

The Australian

Home-building recovery to stall in 2011, says HIA

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Australia faces strong housing demand for the next decade.

Source: The Australian

A RECOVERY in new home-building across Australia is set to stall in 2011, according to a report published today.

The Housing Industry Association, which represents home-builders, said housing starts are likely to fall 3 per cent in 2011, reversing part of the expected 20 per cent rise in 2010.

The latest data shows that the industry will continue to build homes at a rate far below demand.

In its quarterly National Outlook Report, the HIA said Australia needed to build more than 190,000 dwellings in 2010 alone to meet underlying demand. Current estimates put total building at 165,940 houses.

Harley Dale, the chief economist at HIA, said that over the next 10 years, Australia would need to build 420,000 dwellings more than what were built over the last decade.

“A failure to build sufficient homes is placing huge pressure on rental markets and is making it very difficult for younger Australians who aspire to home-ownership to achieve that goal,” Mr Dale said in a statement that accompanied the report.

“If the current recovery peters out as soon as the positive impact from past stimulus has gone, then the pressure on renters and the wider entry-level market will intensify further,” he added.

Empirical data, observations on the ground, and the slow progress in reducing supply-side obstacles all currently point to the first increase in housing starts in eight years in 2010, which would revert back to a decline in starts in 2011, Mr Dale added.

But activity in the housing-renovations sector is set to remain at high levels due to strong job-market conditions and ongoing rises in house prices, he said.

HIA expects the total worth of the renovations sector increased by 7 per cent in 2009-10. Growth of 4 per cent was forecast in each of the subsequent two years, taking renovations activity to a worth of \$36.4 billion in 2011-12.

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