



the voice of the industry

FOR IMMEDIATE RELEASE

4 April 2012

MEDIA RELEASE

\$800 Million Forecast on Tasmanian Renovations

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

Stuart Clues, HIA Executive Director said "The renovations sector in Tasmania has performed strongly in recent years. The total value of renovations increased in five of the six years to 2010/11.

"The increase of 1.2 per cent in 2010/11 took renovations activity to a record value of \$760 million.

"Renovations activity is expected to romp it in this financial year, growing by 9.5 per cent to exceed the \$800 million mark for the first time.

"A modest pull-back is forecast for 2012/13 (-3.5 per cent) before a largely flat year in 2013/14 (+0.3 per cent)."

Mr Clues said "Tasmania is like South Australia - a long history of healthy housing conditions which has been replaced by a marked deterioration.

"Over the five years to 2010/11 housing starts averaged 2,956 and this included in excess of 3,000 starts in 2009/10 and 3,002 starts in 2010/11 (the latter marking a decline of 3.9 per cent). For this financial year we are forecasting a decline of 17.9 per cent to 2,466 starts.

"That is a hefty drop which is, unfortunately, all but in the bag. ***This level of around 2,500 starts will be the lowest since 2002/03.***

"It is important the state and local governments communicate and act to improve the new home building environment so that a further decline in 2012/13 can be avoided. At present we have a forecast for growth in starts of 3.4 per cent to 2,549, but admit there is some risk to this outcome not being met. An increase of 2.3 per cent is forecast for 2013/14 which would take starts to just over 2,600."

On a national level 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.

Mr Clues stated "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."

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 Clues.



“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 including Tasmania are going backwards in terms of their labour markets - now is not the time to allow residential building to decline further,” noted Stuart Clues.

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.

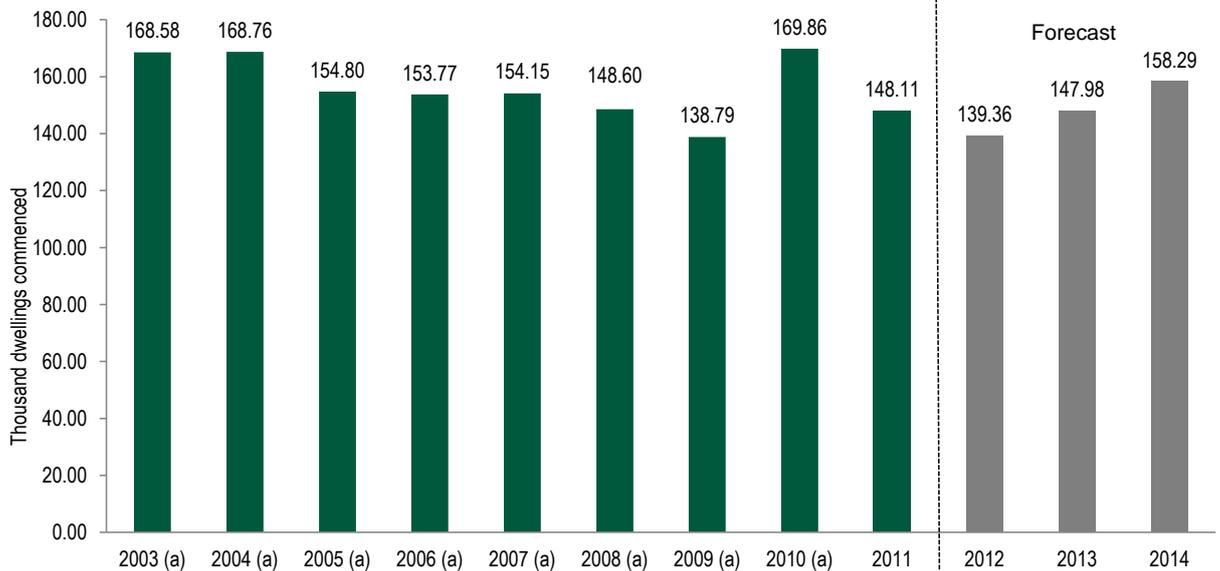
“Although consumers are highly cautious at the moment, they are still spending on renovations, particularly on smaller jobs. We expect modest growth of 0.6 per cent in 2011/12 and 0.7 per cent in 2012/13, taking renovations investment to a record \$30.36 billion,” added Mr Clues.

A full copy of the report is enclosed as well as a more compact summary should any media wish to explore the state of the industry in more detail.

For further information please contact: Stuart Clues, 0438 319 753

Australia Housing Starts Forecasts

Source: HIA Economics Group



MEDIA RELEASE