

## HOUSING REPORT CARD POINTS TO WEAKER ACTIVITY

Australia's most comprehensive report card on the future of the housing and renovation industry shows a period of consolidation ahead.

Commenting today on the release of the September 2005 quarter *HIA National Outlook* publication, HIA's Senior Economist Mr Harley Dale said that a large pipeline of residential work to be completed together with strong underlying economic conditions would ensure the pull-back in housing activity would be relatively moderate.

"There is still over \$14.5 billion worth of residential work yet to be done in Australia and this pipeline is playing a very important role in ensuring an orderly and moderate pull-back in housing activity," Mr Dale said.

"Map onto that situation a stable interest rate environment and labour market conditions which remain very firm and it is hard to see where a sharp correction for the industry is going to come from," he added.

"That is not to recognise that there are significant regional differences, with the industry in Western Australia booming, but Sydney looking very weak, for example," Mr Dale said.

"Overall, however, with nothing on the horizon pointing to a significant deterioration in the labour market or a sharp correction in house prices, 2005/06 will be a reasonable year, it just won't be as strong as has been the case over the last few years."

The number of housing starts fell by 9 per cent in 2004/05 to a level of 156,162. That compares to HIA's forecast for a 12 per cent decline.

"Against a backdrop of continuing favourable economic conditions we are forecasting a mild fall of 4 per cent in housing starts in 2005/06 which will see them reach a trough of 150,671. From 2006/07 we would expect to see healthy underlying demand for housing come back into its own. Starts are forecast to increase by 4 per cent in 2006/07 and by 5 per cent in 2007/08 to a level of 164,044," Mr Dale added.

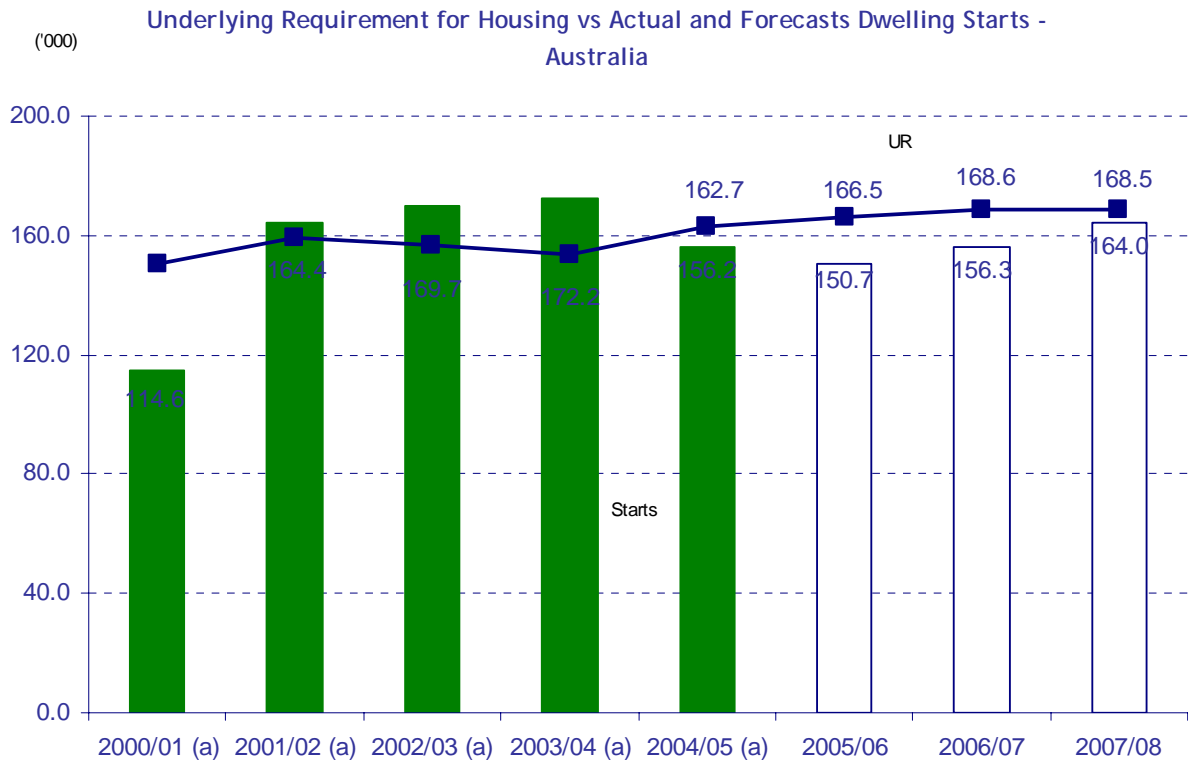
Renovation activity grew by a further 1.2 per cent in 2004/05 to \$23.6 billion, another record level of expenditure.

"Coming off a growth burst of over 40 per cent across 2001/02 – 2003/04, further momentum in 2004/05 just served to reinforce the importance and popularity with households of the renovating segment of the housing industry," Mr Dale said.

"Looking forward we expect a period of relatively stable house prices, and the level of home equity withdrawal on the part of households is likely to remain lower than it was. In this environment renovations expenditure is expected to ease, but not to any savage extent. We are forecasting a 4 per cent fall in renovations investment in 2005/06 followed by a further 2 per cent decline next year", he said.

"That would still see Australian households spend well over \$22 billion a year on renovating their homes, hardly a weak outcome", Mr Dale added.





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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, 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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