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A modest recovery for NSW residential construction in 2012/13

According to the Housing Industry Association's spring edition of its NSW Outlook, the most comprehensive housing report card for Australia's largest state released today, signs point to a recovery in new housing starts in 2012/13 together with a modest improvement in renovations activity.

"With the new home building sector in recession for much of the last decade and renovations activity falling to an 11 year low, there needs to be some evidence by now of improved prospects on the horizon," said HIA Executive Director, NSW, Mr David Bare.

"There is evidence of an impending recovery, but it remains far from compelling. Nevertheless, we are forecasting a recovery in housing starts in 2012/13, with a strong-looking increase of 16.3 per cent which is of course exaggerated by the very low base. Renovations activity is forecast to grow by 4.0 per cent this financial year following a 10.8 per cent drop in 2011/12," said David Bare.

"There are a range of factors that will constrain a recovery in residential construction, including the lack of full pass-through of interest rate cuts, tight credit supply, and the large amount of work yet to be done to reduce the excessive taxation of new housing."

"A reasonable recovery in 2012/13 will be driven by interest rate cuts (which will provide some impetus), the NSW government new home incentives for first time buyers, and renewed confidence stemming from some much-needed focus on policy reform from the NSW government."

"The catalyst for a widespread and sustainable recovery in NSW is on-going policy reform to reduce the excessive and inefficient tax bill that renders new housing the second most heavily taxed sector in the Australian economy, with NSW the most heavily taxed state," Mr Bare added.

The housing starts cycle is expected to have bottomed in the 2011/12 financial year at a level of 28,976. NSW housing starts are forecast to increase by 16.3 per cent in 2012/13 and by 5.3 per cent in 2013/14, reaching a level of 35,503. Concerted policy reform would deliver a higher level of starts than this in 2013/14.

The forecast 4.0 per cent rise in total renovations investment in 2012/13 would take activity to a value of \$7.78 billion. Growth of a further 1.7 per cent is forecast for 2013/14. That would take the value of renovations activity to \$7.91 billion.

For further information please contact:

David Bare, HIA Executive Director, NSW - 0418 924 127

Natalie Shymko, HIA Manager, Government and Media Relations – 9978 3319



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NSW Housing Starts Forecasts

Source: HIA Economics Group

