



4 April 2012

MEDIA RELEASE

## Deteriorating conditions force housing downgrade

The Housing Industry Association, the voice of Australia's residential building industry, today released the autumn edition of its National Outlook, Australia's most comprehensive housing report card.

The autumn Outlook confirms deteriorating conditions for the housing industry in the final quarter of 2011 and into 2012, with the evidence prompting a further downgrade in terms of forecasts for new home building levels. Following a 12.8 per cent fall in housing starts in 2011, HIA is forecasting a 5.9 per cent decline in starts in 2012, to a level of just 139,360. On a financial year basis, housing starts are forecast to bottom at a level of 137,820 in 2011/12 before posting only a modest recovery to 151,200 by 2013/14.

"New home building has been hampered by interest rates that have been too high for too long as well as a glacial pace of reform in terms of the supply-side of the Australian housing market. Put simply, the excessive tax levied on new housing is constraining supply and is harming business conditions and therefore the wider domestic economy," said HIA Senior Economist, Andrew Harvey.

Research has found that around 40 per cent of the purchase price of a new home is due to taxation, and that the majority of this is in the form of highly inefficient taxes, including stamp duty.

"Given that a lack of housing affordability is already hurting those trying to get into home ownership, as a nation we should be building more homes, not fewer. More is needed in terms of Commonwealth and state government reform to lift some of the tax burden from new housing – taxes on housing simply have to be substantially reduced," said Mr Harvey.

"At the same time the Reserve Bank has again fallen into the trap of calling rates on hold when the need for further rate cuts is increasingly apparent to those in business. The economy is now posting zero employment growth, and the non-mining states are going backwards in terms of their labour markets - now is not the time to allow residential building to decline further," noted Andrew Harvey.

The news in terms of the renovations side of the residential construction industry is better, although total renovations investment was effectively flat (up by 0.1 per cent) in 2010/11.

"Although consumers are highly cautious at the moment, they are still spending on renovations, particularly on smaller jobs. We expect modest growth of 0.6 per cent in 2011/12 and 0.7 per cent in 2012/13, taking renovations investment to a record \$30.36 billion," added Mr Harvey.

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## Australia Housing Starts Forecasts

Source: HIA Economics Group

