

HOUSING REPORT HIGHLIGHTS SUPPLY CHALLENGES

Australia's most comprehensive report card on the new housing industry highlights an on-going shortage of new housing which looks set to continue in 2008.

While the Australian economy continues to perform strongly there are increasing pressures on housing stock as underlying demand continues to exceed the supply of new residential dwellings.

Commenting today on the release of the December 2007 quarter *HIA National Outlook* publication, HIA Senior Executive Director, Mr Chris Lamont, said the prospect of further increases in interest rates provides some real concerns for new building activity.

"Further increases in rates will serve to put further upward pressure on house prices and rents. As a nation we are building at least 20,000 new dwellings less than what is required," Mr Lamont said.

New house starts in 2007/08 are expected to inch up by just 0.5 per cent to 151,676. A sizeable increase in residential building starts will not occur until 2008/9, with a forecasted 4 per cent growth expected in 2008/9.

While growth in new home building remains flat, renovation activity is expected to continue to grow. Total investment in renovations hit a new record of \$28.2 billion in 2006/07 and growth of a further 10 per cent is forecast over the next three years.

"The undersupply of new housing is fueling a resurgence in renovation activity," said Chris Lamont.

Mr Lamont said that it was imperative that policy proposals outlined by the Federal Government last year be implemented as soon as practical.

"These policies rightly focus on increasing supply and stripping out some of the statutory charges and expensive red-tape that is artificially inflating house prices and constraining production," Chris Lamont said.

The good news is there is no sign of a collapse, however, HIA is concerned that further price pressures and constraints to supply are inflating house prices and rents.

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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, and HIA's own datasets on home sales, affordability, and trade prices and availability.
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.asn.au>

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