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HIA Report Card Downgrades Already Pessimistic View on WA Home Building

The HIA's winter edition of the Western Australia State Outlook, Australia's most comprehensive quarterly report card on the WA residential sector, signals a further deterioration in already weak expectations for WA's new home building market in 2011.

"It is clear that WA's new home building levels in 2011 will be even more disappointing than we thought would be the case, and unfortunately WA is now running second only to Queensland as the weakest new home building market in Australia," said HIA Executive Director WA, Mr John Dastlik.

"The new home building sector has been hit hard by interest rate increases, not to mention the persistent rhetoric suggesting the need for more hikes, the on-going credit crunch and a range of ongoing supply side obstacles, the foremost being residential land supply. Conversations with WA HIA members confirm what is being observed in the leading indicators for new home building, that is, the trajectory towards weaker building levels in WA is set to continue," said Mr Dastlik.

"We now expect the volume of housing starts in 2010/11 and 2011/12 to just scrape in above the GFC-induced downturn in starts in 2008/09," said Mr Dastlik.

"The post-GFC housing stimulus has gone and we are now looking at housing starts volumes returning to that same dangerously low level only two years on. Can any jurisdiction in Australia afford to let this happen?" added Mr Dastlik.

"There is a real onus on the WA Government to now consider immediate stimulus measures to boost building levels in the state, as well as address the long-standing thorn in the residential building industry's flesh - inadequate land supply," said Mr Dastlik.

HIA is forecasting that the number of dwelling starts in WA will fall by 21 per cent in 2010/11 to a level of 19,860. A further fall of 3 per cent is expected in 2011/12 to 19,170 starts. This compares with the 18,430 starts achieved in the GFC-impacted 2008/09.

In calendar year terms, after a healthy 24,550 starts in 2010, HIA forecasts that WA's dwelling starts will fall by 24 per cent in 2011 to a level of 18,700 before an improvement of 8 per cent in 2012 to 20,160.

The outlook for renovations investment in WA is healthier than the outlook for housing starts. Total investment in renovations in WA is expected to grow by 4 per cent in 2010/11, off the back of a 16 per cent increase in 2009/10. This would take the value of renovations investment in WA to \$4.9 billion in annual terms – the largest result on record. Investment is forecast to drop back moderately in 2011/12, by 3 per cent, but grow by 2 per cent in 2012/13.

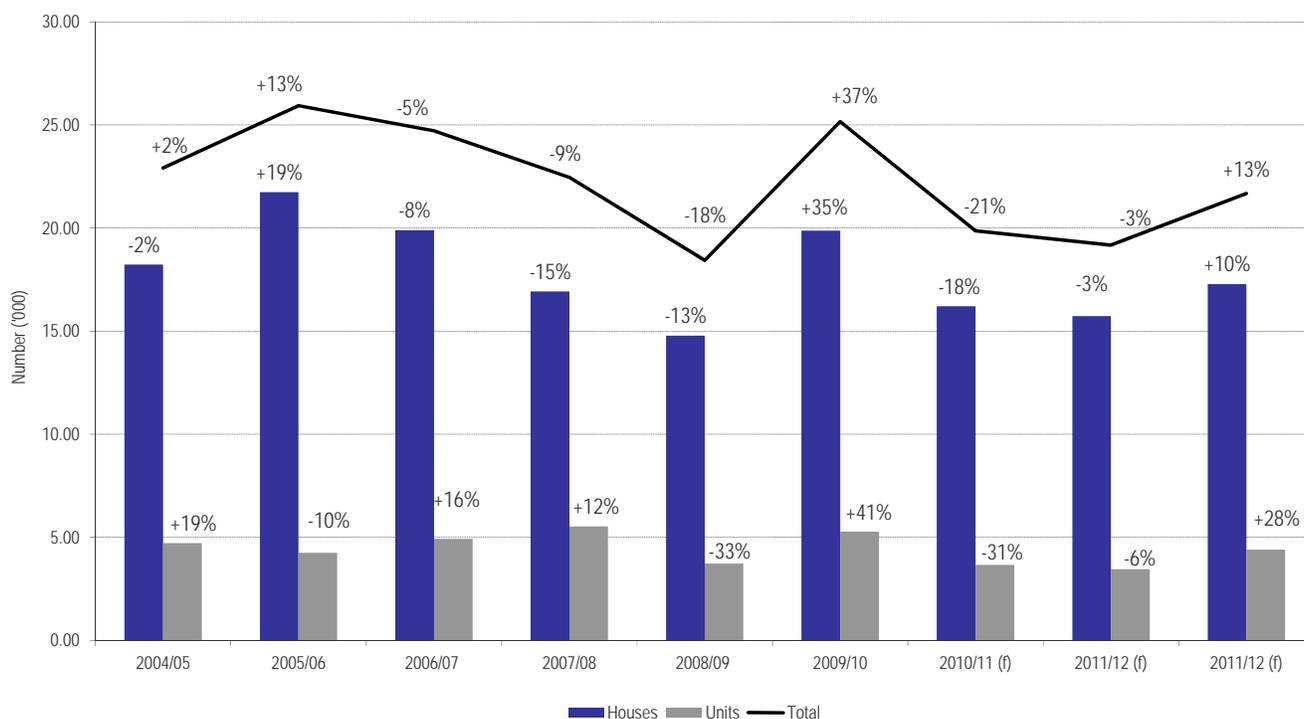
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MEDIA RELEASE

New Housing Forecast, by Type, WA Dwelling Starts

Source: HIA Economics Group



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, rpdata.com/Rismark, and HIA's own datasets.
3. For a copy of the full 80 page HIA Outlook reports (media only) please contact Kirsten Lewis on (02) 6245 1393 or k.lewis@hia.com.au. Copies of HIA State and National Outlook can be ordered from <http://economics.hia.com.au>