



# The Outlook for Australia's Housing and Renovation Industry.

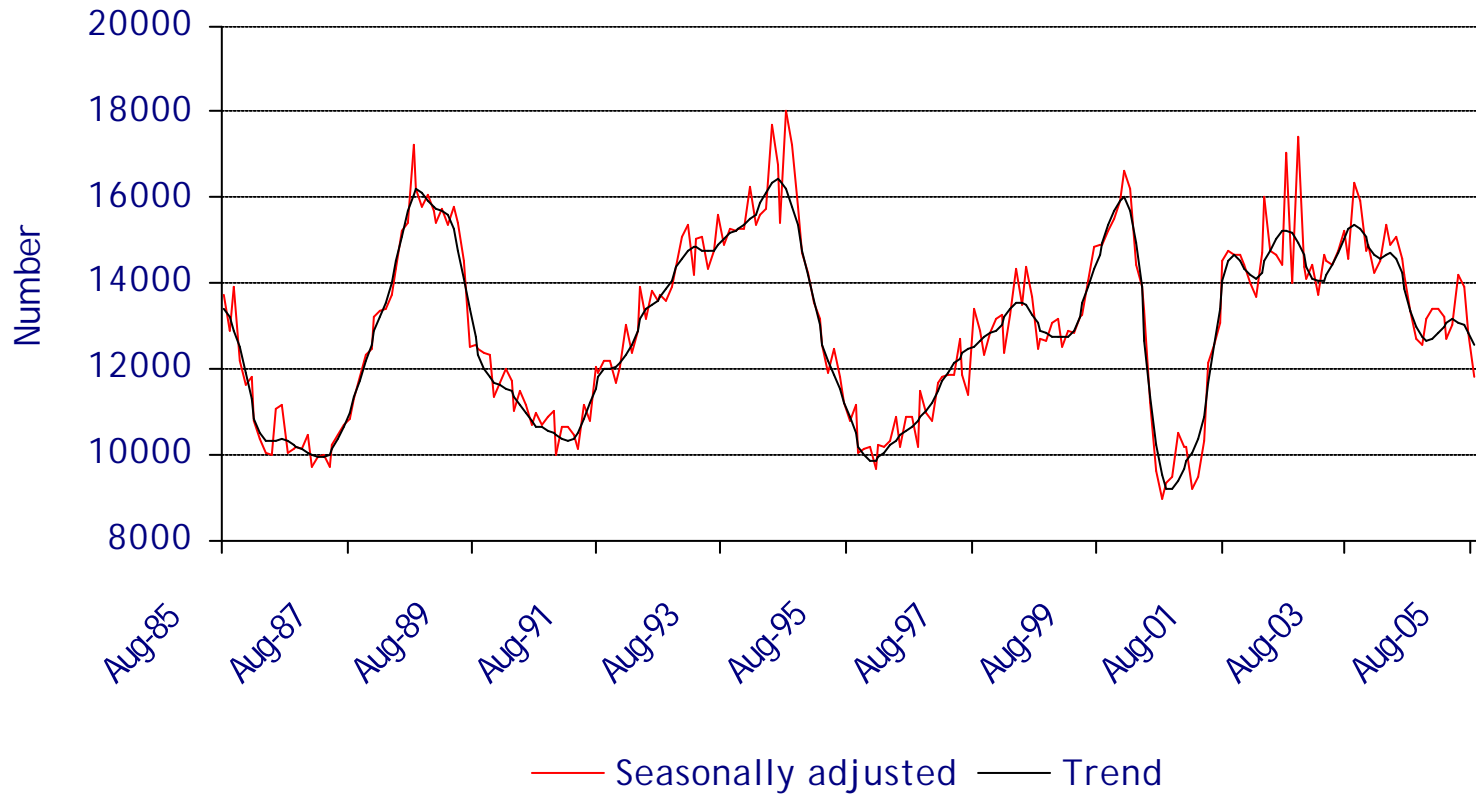
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November 2005



## Longest boom, softest fall....

### Building Approvals - Australia

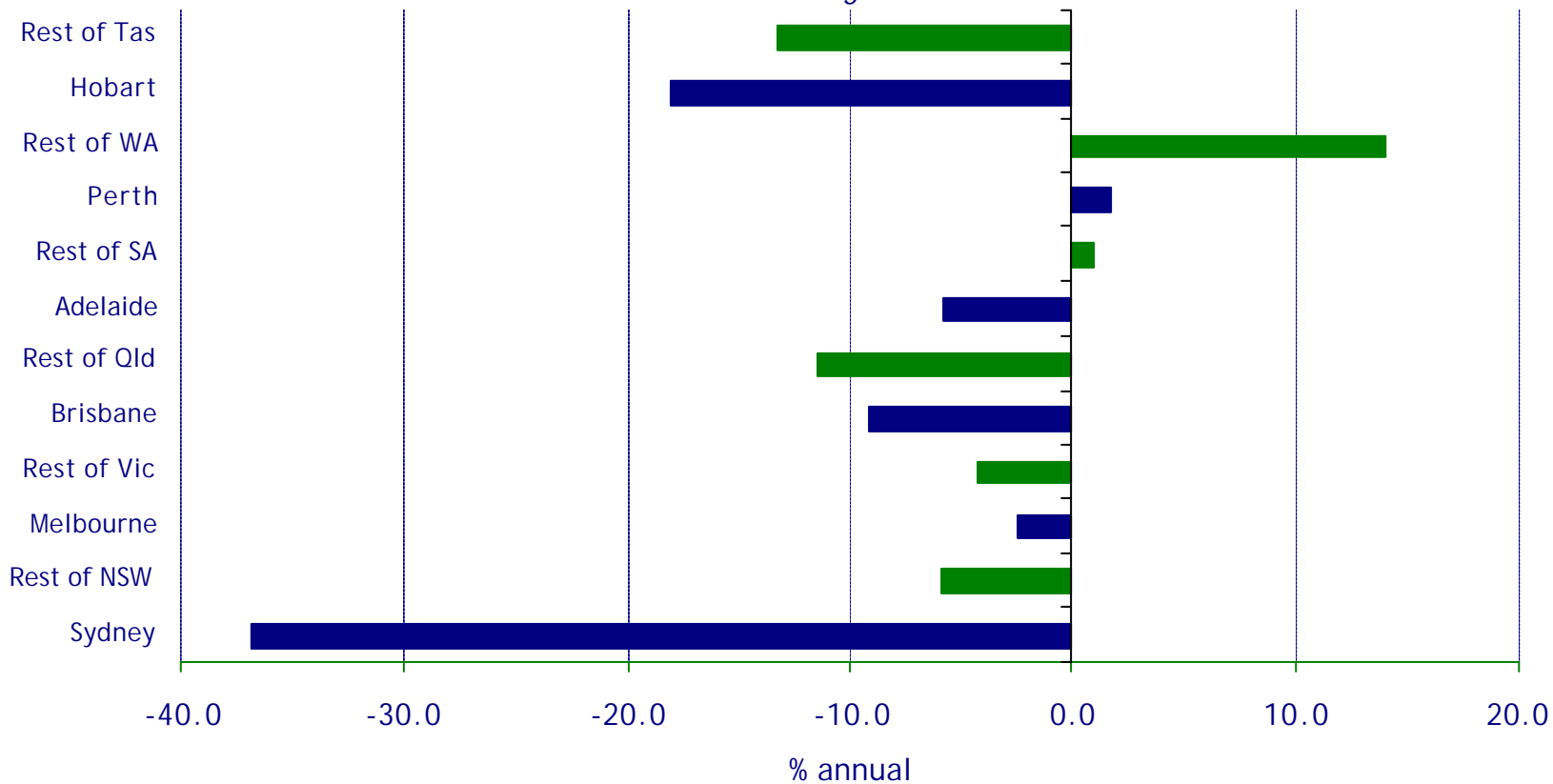




## Stark differences across states and regions

### Building Approvals - Capital City vs Rest of State

*Six months to August 2005*



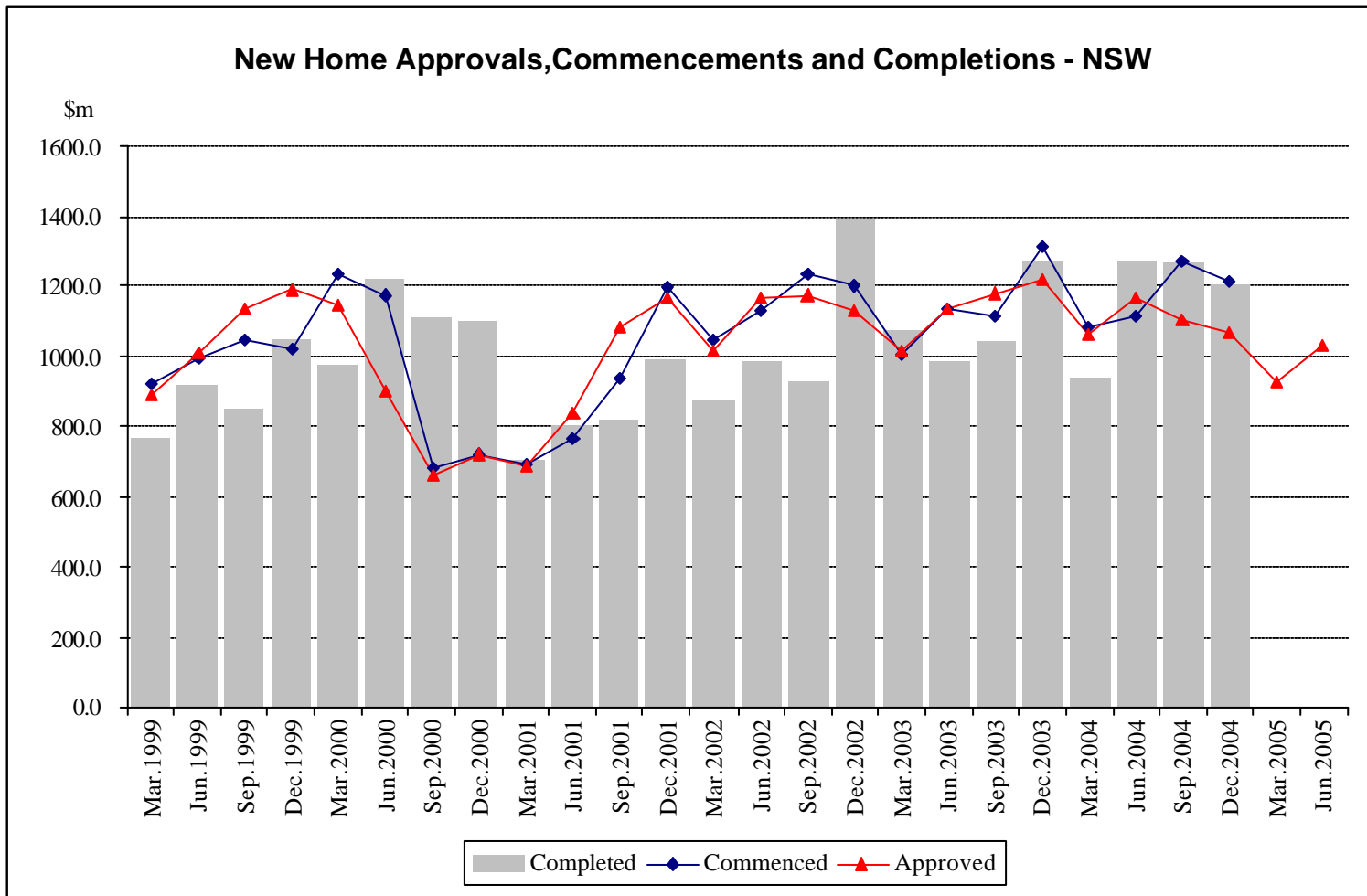


## NSW

- Sydney accounts for the lion's share of housing – average new home \$565,000
- High land prices and infrastructure charges are crippling affordability – there is a net interstate outflow of population
- Also a very sluggish investment market thanks to VTD
- Future should be bright but not so....
- Future land release still a problem
- Infill/high density housing to increase it's share
- Regional NSW in slightly better shape



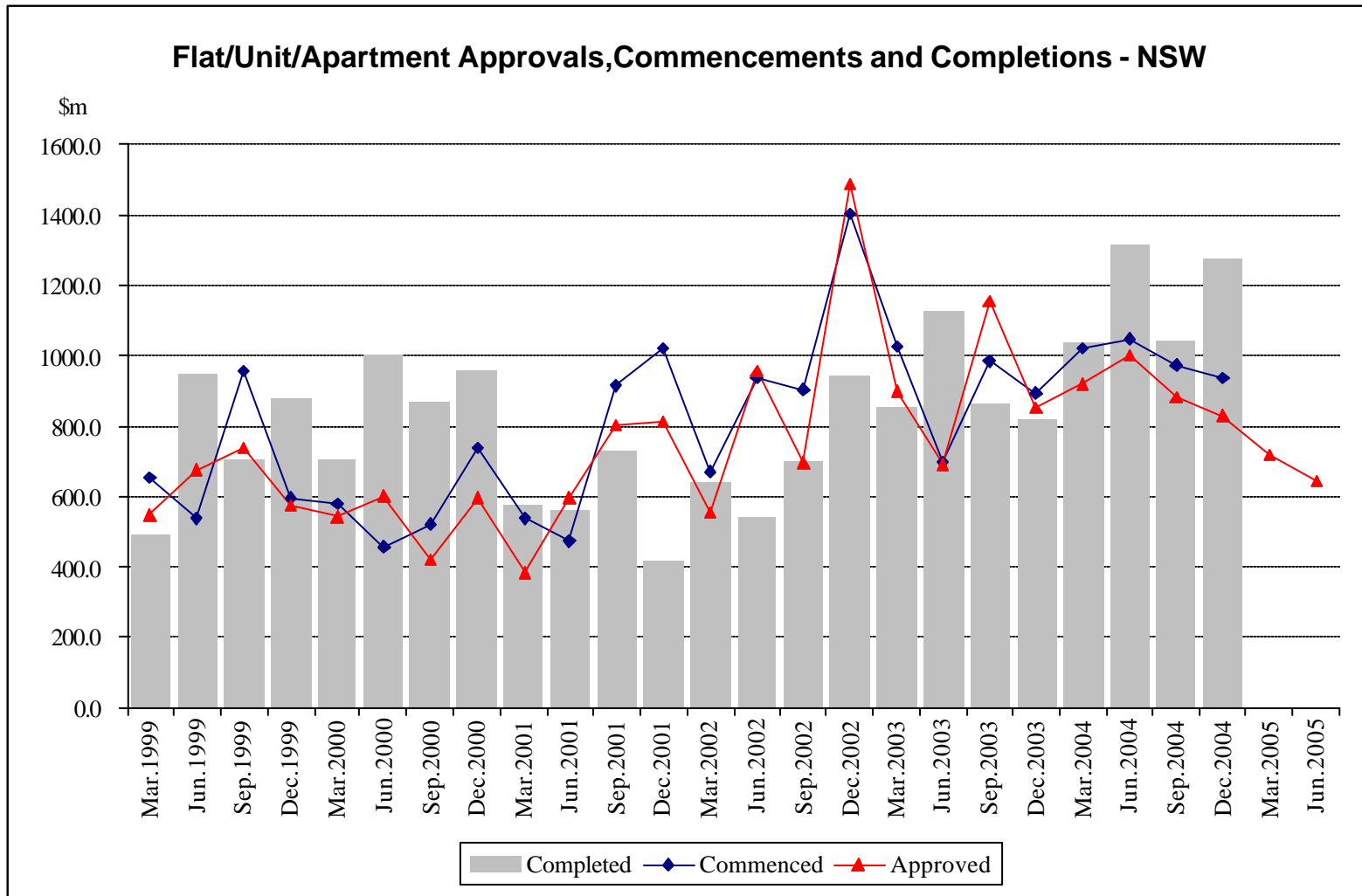
## Stabilisation in NSW detached housing...





# Economics Group

## A shrinking pipeline in NSW flats, units and apartments...



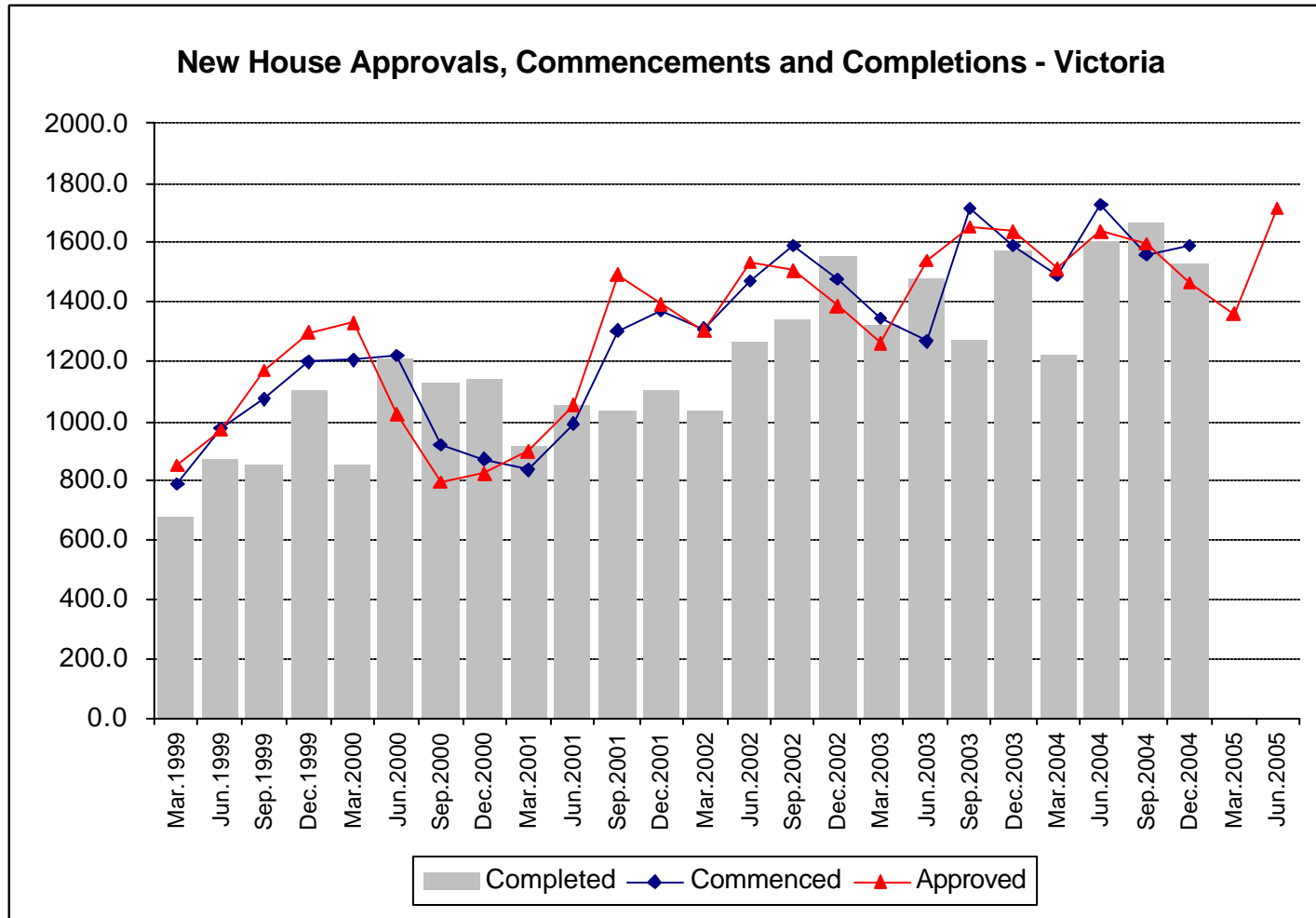


## Victoria

- Activity in Victoria not down as sharply
- Average Melbourne new home \$340,000 so affordability is more favourable
- High QLD house prices have also helped to stem the population flow from Vic to Qld
- Has one of the healthiest state economies with a solid outlook for employment
- Regional Victoria is a standout performer with activity only slightly down
- In particular Bendigo, Ballarat and Shepparton



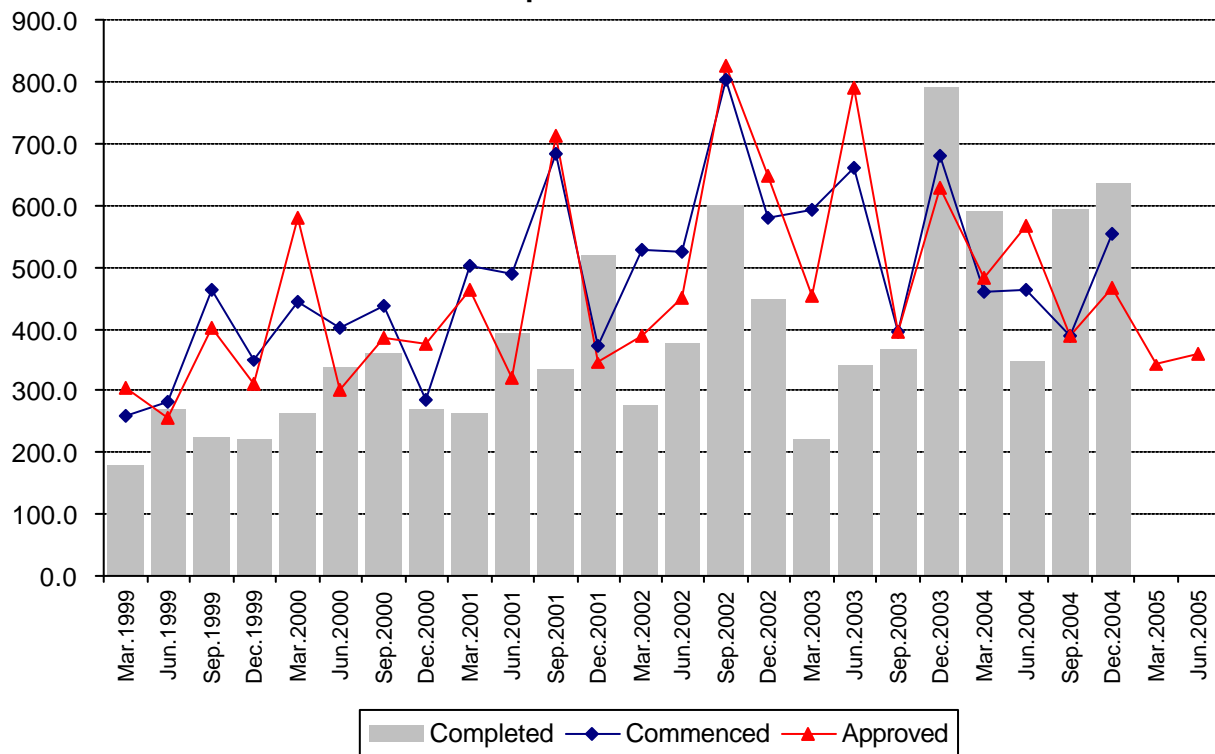
## House construction pipeline looking healthy...





## Not so the apartment market...

### Flats, Units and Townhouse Approvals, Commencements and Completions - Victoria



- Completions well ahead of commencements and approvals

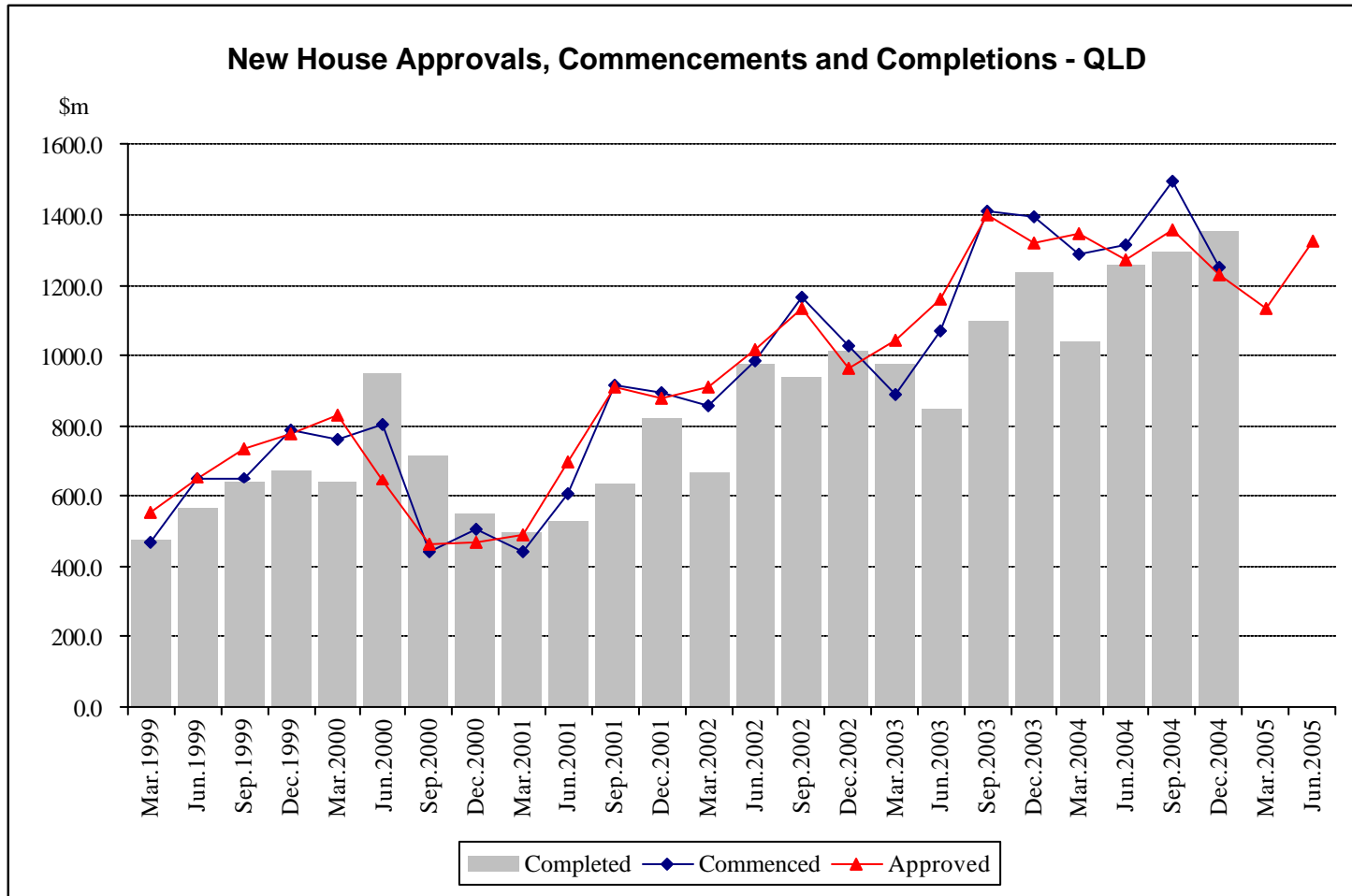


## Queensland...

- Queensland should be land of the endless boom but....
- Record growth in house and land prices have hurt – average new home price now \$362,000 – land is 41 per cent of this.
- Brisbane facing some infrastructure bottlenecks
- Regional Queensland doing well where land is available – Sunshine Coast, Gold Coast, Townsville and Cairns have been strong.
- Brisbane development corridor is west so not a huge acceptance among home buyers
- Big infrastructure spend and pent up demand for housing will see QLD explode again later this decade.



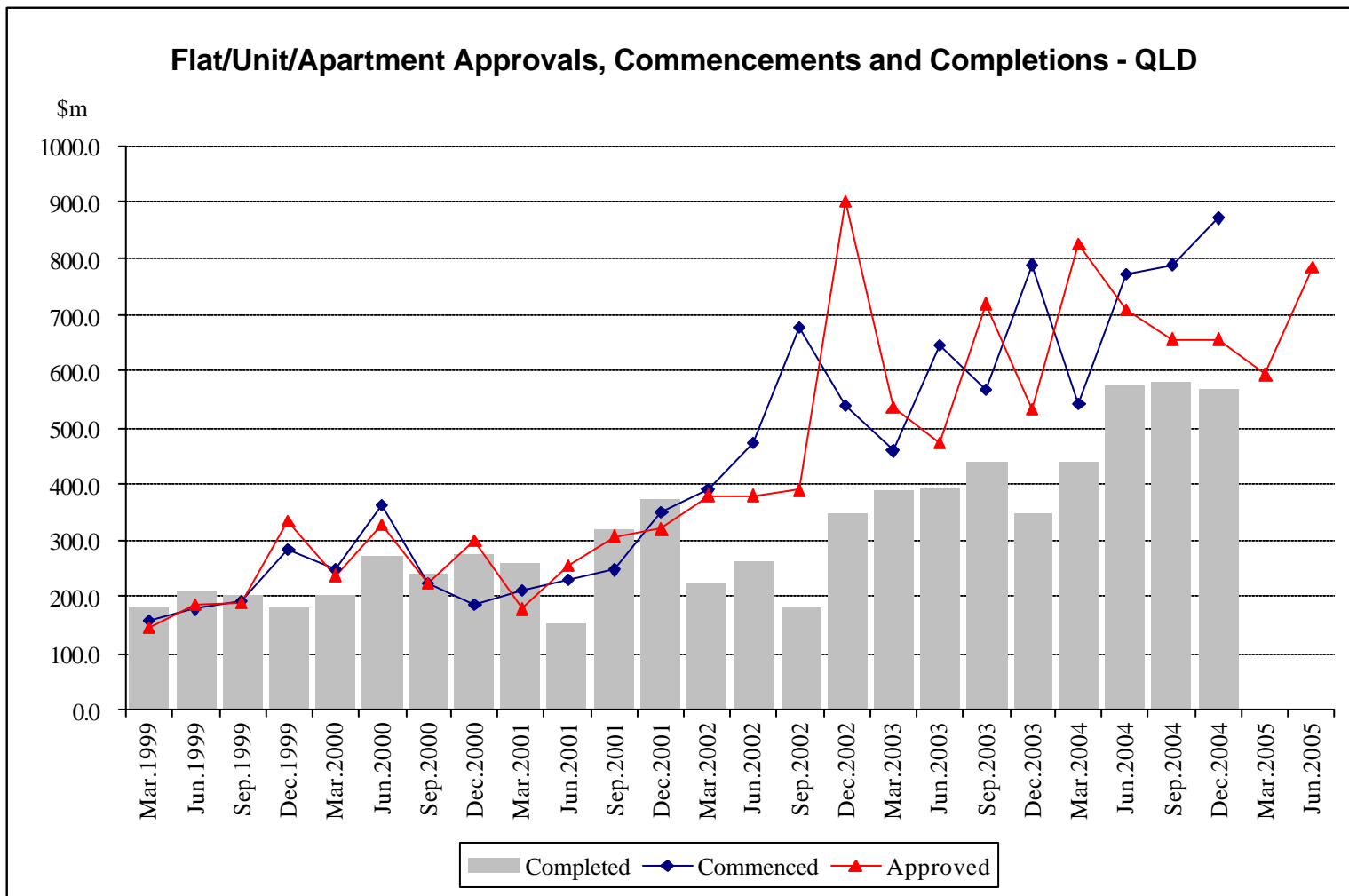
## QLD detached housing getting a second wind...





# Economics Group

## No sign of easing in QLD flats, units and apartments activity





## South Australia...

- SA has been a quiet achiever
- Very high levels of infill, public housing consolidation and apartment building have driven activity.
- Good stocks of land (another 5,000 lots announced just last Friday)
- Average new home price of \$272,000.
- Economy a bit shakey as drought and motor vehicle sales cool
- Labour market and population growth are both fair



## Western Australia...

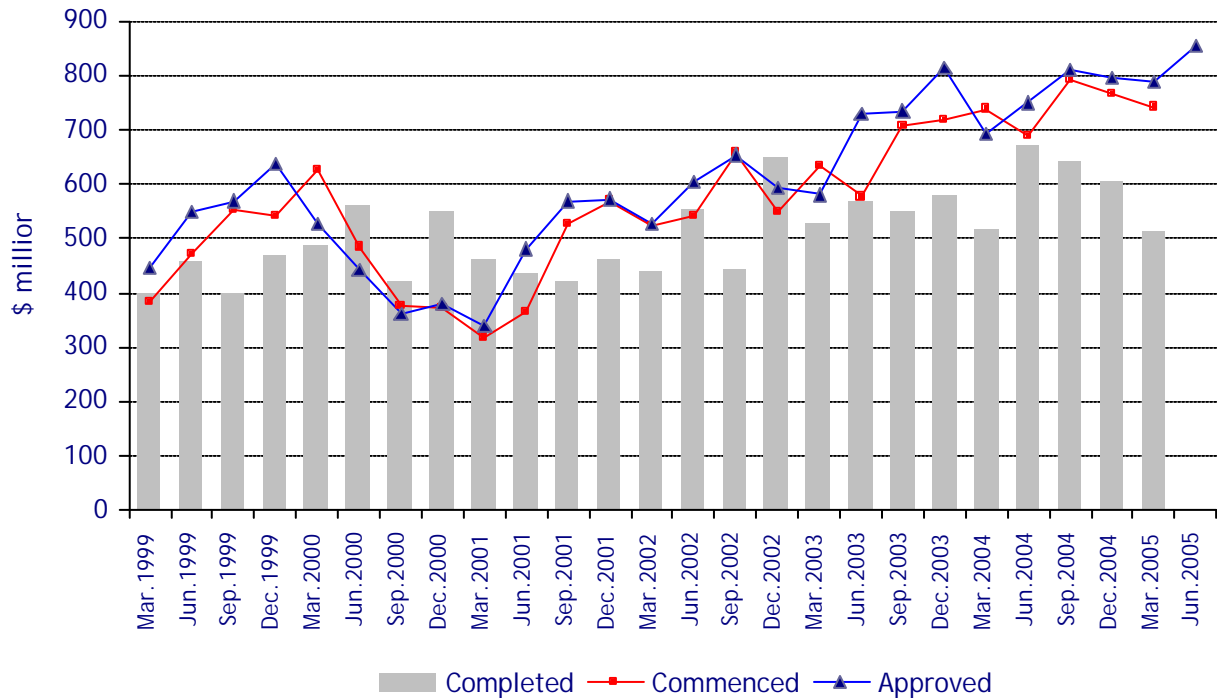
- WA defies gravity!
- Very strong economy with the natural resource base complementing China's manufacturing needs
- Excellent land stocks and a fiercely competitive building industry – top 20 account for 70 per cent of homes.
- Labour market and population growth both very good
- Rental markets tight and despite record levels of building, not much evidence of over supply
- Affordability however is low – average new home price of \$296,000



# Economics Group

## House Approvals, Commencements, and Completions...

### New Home Approvals, Commencements and Completions - WA

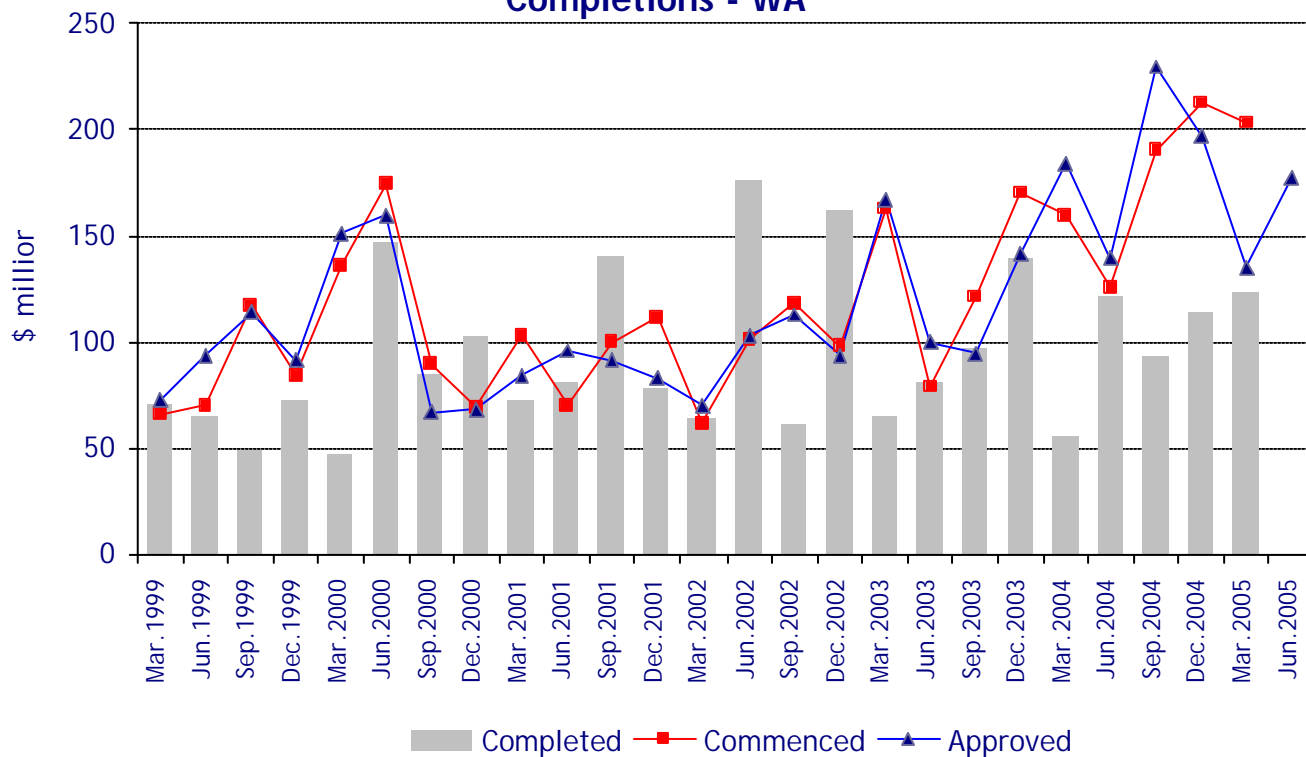


- Pipeline keeps building with approvals and commencements running consistently ahead of completions



## Unit Approvals, Commencements, and Completions...

### Flat/Unit/Apartment Approvals, Commencements and Completions - WA



- Ditto for flats units and apartments



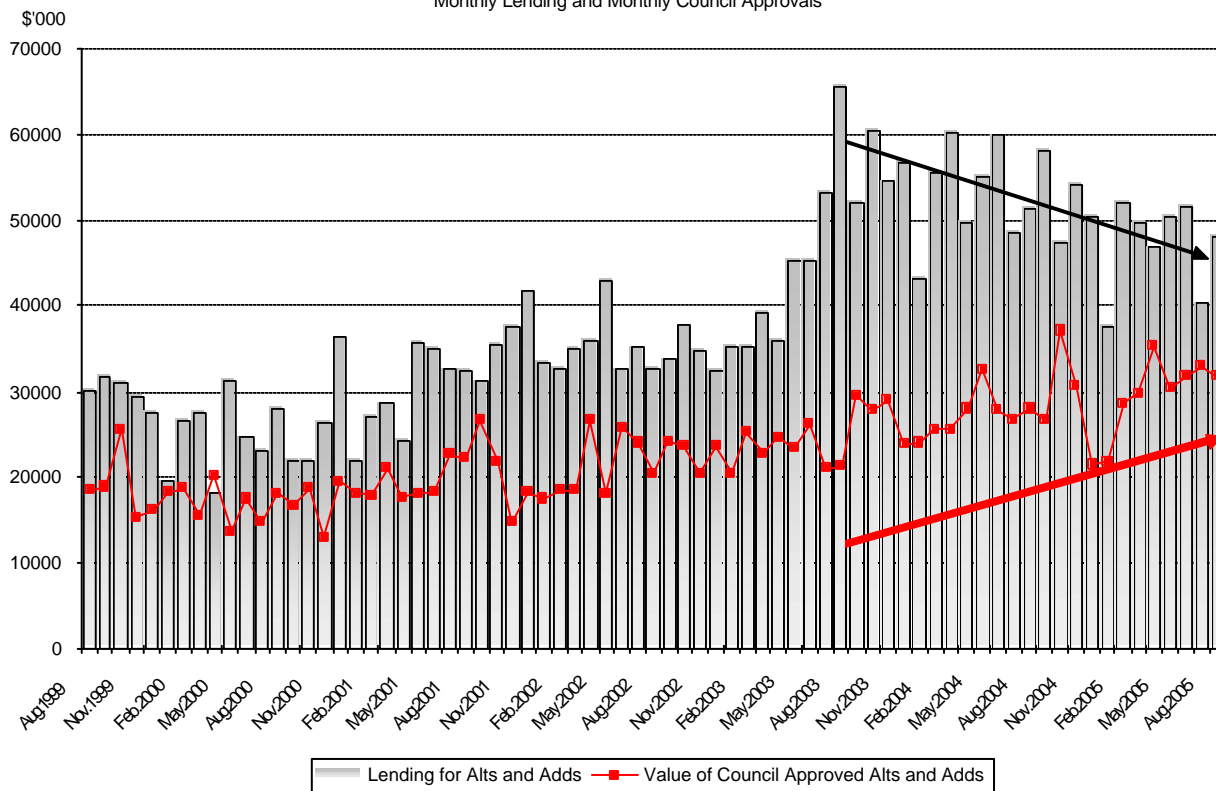
## Renovations



## Renovation Activity

### The WA Renovations and Additions Market

Monthly Lending and Monthly Council Approvals



- An interesting divergence in the numbers
- Council approved additions still strong and growing (i.e ground floor, second storey extensions)
- Lending for all alts and adds (which includes many not needing council approval) trending downwards
- Consistent with a slowing in discretionary spending
- Also consistent with a slowing in retail sales.

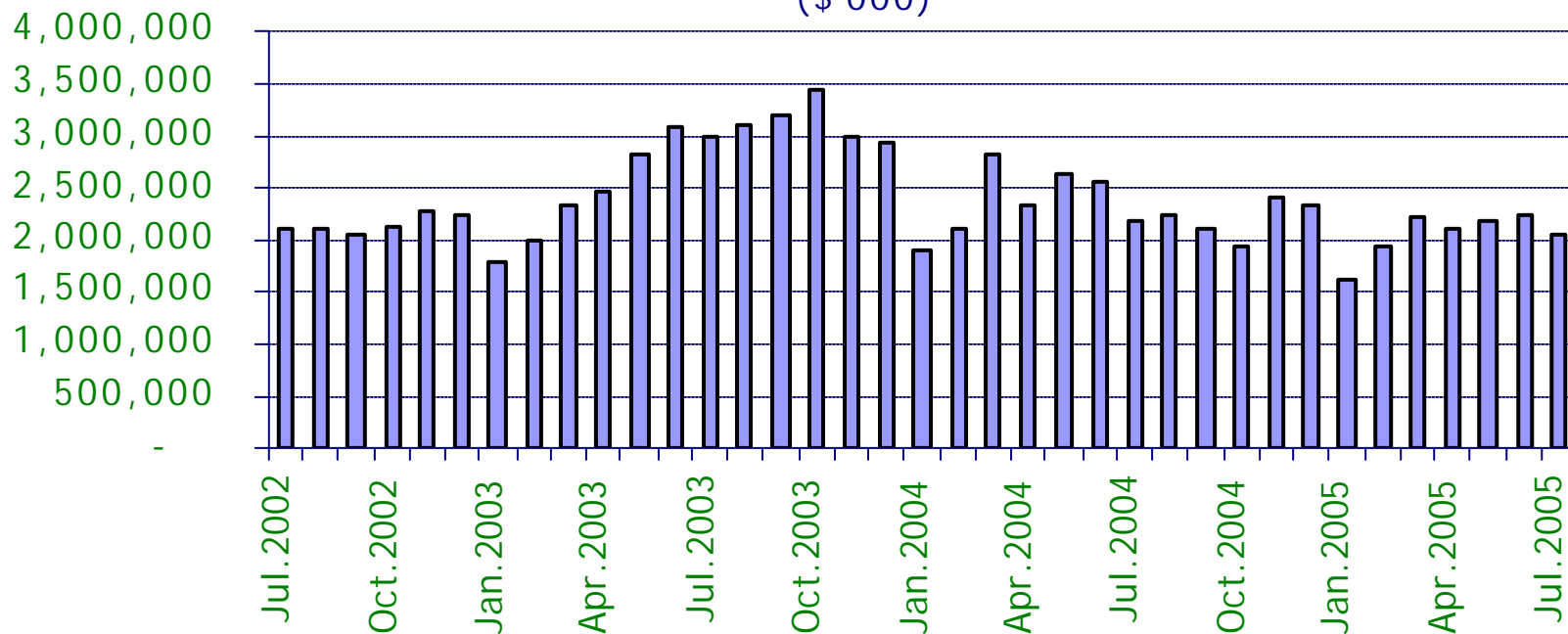


## Other Issues



## Investors – lending has stabilised

Loans for Investment Properties, NSW  
(\$'000)





## But rental markets are still tight

### Vacancy rates (%)

	Mar.04	Jun.04	Sep.04	Dec.04	Mar.05	Jun.05
<b>Sydney</b>	3.2	3.6	2.8	2.4	2.2	2.5
<b>Melbourne</b>	3.5	3.6	3.7	3.8	2.4	2.6
<b>Brisbane</b>	2.9	2.3	2.7	2.7	1.4	N/A
<b>Adelaide</b>	1.4	1.9	1.9	2.3	1.8	1.8
<b>Perth</b>	3.0	3.3	2.8	2.7	2.6	2.5
<b>Hobart</b>	1.6	2.2	2.2	2.0	2.3	2.2
<b>Darwin</b>	6.9	5.5	3.8	4.1	2.0	1.9
<b>Canberra</b>	3.6	4.3	4.6	5.2	1.7	2.5

Source: REIA



So rents are climbing faster than CPI:

## Median weekly rents - % annual growth

	Mar.04	Jun.04	Sep.04	Dec.04	Mar.05	Jun.05
<b>Sydney</b>	2.0	0.0	0.0	0.0	4.0	4.0
<b>Melbourne</b>	2.2	0.0	0.0	2.3	4.3	4.5
<b>Brisbane</b>	8.9	0.0	0.0	0.0	-2.0	6.7
<b>Adelaide</b>	5.3	5.3	5.1	7.7	10.0	10.0
<b>Perth</b>	4.5	5.1	6.7	6.1	8.1	9.7
<b>Hobart</b>	13.5	13.5	16.2	17.9	9.5	4.8
<b>Darwin</b>	4.2	0.8	10.2	3.8	8.0	14.0
<b>Canberra</b>	11.1	3.6	3.6	3.4	0.0	3.4

Source: REIA



...and house prices are only just now turning

## House Prices

	Median house price			Change	
	Jun 2004 qtr	Mar 2005 qtr	Jun 2005 qtr	% qtr	% annual
Sydney	\$552,000	\$533,000	\$526,000	-1.3%	-4.7%
Melbourne	\$334,000	\$340,000	\$339,500	-0.3%	1.5%
Brisbane	\$321,000	\$326,000	\$325,000	-0.3%	1.2%
Adelaide	\$288,000	\$300,000	\$301,000	0.4%	4.5%
Perth	\$287,000	\$314,000	\$323,000	2.8%	12.5%
Canberra	\$406,000	\$402,000	\$402,000	0.0%	-1.1%
Darwin	\$278,000	\$312,000	\$326,000	4.5%	17.1%

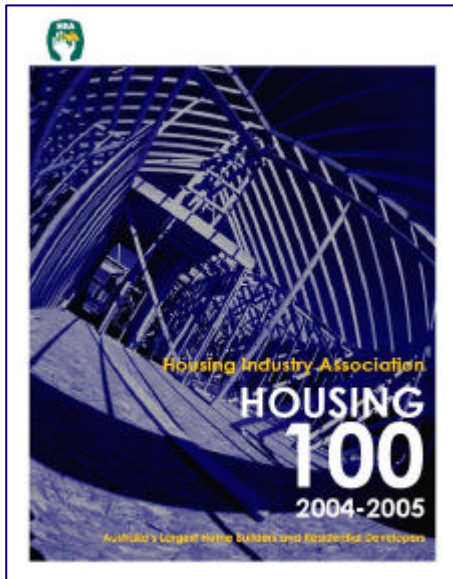
Source: Australian Property Monitors



## HIA Housing 100



## Big Builders



### Housing 100 at a glance

#### Starts

2004/2005 60,040

2003/2004 69,100

#### Market Share

2004/2005 38 per cent

2003/2004 40 per cent

#### Revenue\*

2004/2005 \$15,553 m

2003/2004 \$16,423 m

#### Main Housing Activity

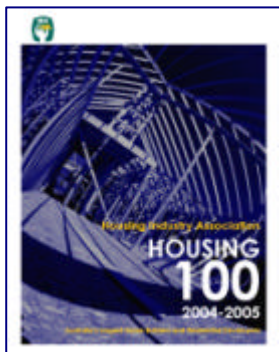
Detached Houses 77 per cent

Multi-units 23 per cent

*\*Estimated revenue earned from sales of housing only. Excludes land.*



## Big Builders



### Major Activities of the HOUSING 100

Activity	Number undertaking	
	2004/05	2003/04
Land development	39	41
Detached house construction	84	85
Multi-units , under four storeys	58	51
Multi-units , four or more storeys	28	29
Residential alterations and additions	14	9
Building materials manufacture/supply	27	25
Commercial building	4	5
Engineering construction	4	5
Property management	12	15



## HIA Housing 100 - 2004/05

Australia's Largest Builders in 2004/05				
Rank		Company	No.	State
2004/05	2003/04			
1	1	BGC (Australia)	4,535	WA
2	2	Alcock/Brown-Neaves Group	3,402	WA
3	3	CPG Australia	1,863	NSW
4	5	Henley Properties	1,827	VIC
5	4	Mrvac Group	1,768	NSW
6	8	Metricon Homes	1,630	VIC
7	13	Devine	1,483	QLD
8	21	JWH Group	1,455	WA
9	16	Glenwood Homes	1,439	QLD
10	9	Simonds Group	1,348	VIC
11	11	Hotondo	1,301	VIC
12	10	Coral Homes	1,132	QLD
13	18	Tamawood	1,063	QLD
14	22	Australand Holdings	964	NSW
15	20	Content Living	942	WA
16	28	Porter Davis Homes	916	VIC
17	27	Summit Homes Group	900	WA
18	31	Weeks Group of Companies	897	SA
19	19	L.U. Simon Builders	840	VIC
20	23	Scott Park Homes	820	WA

\* A list of the largest 100 builders and State based tables are in the full report



## Simon Tennent

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<http://economics.hia.asn.au>