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FOR IMMEDIATE RELEASE

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Home Building back to GFC-lows in 2012

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

HIA's winter Outlook confirms deteriorating conditions for the housing industry in the first half of 2012.

Following an 11.2 per cent fall in housing starts (dwelling commencements) in 2011, HIA is forecasting an 11.5 per cent decline in starts in 2012, to a level of just 133,420. This forecast reflects a marked deterioration in most leading indicators combined with a fall in quarterly housing starts in March 2012 to levels significantly below those during the GFC.

"HIA has noted for a considerable time the risk that new housing again revisits levels experienced as a result of the GFC," said HIA Chief Economist, Dr Harley Dale. "That situation now appears unavoidable, to the detriment of thousands of businesses and households, not to mention the overall domestic economy."

"We are experiencing a combination of softer housing demand and high-cost housing supply, which together mean that the nation is under-building by a significant amount. Put simply, Australian consumers are nervous about the global and domestic economies, and meanwhile around \$200,000 of the price of a new home is due to taxation. It's an unsustainable situation," said Harley Dale.

"To improve the conditions facing new home building not only requires further interest rate cuts, but also Commonwealth and state government action to boost confidence and lift a substantial portion of the tax burden from new housing," Harley Dale said.

On a financial year basis, housing starts are expected to bottom at a level of 135,280 in 2011/12 before posting a modest recovery to 141,870 starts in 2012/13 and 148,060 starts in 2013/14. At face-value this outlook reflects expectations of two consecutive years of recessionary conditions in the new home building sector, followed by a recovery to a level still many thousands of starts below the decade-average. This view incorporates revisions from previous forecasts of 137,820 starts in 2011/12, with a recovery to 151,200 starts in 2013/14.

Meanwhile, the renovations sector has also showed signs of weakness in recent quarters, notwithstanding that total renovation investment hit a new record in 2010/11. HIA expects that renovation investment fell by 1.5 per cent to \$29.5 billion in 2011/12, but is forecasting growth of 1.3 per cent to \$29.9 billion in 2012/13.

"Three consecutive quarters of decline in renovations investment, at an accelerating pace, through to March this year is concerning. However, we are confident this situation will turnaround which is good news for the housing industry," added Harley Dale.

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Australia Housing Starts Forecasts

Source: HIA Economics Group

