 2006/07 – 2007/08 to 160,420, a level that will still be below underlying demand at that time."

"After easing by 1 per cent in 2004/05, renovations expenditure is forecast to fall by 4 per cent this financial year and by a further 2 per cent in 2006/07, finding a base at a still very healthy level of \$24.4 billion. That level of spending would represent 46 per cent of total housing investment."



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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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