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## The Door is Shutting on Home Building in 2011, says HIA

The HIA National Outlook, Australia's most comprehensive quarterly report card on the residential industry, signals at best a soft residential building market for 2011.

Indications are unequivocal that, following a reasonable 2010, the new home building recovery will reverse in 2011 says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"The door is being slammed shut on residential building in 2011 through the triple negatives of rising interest rates, tight credit conditions, and a stalled housing policy reform program," said HIA Chief Economist Dr Harley Dale.

"The combined weight of these adverse influences means Australia is likely to again endure a substantial weakness in new home building conditions," Harley Dale said. "This will have flow-on effects across the whole economy."

"Of greater long-term concern, Australia's housing shortage is growing year after year, and even in a more favourable 2009/10 financial year we still added to the cumulative housing supply gap because as a nation we are continually under-building," said Harley Dale.

HIA Economics has updated its projections of the underlying demand for housing, and the results show that with around 161,780 dwellings completed in 2009/10, Australia still fell short of the underlying demand for more than 184,000 dwellings. Australia fell short by more than 22,000 dwellings in 2009/10 alone, and the annual shortage is estimated to be 16,800 dwellings in 2010/11 and 21,000 dwellings in 2011/12.

"Over the medium to longer term the undersupply of new housing will contribute to a further deterioration in housing affordability for aspiring home buyers and for those in the rental market, and this issue demands urgent attention from governments at all levels," said Harley Dale.

"The COAG reform agenda may deliver future benefits, but the supply crisis is upon us now. HIA is calling on the Federal Government to urgently re-engage in housing policy reform."

"A pressing concern is the on-going dire lack of finance available for residential projects. The credit crunch is a major constraint on new home building activity."

"Furthermore, given that new housing is one of the most heavily and inequitably taxed industries in Australia it is essential that the upcoming taxation summit delivers bold and effective policy reform," added Harley Dale.

"Meanwhile the renovations sector is looking a little less healthy than it did earlier in the year, and with large ABS revisions in the September 2010 quarter we have downgraded our outlook slightly," said Harley Dale.

Although the labour market is improving, a subdued dwelling price outlook and higher interest rates are forecast to see the total worth of the renovations sector remain flat in 2010/11. Growth of 1 per cent is forecast in 2011/12, taking renovations activity to a worth of \$31.3 billion.

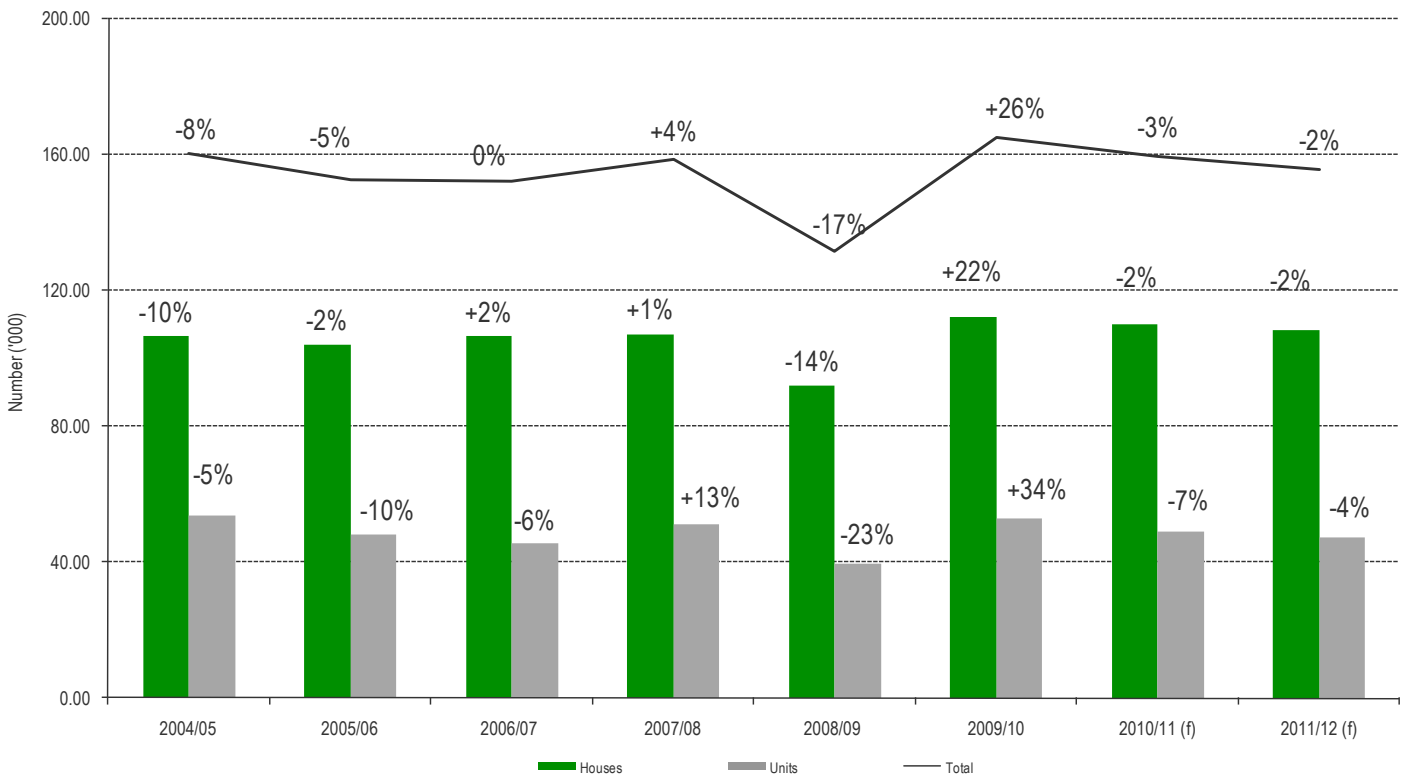
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## New Housing Forecast, by Type, AUS Dwelling Starts

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](http://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](mailto:k.lewis@hia.com.au) Copies of HIA State and National Outlook can be ordered from <http://economics.hia.com.au>