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MEDIA RELEASE

30 September 2011

Weak Housing Outlook Highlights Urgent Need for Action, says HIA

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

The spring Outlook highlights a continuing deterioration in new home building conditions in 2011/12, with the growing risk of a return to GFC-like levels. Following a 5.8 per cent fall in 2010/11 HIA is forecasting a 10.3 per cent decline in new housing starts in 2011/12 to a level of just over 140,000, which would mark the sixth decline in eight years.

HIA Chief Economist, Dr Harley Dale, said that prompt action is required on three fronts.

- Interest rate cuts are required and justified to bolster fragile business and consumer confidence and help boost new housing supply, which will multiply through to boost other weak areas of domestic economic activity.
- Short term fiscal stimulus is needed to boost both owner occupier and rental housing stock.
- A plan to begin the process of fundamental tax reform needs to be formulated at next week's Tax Forum.

"New housing is the second most heavily taxed of the 27 large industrial sectors in the Australian economy," said Harley Dale.

"Many of the taxes on new housing are highly inefficient and inequitable. They therefore heavily restrict the supply of a basic necessity of Australian life – shelter."

"A combination of stimulus and taxation reform could turnaround once and for all one of the biggest issues the Australian economy faces – the lack of affordable roofs over peoples' heads," added Harley Dale.

"There is a large and increasing shortage of dwellings in Australia, despite some ignorant and miscalculated claims to the contrary. New South Wales lies at the heart of the problem, where over the last five years only 20 per cent of the nation's new housing stock was added in the Premier State despite it having 33 per cent of the population," add Harley Dale.

Contrary to the new home building sector, renovations activity is growing.

"The total investment in renovations increased in both the March and June quarters of 2011, driven by both small and large renovation jobs," said Harley Dale. "The high transaction costs involved in moving home (the largest cost of which is stamp duty) is driving households to invest in their existing property."

"Following a bare easing of 0.3 per cent in 2010/11, total renovations investment is forecast to grow by 2.3 per cent to $31.6 billion in 2011/12 and to increase by a further 4.6 per cent to $33 billion in 2012/13, which would be approaching a record high," added Harley Dale.

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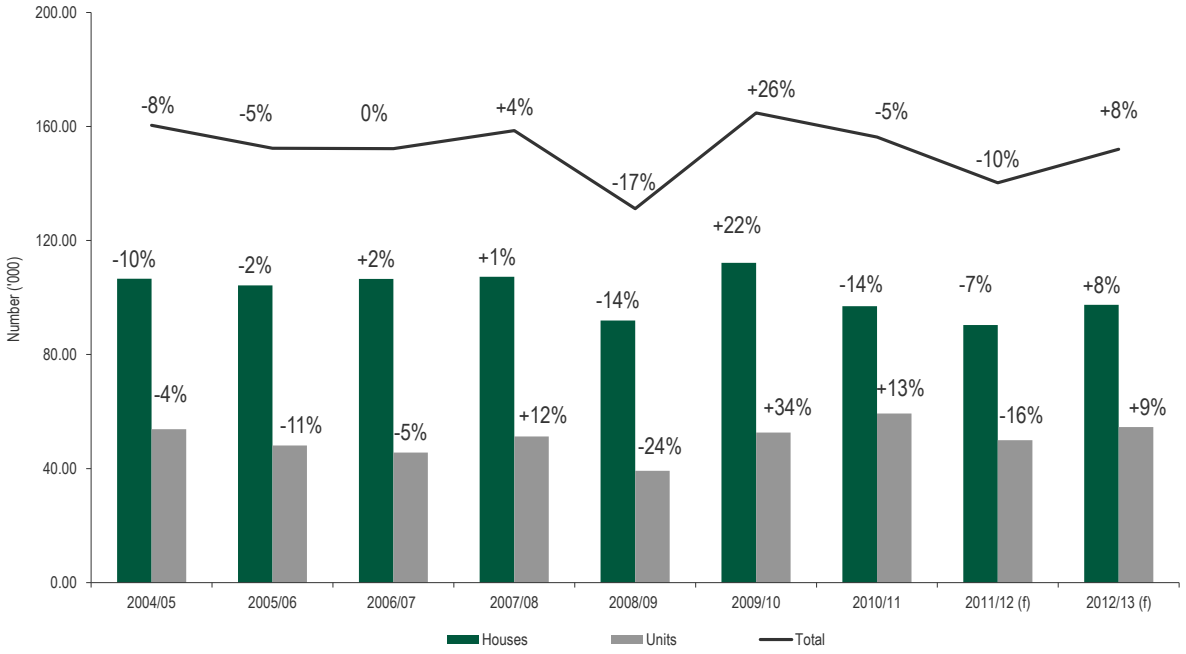
New Housing Forecast, by Type, AUS Dwelling Starts

Source: HIA Economics Group