



The Outlook for Australia's Housing and Renovation Industries

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Overview

- The Housing Industry
 - The soft landing continues
 - An unstoppable force meets an immovable object
 - Prospects in the largest 5 states
- Some Related Issues:
 - House prices,
 - Housing affordability,
 - investors and rental markets,
 - trade prices and availability
 - Australia's Largest Builders
- The Outlook:
 - 2006/07 to 2008/09

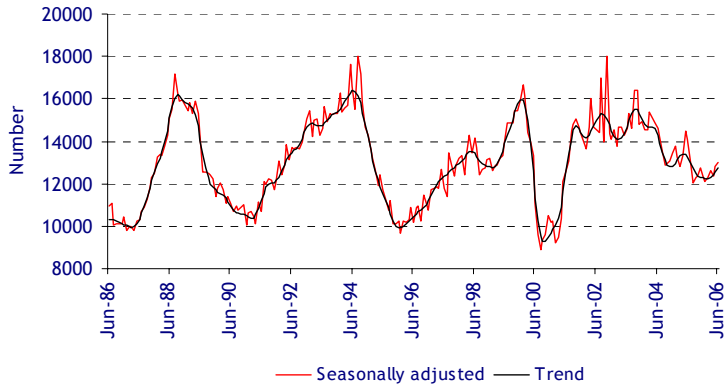
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Building Approvals – We are not building enough homes!

Building Approvals - Australia



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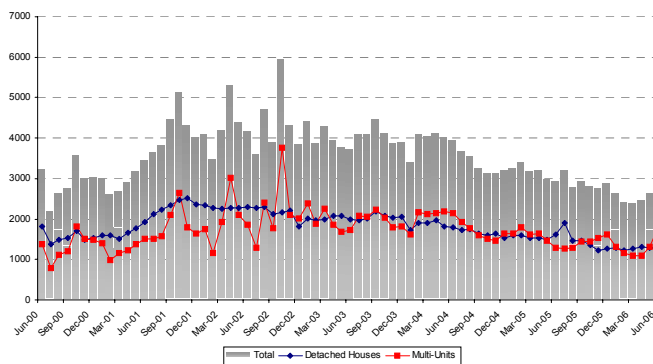


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New South Wales – weak but plenty of potential



NSW Monthly Dwelling Approvals



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New South Wales – weak but plenty of potential



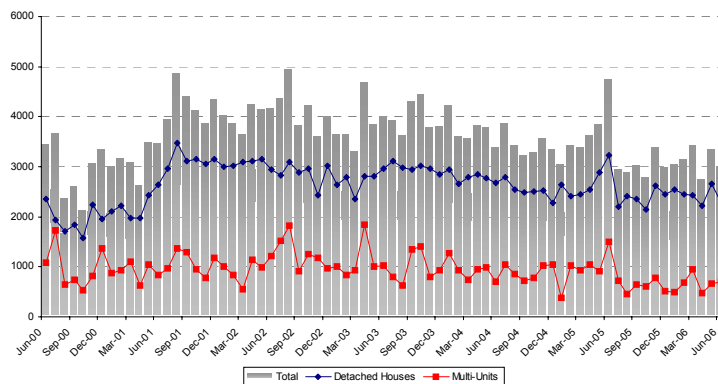
- 12 months worth of promising announcements and departmental reshuffles
- The state’s finances are ugly but for housing, there have been some signs of hope.
 - Sydney house prices have stopped falling
 - The Hunter and inland NSW are bouncing back
 - For new house and land packages, infrastructure levies are to be capped at \$33,000 per lot
 - The net outflow of population to other states has slowed
 - First home buyers are re-appearing thanks to smaller, cheaper homes
 - The M7 has invigorated western Sydney
 - Pent up demand is building and investors are dipping their toes back in the water
 - Within two years, the stock of zoned and serviced land will reach 60,000 blocks
 - Industry likely to be back on track in 2008



Victoria – cheaper houses and happy migrants



VIC Monthly Dwelling Approvals





Victoria – cheaper houses and happy migrants



- The economy is fairly robust with a good mix of industry sectors
- Higher interest rates don't bite as hard in Victoria compared to NSW – average mortgage debt is lower
- Land is more available and average new house and land packages are more affordable than Sydney, Brisbane, Perth and Canberra
- Outside of Melbourne, new housing in regional Victoria is in good shape
- Melbourne established house prices are still edging up –this is good for the renovation market
- Interstate and overseas migrants like Melbourne more than Sydney
- Melton recently announced as a major urban growth centre

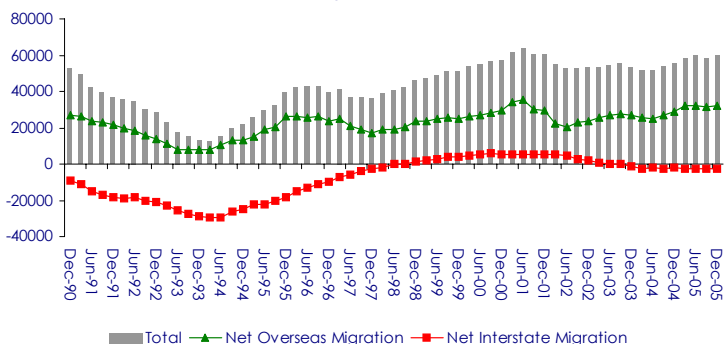


Victoria – cheaper houses and happy migrants



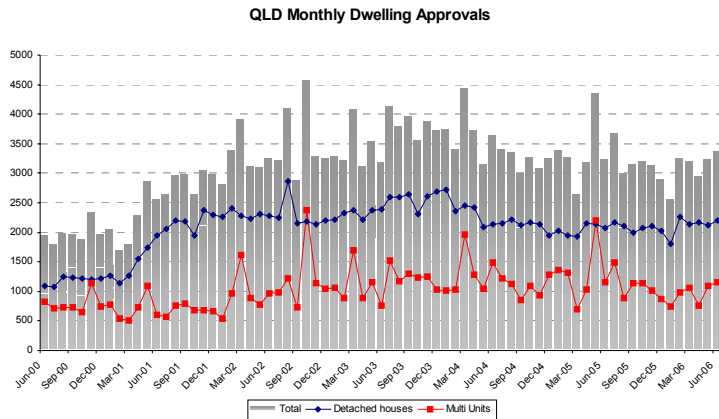
VIC Population Growth by Component

Moving Annual Total





Queensland – unmet demand creating pressure



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Queensland – unmet demand creating pressure



- Resources and tourism dominate
- ...as does relentless population growth!
- SEQ metropolitan plan and a massive spend on capital works and infrastructure is good news however they are still behind the 8-ball.
- High house and land prices are hurting however. Solid interstate migration at a time of slow land release has boosted prices... and wages are lower in QLD which affects housing affordability
- High level of unmet demand has put pressure on rental markets
- Supply of housing likely to finally catch up with demand in 2008

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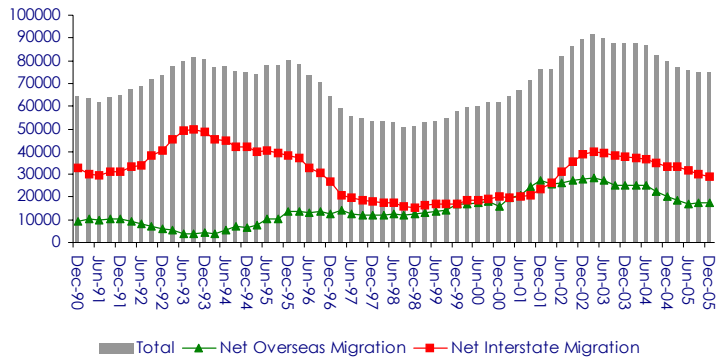


Queensland – unmet demand creating pressure



QLD Population Growth by Component

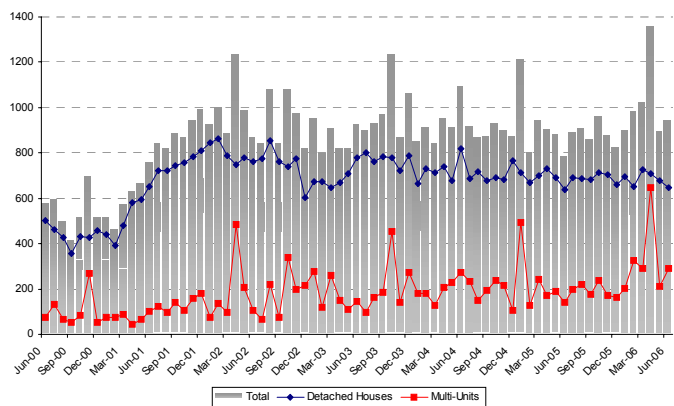
Moving Annual Total



South Australia – favourable affordability



SA Monthly Dwelling Approvals





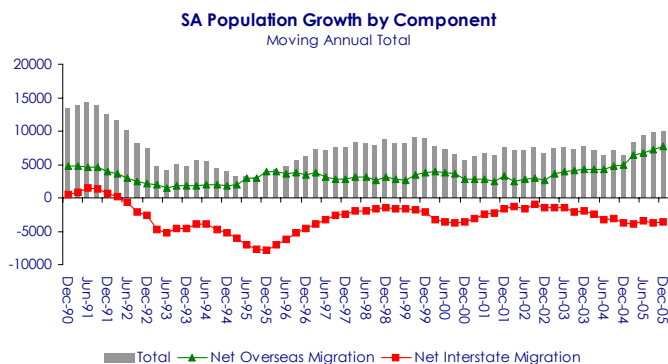
South Australia – favourable affordability



- Economy heavily exposed to wine and the automotive industry – both are facing difficulties
- However, SA is gearing up to cash in on the resources boom with some encouraging discoveries at the Olympic Dam site
- For housing, there are some encouraging population growth numbers which have caused the state government to re-think land supply
- Clare, Yorke Peninsular, and Port Adelaide have been standouts
- Very favourable housing affordability has cushioned the slowdown.
- Forecasts are for continued strong levels of activity through to the end of the decade.



South Australia – favourable affordability

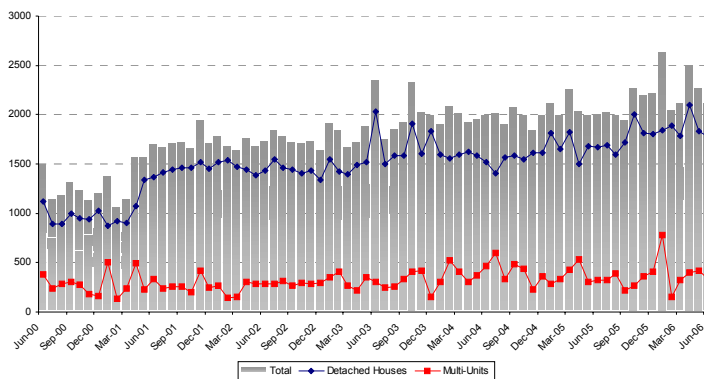




Western Australia – severe growing pains



WA Monthly Dwelling Approvals



Western Australia – severe growing pains



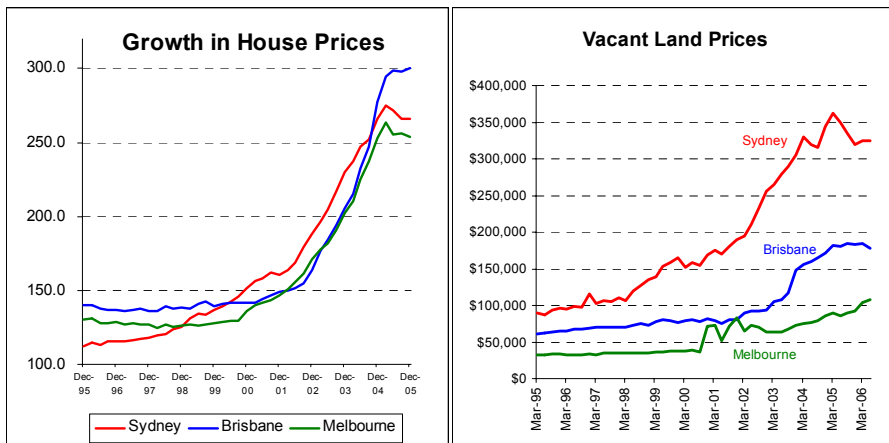
- A higher level of economic growth than China!
- Resources boom still as a long way to run but could well be stifled by some worrying numbers:
 - House prices have sped past Melbourne, Brisbane and Canberra. The state is on track to becoming the least affordable city in Australia with house prices still growing at 35 per cent per annum.
 - Population growth is solid however skills shortages dominate
 - Land supply is a major problem – 40,000 lots “on-paper” are in reality only 600 lots.
- The future for house and land product is unlikely to be as bright as previous years however renovation activity to be strong



Other Issues

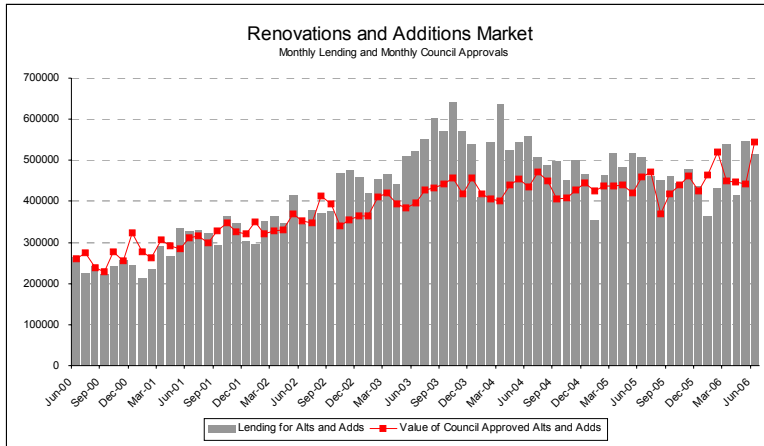


House and Land prices still high but stable

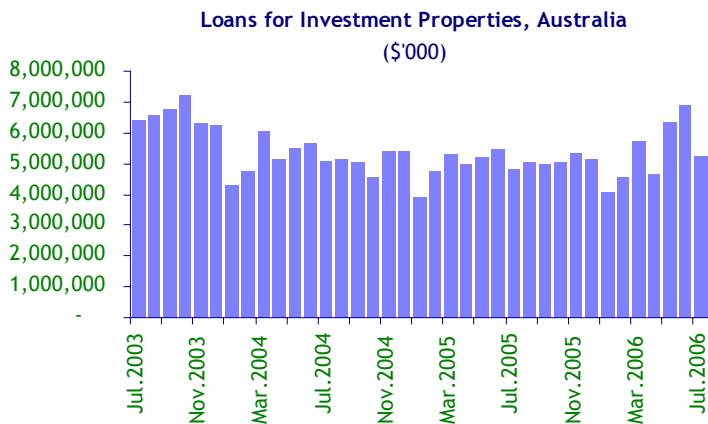




Renovation indicators are holding up ...



Investors Dipping their toes back in the water

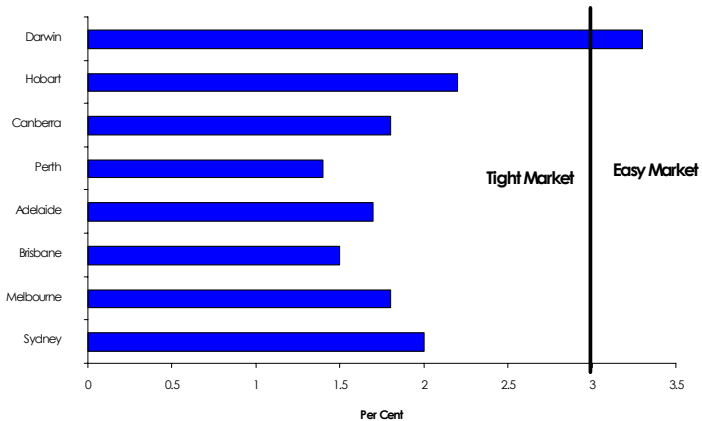




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..and it's much needed

Vacancy Rate, Capital Cities, March 2006



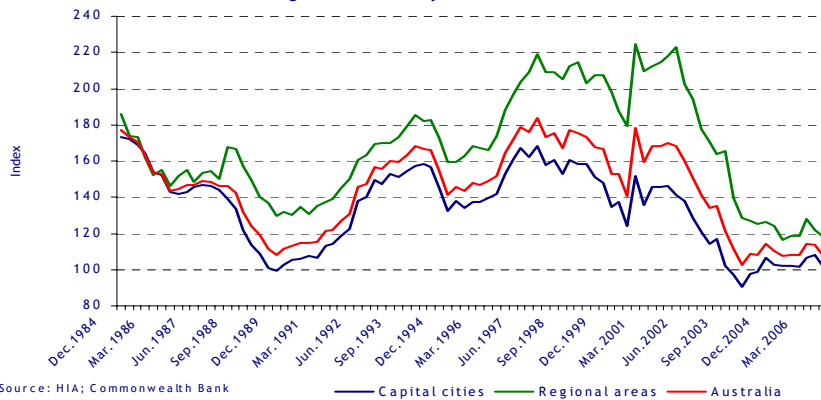
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Housing Affordability – slipping back

Housing Affordability Index - Australia



Source: HIA; Commonwealth Bank

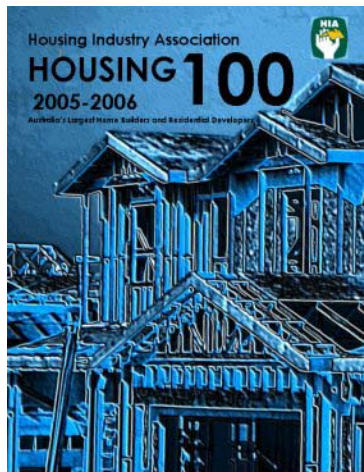
— Capital cities — Regional areas — Australia

- Housing affordability is a critical issue

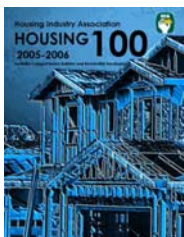
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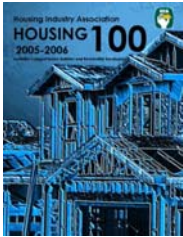
HIA Housing 100 – 2005/06



HIA Housing 100 – 2005/06



Housing 100 at a glance	
Starts	
2005/2006	60,759
2004/2005	60,040
Market Share	
2005/2006	40 per cent
2004/2005	38 per cent
Revenue*	
2005/2006	\$11,178 m
2004/2005	\$15,553 m
Main Housing Activity	
Detached Houses	81 per cent
Multi-units	19 per cent
<small>*Estimated revenue earned from sales of housing only. Excludes land.</small>	



HIA Housing 100 – 2005/06

LARGEST 20 - Houses and Units

Rank 2005/06	Company	Starts	
		2005/06	2004/05
1	BGC (Australia)	4,558	4,535
2	Alcock/Brown-Neaves Group	3,502	3,521
3	Glenwood Homes	2,211	1,217
4	JWH Group	2,053	1,455
5	Henley Properties	1,790	1,859
6	Metricon Homes	1,706	1,567
7	Investa Property Group	1,492	2,708
8	Holondo*	1,242	1,389
9	Tamawood	1,240	1,098
10	Mirvac Group	1,240	2,599
11	Summit Homes Group	1,131	781
12	Coral Homes	1,121	1,397
13	Simonds Group	1,049	1,470
14	Devine Group	1,024	1,321
15	Meriton Apartments	994	1,600
16	Porter Davis Homes	930	775
17	Content Living	928	982
18	Weeks Group of Companies	920	725
19	JG King	905	745
20	Australand Holdings	856	929

* All dwellings built under franchise



HIA Housing 100 – 2005/06

Major Activities of the HOUSING 100

Activity	Number undertaking	
	2005/06	2004/05
Land development	37	39
Detached house construction	87	84
Multi-units, under four storeys	46	58
Multi-units, four or more storeys	23	28
Residential alterations and additions	13	14
Building materials manufacture/supply	29	27
Commercial building	4	4
Engineering construction	6	4
Property management	11	12



The Outlook

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The Outlook



HOUSING STARTS: by state and territory

thousand dwellings commenced

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
2001/02 (a)	47.04	47.38	35.59	9.94	19.14	1.92	1.03	2.37	164.41
2002/03 (a)	47.83	45.81	39.29	10.25	20.32	2.07	0.99	3.12	169.67
2003/04 (a)	44.29	45.32	43.93	9.98	22.48	2.82	1.05	2.87	172.75
2004/05 (a)	37.61	40.96	38.92	10.56	22.82	2.81	1.35	2.44	157.46
2005/06 (a)	32.26	39.11	37.26	10.67	25.64	2.56	1.36	1.86	150.73
2006/07	31.70	39.00	38.17	10.04	23.50	2.44	1.35	2.05	148.25
2007/08	33.65	42.50	41.05	9.40	21.95	2.64	1.33	2.19	154.70
2008/09	35.00	44.63	43.92	9.68	23.05	2.71	1.40	2.27	162.66

% change:

2002/03 (a)	2	-3	10	3	6	8	-4	31	3
2003/04 (a)	-7	-1	12	-3	11	36	6	-8	2
2004/05 (a)	-15	-10	-11	6	1	0	29	-15	-9
2005/06 (a)	-14	-5	-4	1	12	-9	1	-24	-4
2006/07	-2	0	2	-6	-8	-5	-1	10	-2
2007/08	6	9	8	-6	-7	8	-1	7	4
2008/09	4	5	7	3	5	3	5	4	5

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