



**Economics Group**

# **The Outlook for Victoria's Housing and Renovation Industry**

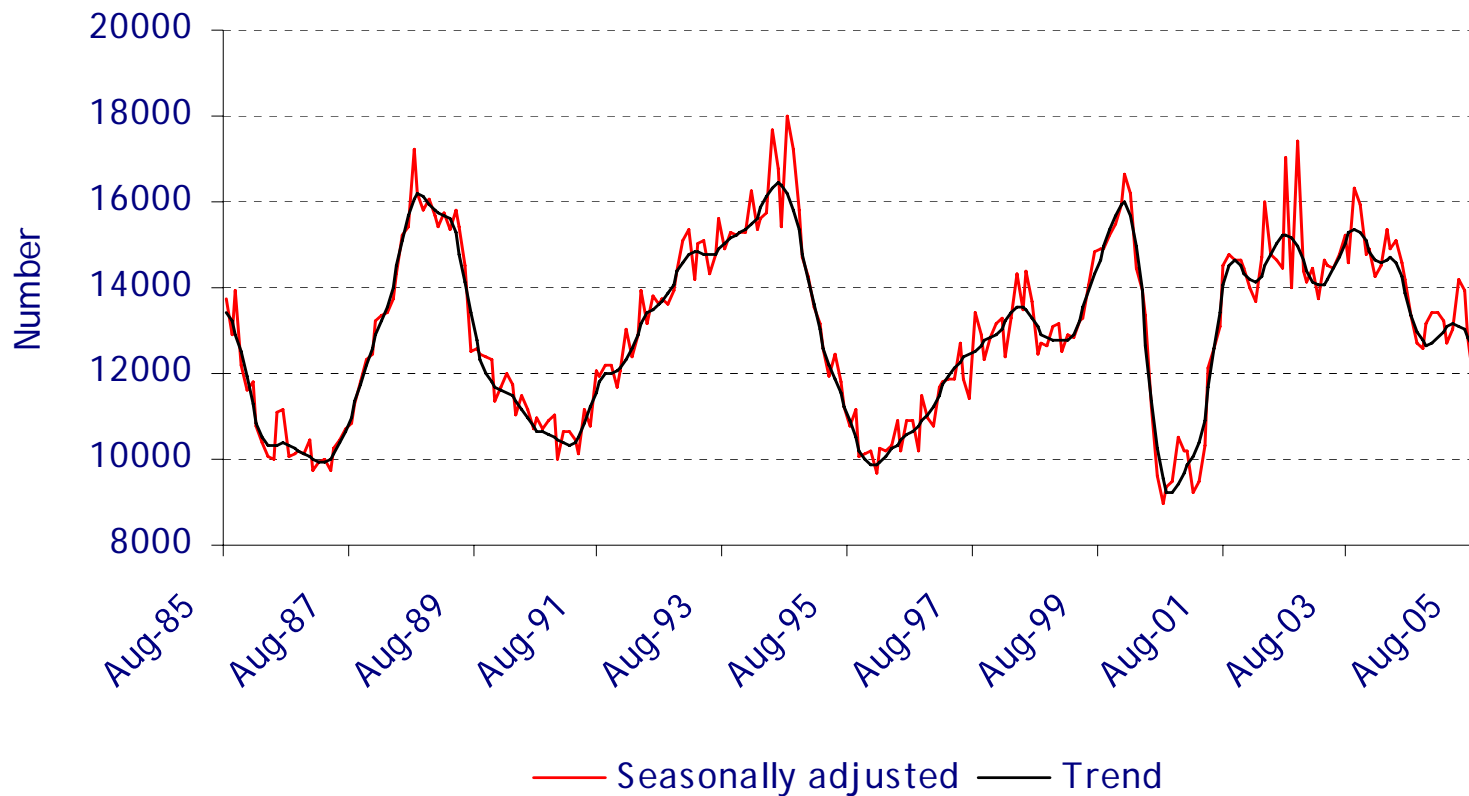
**Simon Tennent  
HIA Chief Economist**

November 2005



## Longest boom, softest fall....

### Building Approvals - Australia

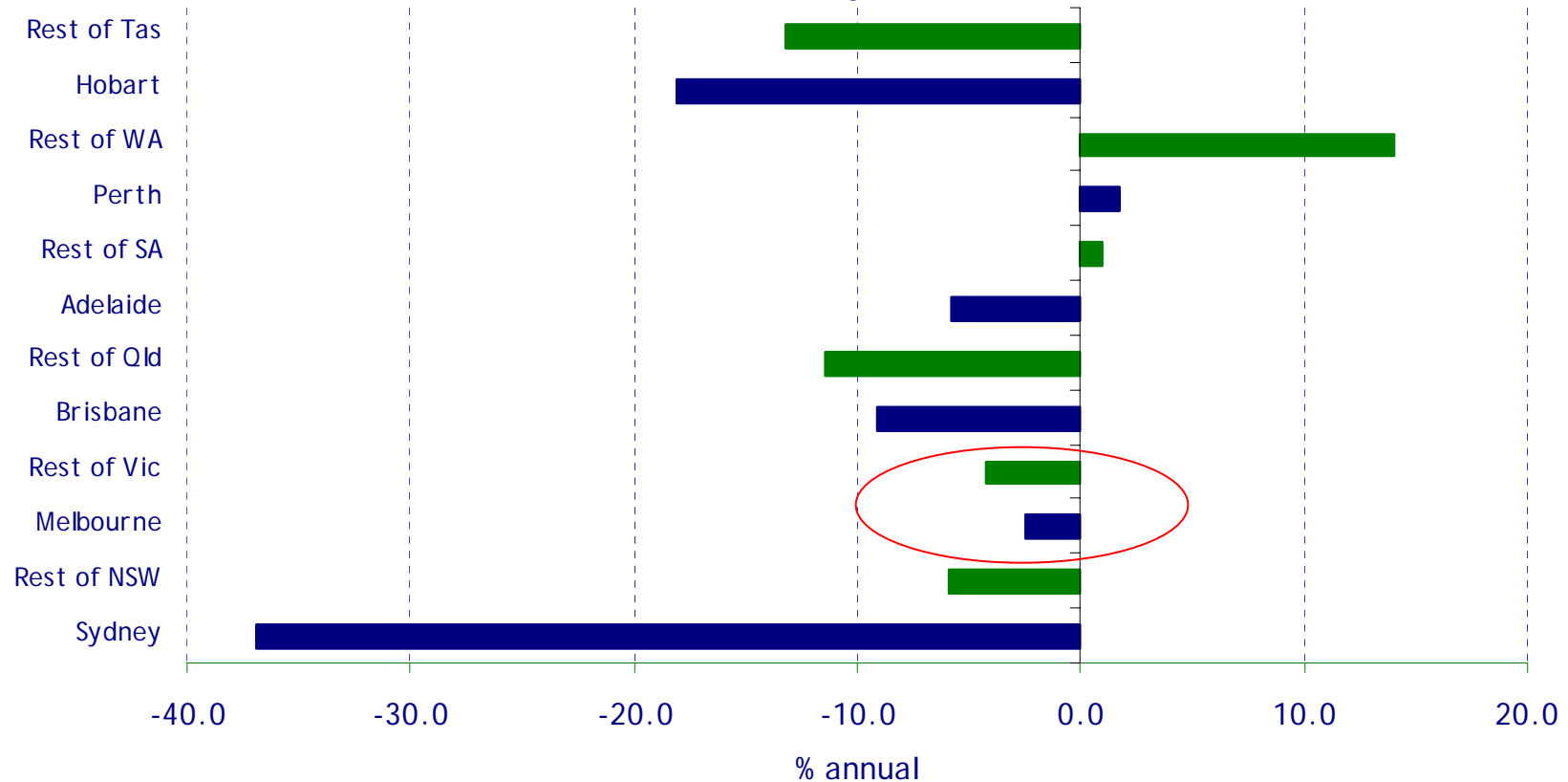




## Stark differences across states and regions

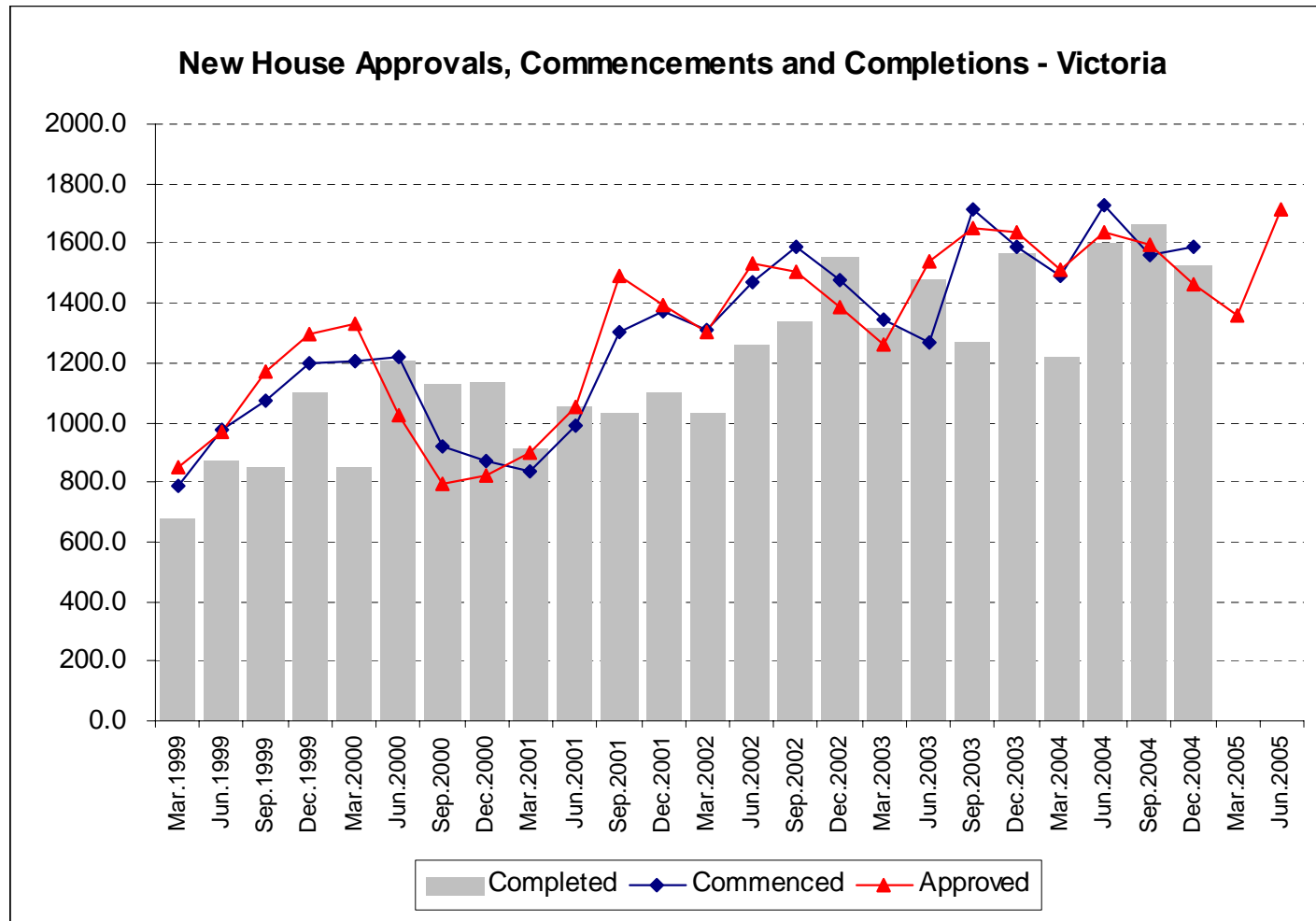
### Building Approvals - Capital City vs Rest of State

*Six months to August 2005*



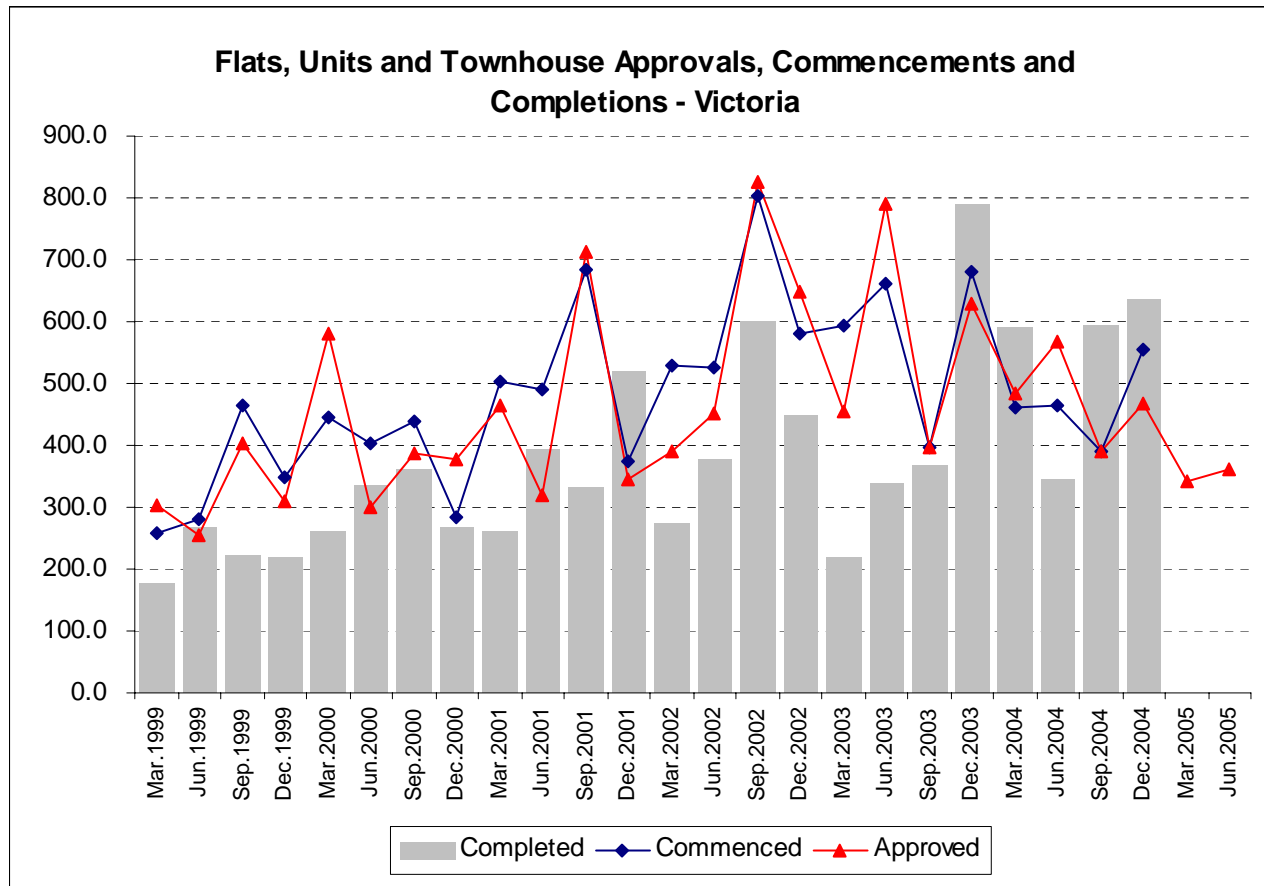


## House construction pipeline looking healthy...





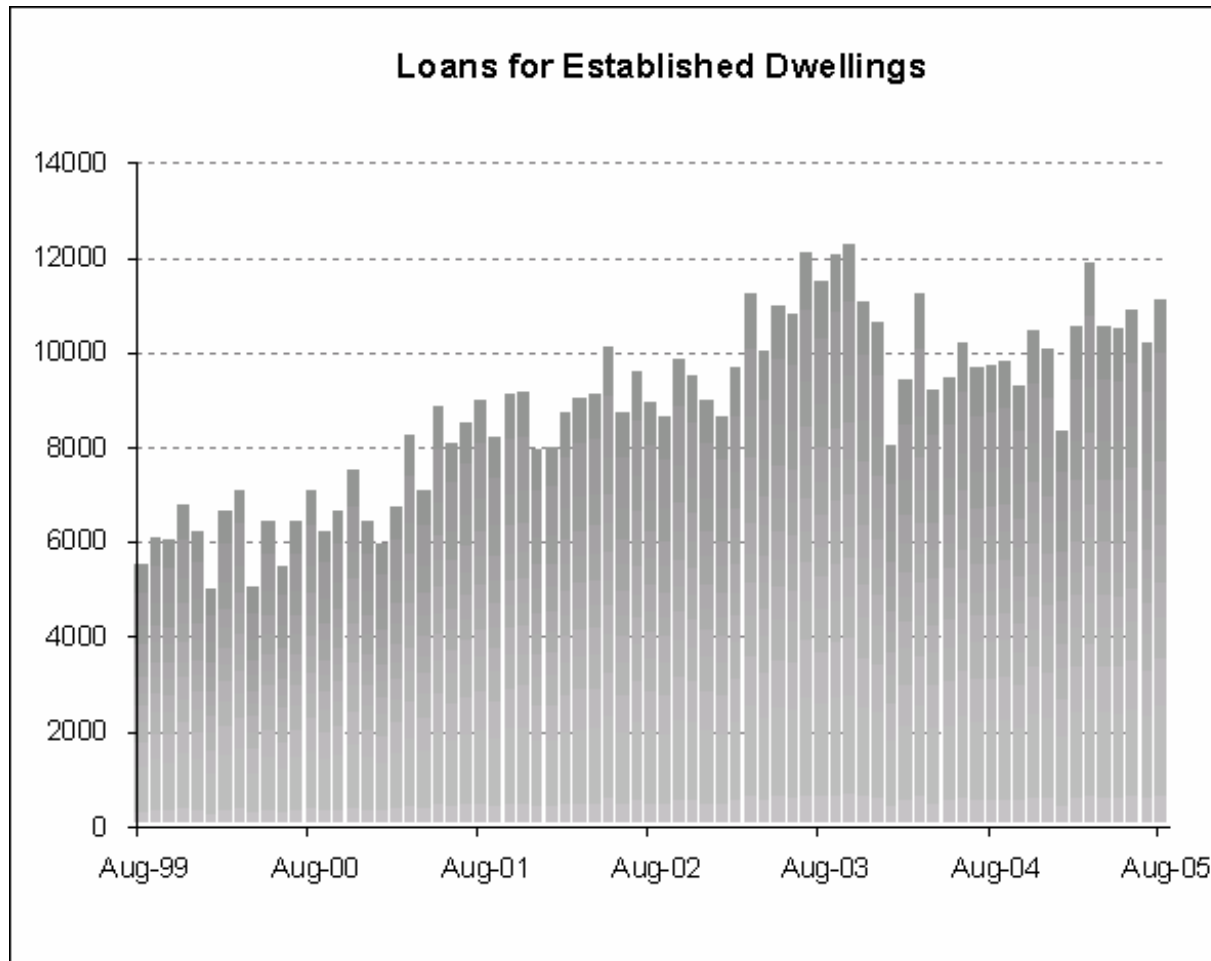
## Not so the apartment market...



- Completions well ahead of commencements and approvals



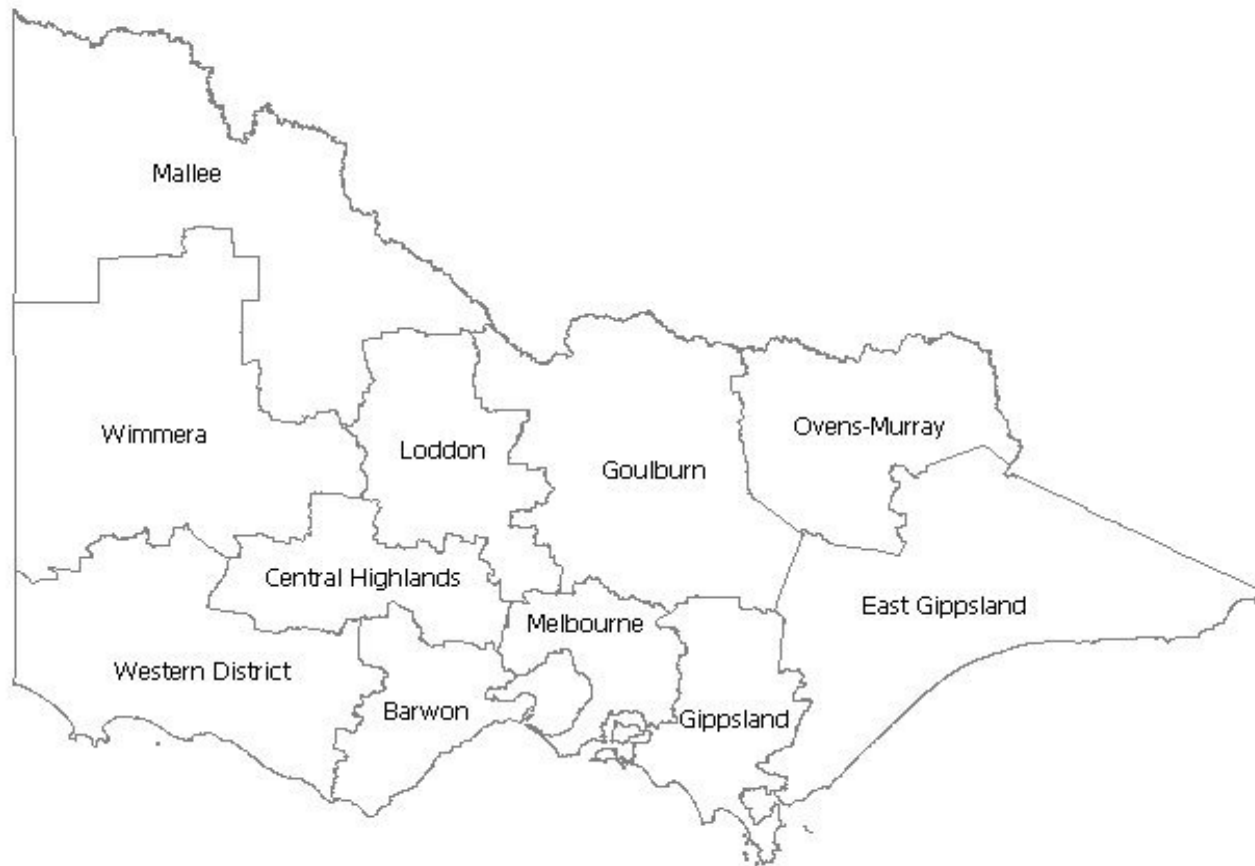
## And there is still some velocity in the VIC established real estate market



- The number of established homes changing hands is strong
- The sale of established homes (turnover of stock) is important for new home demand



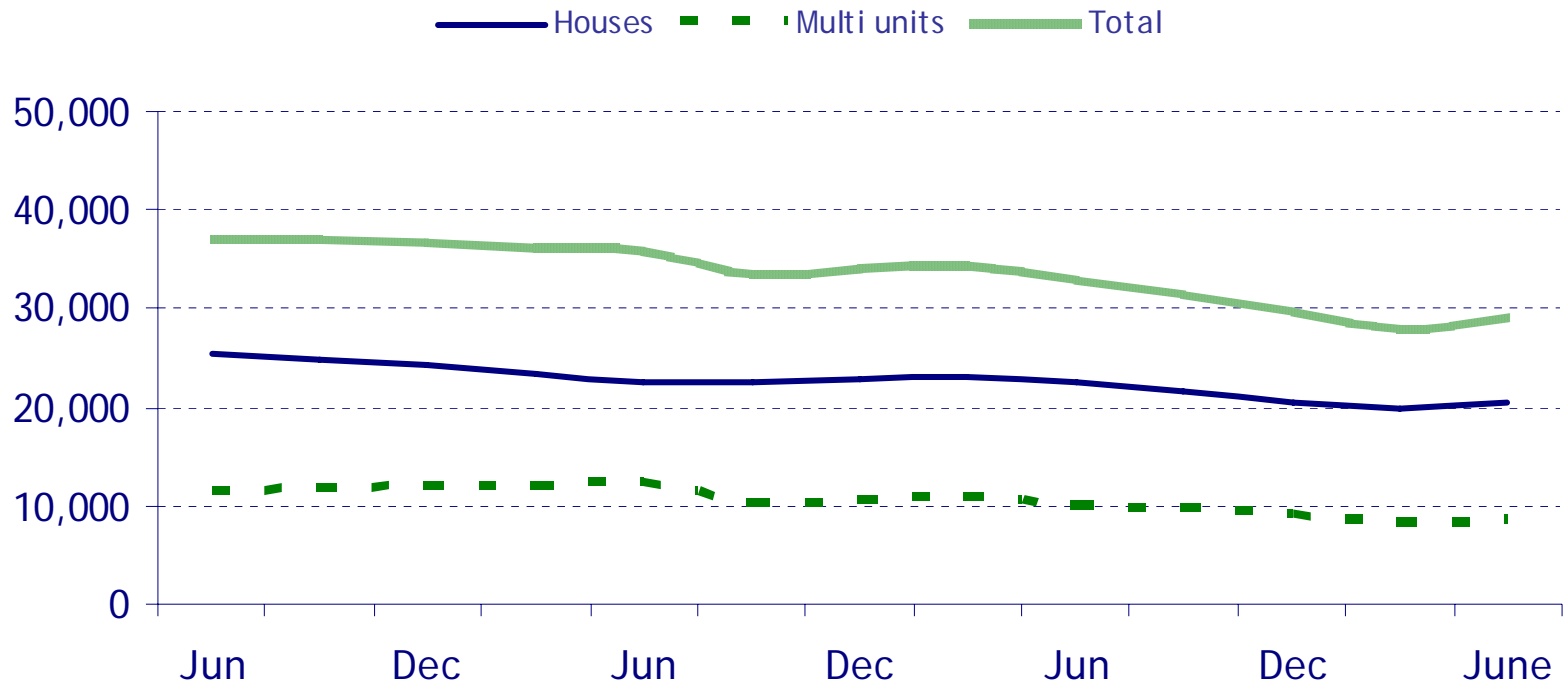
## Region by Region





## Melbourne City

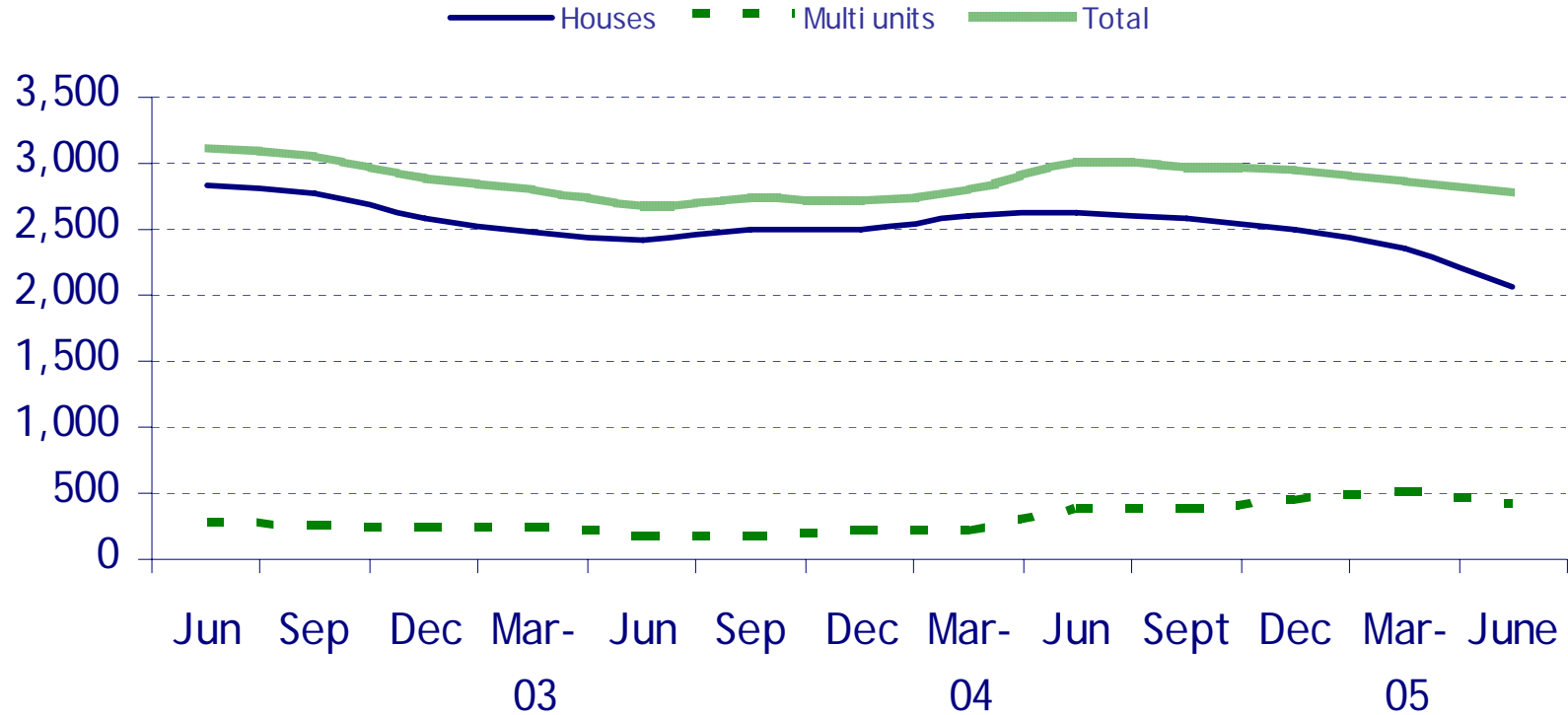
Moving Annual Quarterly Totals - Melbourne





## Geelong

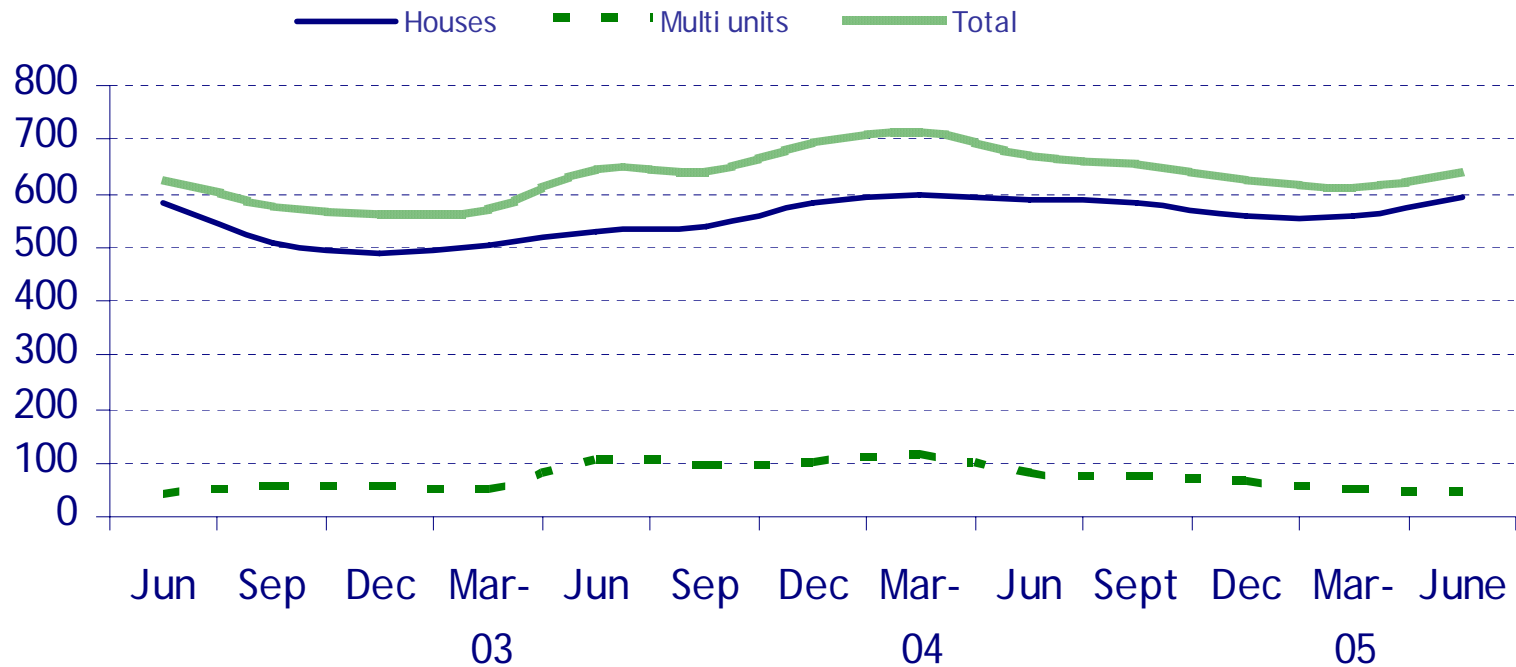
### Moving Annual Quarterly Totals - Geelong





## Warnambool

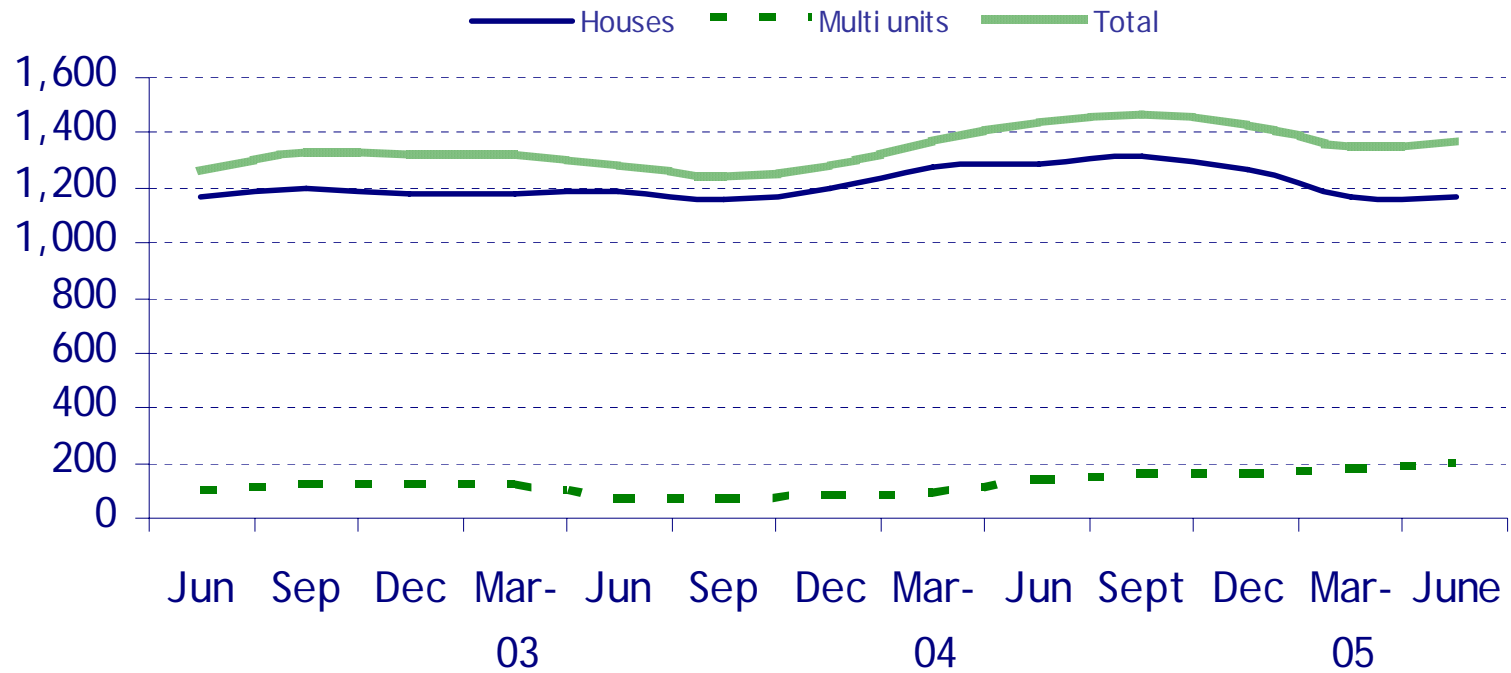
Moving Annual Quarterly Totals - Warnambool





## Ballarat

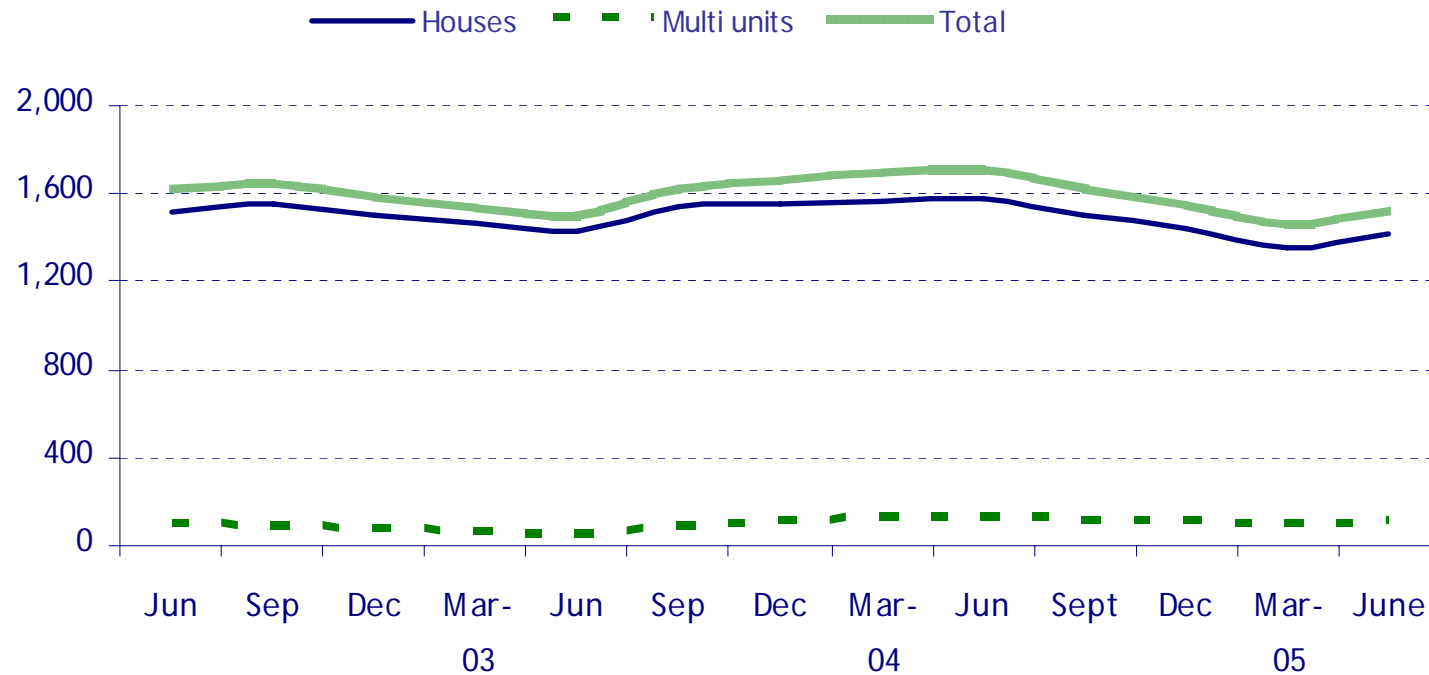
### Moving Annual Quarterly Totals - Ballarat





## Bendigo

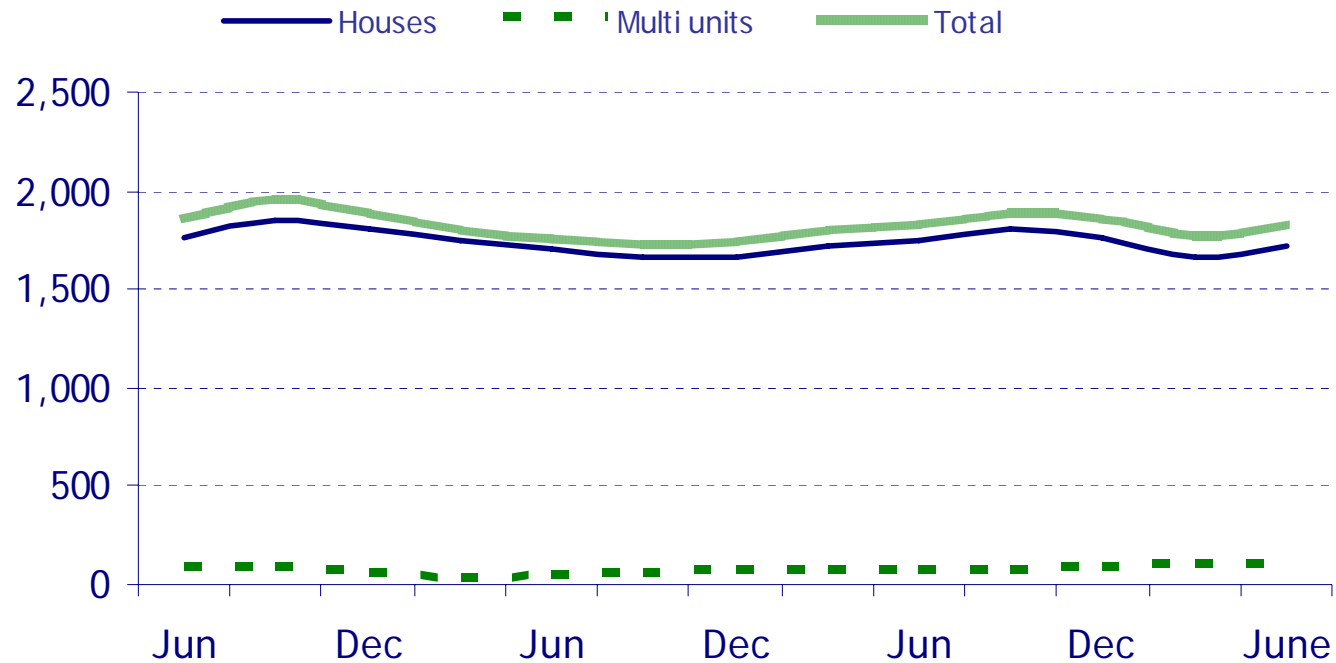
### Moving Annual Quarterly Totals - Bendigo





## Shepparton

Moving Annual Quarterly Totals - Shepparton





## State by State: VICTORIA

### Building and Population Hot spots\*\*

*\*\* LGA's with in excess of \$100 million of residential work done in 2004/05 and with a population growth rate in excess of the national average*

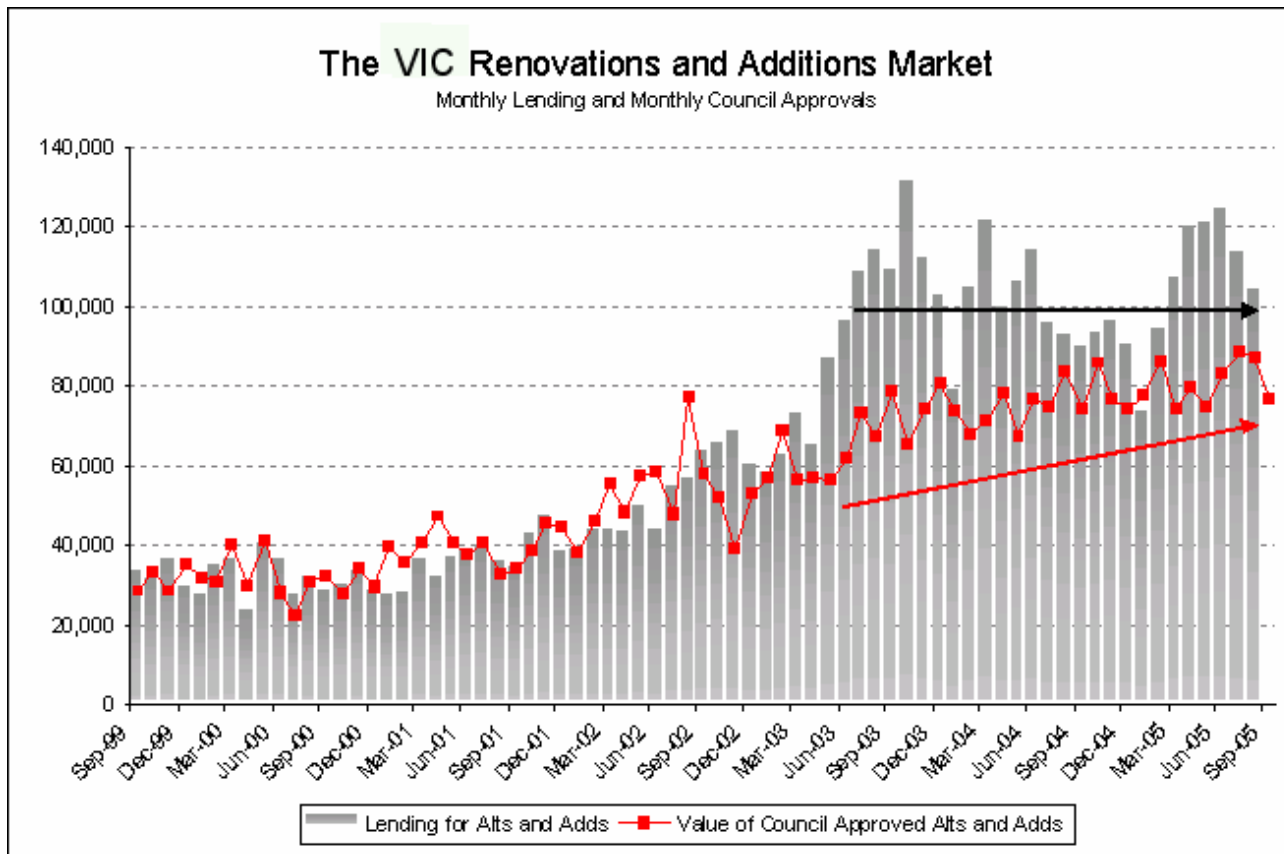
Local Government Area	Residential Work Done, 2004/05 (\$,000)	Population growth rate
1 South Eastern Outer Melbourne	\$649,603	4.8
2 Hume City	\$296,488	2.8
3 East Barwon	\$294,809	2.2
4 South Gippsland	\$163,519	2.2
5 Inner Melbourne	\$1,095,709	1.9
6 Northern Outer Melbourne	\$292,018	1.7
7 Frankston City	\$194,790	1.7
8 Greater Bendigo City Part A	\$153,228	1.6
9 Ballarat City	\$163,584	1.5
10 South West Goulburn	\$100,750	1.3
11 Mornington Peninsula Shire	\$447,128	1.1
12 Greater Geelong City Part A	\$274,274	1.1



## Renovation Activity



## VIC Renovation Activity



- 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) has flattened
- Consistent with a slowing in discretionary spending
- Also consistent with a slowing in retail sales.



## Victoria's most active renovators

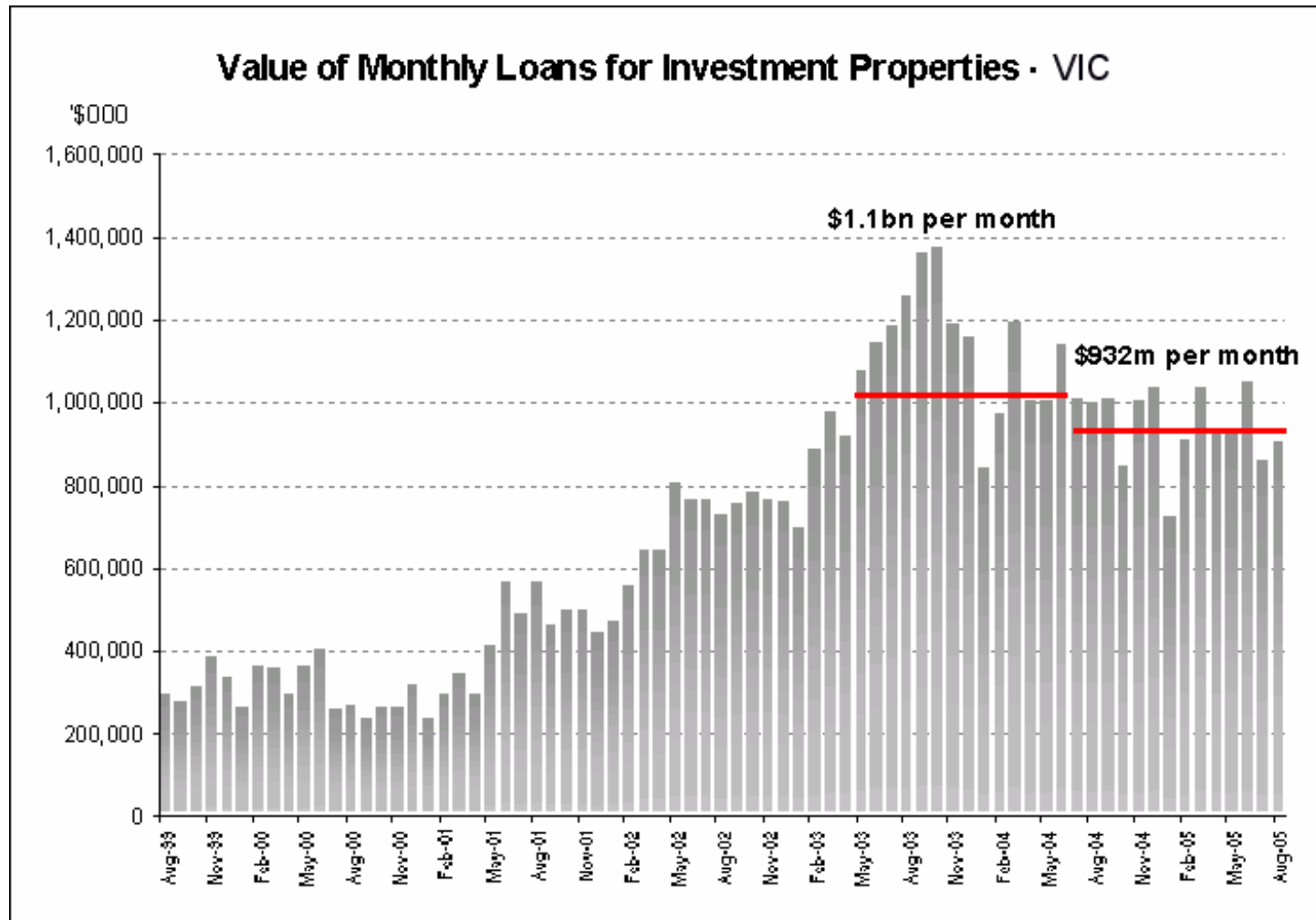
	2003/04	2004/05	Population as at June 04		
	<i>Value of Alts and Adds (\$000)</i>	<i>Value of Alts and Adds (\$000)</i>	<i>Number</i>	<i>% change</i>	
Inner Melbourne	239,218	309,597	259,490	1.9	\$ 1,193.10
Boroondara City	130,382	139,857	158,290	0.4	\$ 883.55
Mornington Peninsula Shire	71,931	78,773	138,773	1.1	\$ 567.64
Southern Melbourne	221,554	212,068	394,506	0.5	\$ 537.55
East Barwon	30,346	32,660	61,105	2.2	\$ 534.49
South Gippsland	27,358	23,845	55,491	2.2	\$ 429.71
Warrnambool City	8,102	12,768	30,708	1.3	\$ 415.79
South Loddon	11,761	14,796	40,004	2.8	\$ 369.86
Hopkins	9,205	12,076	33,178	0.3	\$ 363.98
South Goulburn	10,405	10,716	30,878	0.6	\$ 347.04
Northern Middle Melbourne	87,833	82,363	244,844	-0.1	\$ 336.39
Moreland City	68,732	44,282	135,843	0.2	\$ 325.98
West Barwon	11,030	12,903	40,549	2.0	\$ 318.21
Eastern Middle Melbourne	127,378	118,525	420,399	-0.1	\$ 281.93
East Central Highlands	9,269	11,361	40,966	1.6	\$ 277.33
East Gippsland Shire	7,518	10,979	40,826	2.0	\$ 268.92
West Gippsland	7,413	9,160	34,130	2.2	\$ 268.39
North Loddon	10,149	13,344	50,003	0.3	\$ 266.86
Western Melbourne	125,187	114,319	428,844	0.3	\$ 266.57
Yarra Ranges Shire Part A	36,712	37,458	142,658	-0.2	\$ 262.57
Greater Geelong City Part A	38,815	42,893	164,458	1.1	\$ 260.81
Glenelg	9,195	9,674	37,122	0.1	\$ 260.60
East Ovens-Murray	3,208	4,407	17,132	0.3	\$ 257.24
Ballarat City	20,044	20,166	87,148	1.5	\$ 231.40



## Other Relevant Issues



## Investor lending continues to cool





## 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

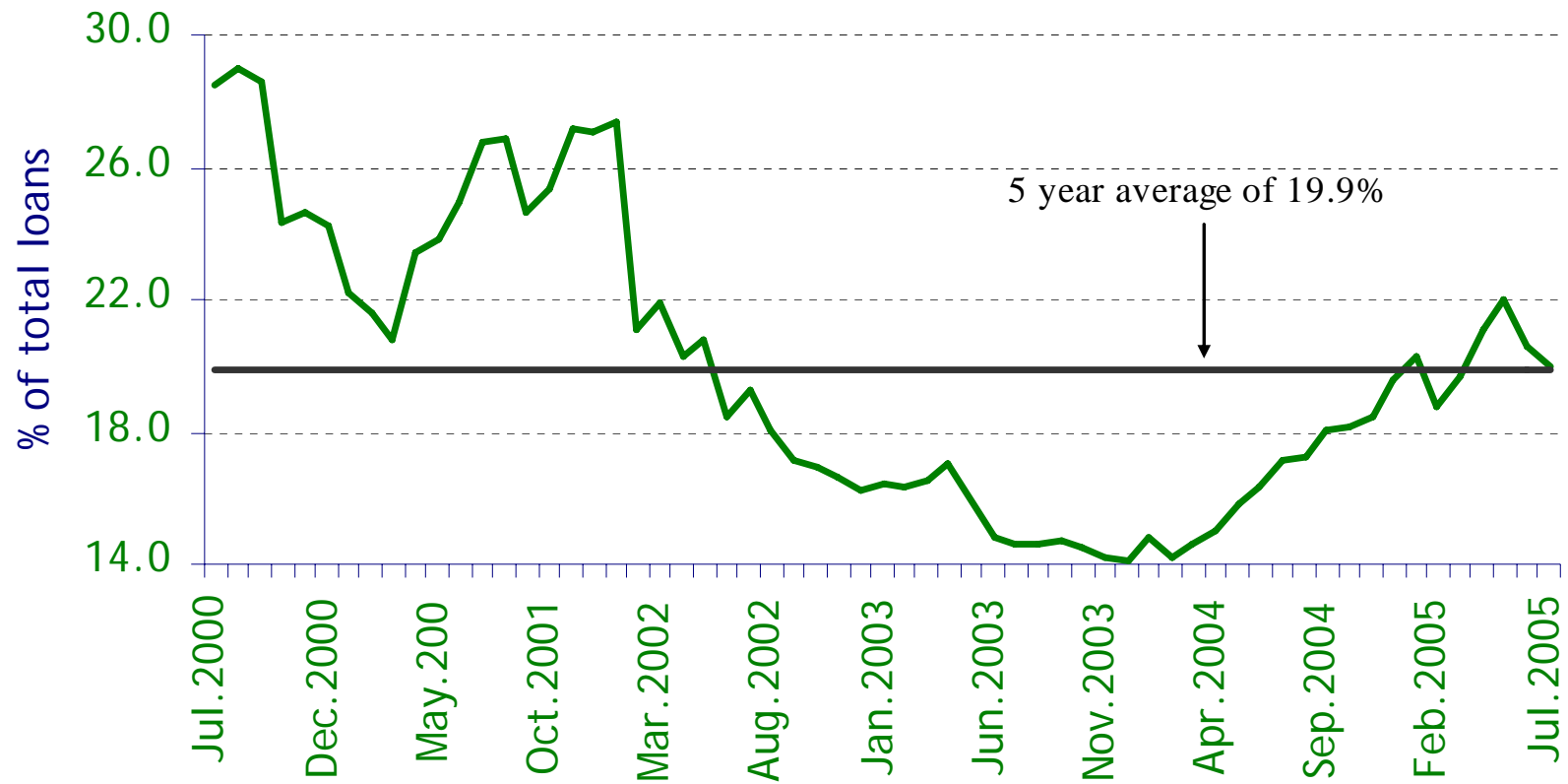
	Mar.04	Jun.04	Sep.04	Dec.04	Mar.05	Jun.05
<b>Sydney</b>	2.0	0.0	0.0	0.0	4.0	4.0
<b>Melbourne</b>	2.2	0.0	0.0	2.3	4.3	4.5
<b>Brisbane</b>	8.9	0.0	0.0	0.0	-2.0	6.7
<b>Adelaide</b>	5.3	5.3	5.1	7.7	10.0	10.0
<b>Perth</b>	4.5	5.1	6.7	6.1	8.1	9.7
<b>Hobart</b>	13.5	13.5	16.2	17.9	9.5	4.8
<b>Darwin</b>	4.2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



## First Home Buyers have recovered

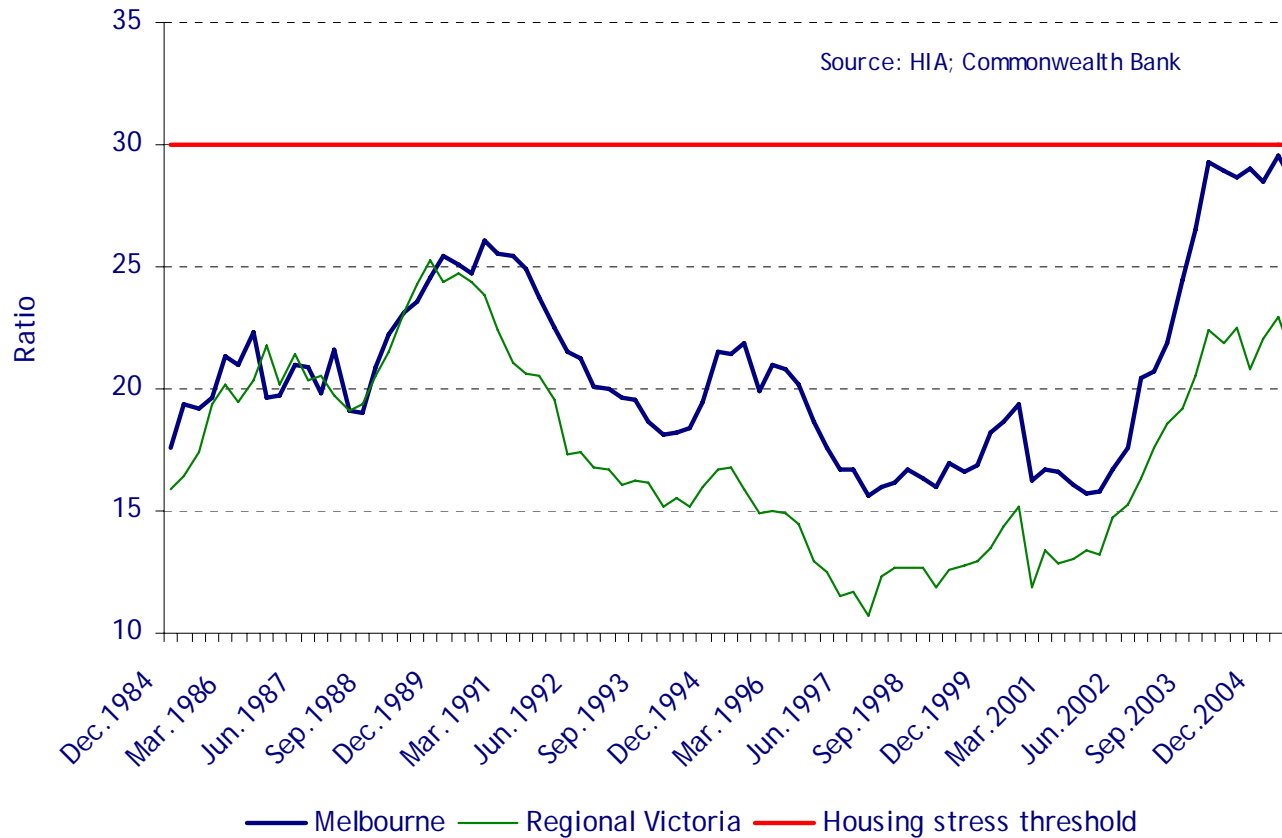
### Proportion of First Home Buyers - Victoria





## ...but repayment ratios are still high

### Mortgage Repayment to Income Ratio - Victoria





...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%

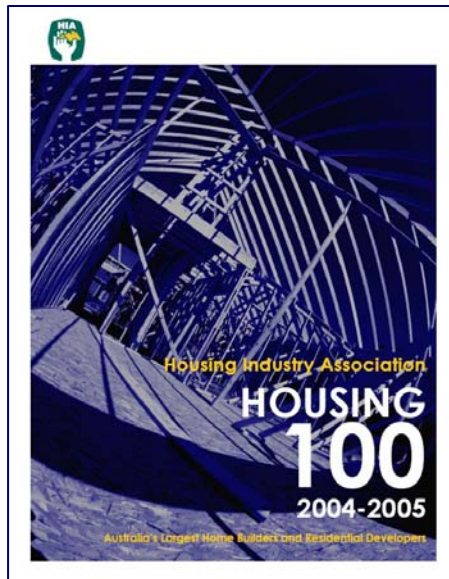
Source: Australian Property Monitors



## HIA Housing 100



## Big Builders



### Housing 100 at a glance

#### Starts

2004/2005	60,040
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2003/2004	69,100
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#### Market Share

2004/2005	38 per cent
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2003/2004	40 per cent
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#### Revenue\*

2004/2005	\$15,553 m
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2003/2004	\$16,423 m
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#### Main Housing Activity

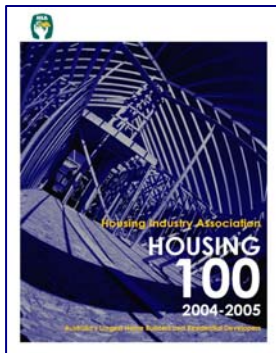
Detached Houses	77 per cent
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Multi-units	23 per cent
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*\*Estimated revenue earned from sales of housing only. Excludes land.*



## 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



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## 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	Mirvac 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



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<b>VICTORIA - 2004/05 STARTS = 40,640</b>						
<b>Rank</b>		<b>Company</b>	<b>Starts</b>		<b>Market Share (%)</b>	
<b>2004/05</b>	<b>2003/04</b>		<b>2004/05</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2003/04</b>
<b>1</b>	2	Metricon Homes	<b>1,489</b>	1,448	<b>3.7</b>	3.2
<b>2</b>	1	Simonds Group	<b>1,348</b>	1,470	<b>3.3</b>	3.2
<b>3</b>	3	Henley Properties	<b>1,284</b>	1,160	<b>3.2</b>	2.6
<b>4</b>	6	Porter Davis Homes	<b>916</b>	775	<b>2.3</b>	1.7
<b>5</b>	5	L.U. Simon Builders	<b>840</b>	1,032	<b>2.1</b>	2.3
<b>6</b>	7	JG King	<b>728</b>	719	<b>1.8</b>	1.6
<b>7</b>	4	Dennis Family Homes	<b>684</b>	1,095	<b>1.7</b>	2.4
<b>8</b>	-	Australand Holdings	<b>504</b>	184	<b>1.2</b>	0.4
<b>9</b>	9	Devine	<b>496</b>	656	<b>1.2</b>	1.4
<b>10</b>	12	Burbank Homes	<b>445</b>	447	<b>1.1</b>	1.0
<b>11</b>	11	Hotondo	<b>355</b>	480	<b>0.9</b>	-
<b>12</b>	10	CPG Australia*	<b>341</b>	483	<b>0.8</b>	1.1
<b>13</b>	15	Orbit Homes Australia	<b>302</b>	326	<b>0.7</b>	0.7
<b>14</b>	-	Probuild Constructions Pty Ltd	<b>289</b>	-	<b>0.7</b>	-
<b>15</b>	14	Hamlan Homes	<b>241</b>	353	<b>0.6</b>	0.8
<b>16</b>	18	Hickory Developments	<b>238</b>	255	<b>0.6</b>	0.6
<b>17</b>	-	GJ Gardner Homes	<b>224</b>	151	<b>0.6</b>	0.3
<b>18</b>	16	Glennvill	<b>205</b>	308	<b>0.5</b>	0.7
<b>19</b>	19	Highview Home Builders	<b>195</b>	235	<b>0.5</b>	0.5
<b>20</b>	20	Rawdon Hill Constructions	<b>186</b>	217	<b>0.5</b>	0.5
<b>Total</b>			<b>11,310</b>	11,794	<b>27.8</b>	24.9
<b>Largest 20 market share comparison</b>					<b>27.8</b>	27.0
* All dwellings built under franchise						



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## The Future



## HIA Forecasts

### Housing Starts Forecasts

Starts	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
2000/01 (a)	33.24	34.55	22.65	6.54	13.86	1.105	1.027	1.642	114.62
2001/02 (a)	47.04	47.38	35.59	9.94	19.14	1.916	1.028	2.373	164.41
2002/03 (a)	47.85	45.82	39.29	10.25	20.33	2.071	0.986	3.136	169.73
2003/04 (a)	44.14	45.29	43.60	9.98	22.48	2.824	1.045	2.893	172.25
2004/05 (a)	36.98	40.64	38.30	10.47	23.18	2.805	1.340	2.443	156.16
2005/06	34.80	39.47	37.24	9.87	23.23	2.606	1.123	2.345	150.67
2006/07	36.88	41.44	39.84	9.77	22.06	2.643	1.145	2.485	156.28
2007/08	39.10	43.51	42.23	10.07	22.51	2.828	1.191	2.609	164.04
% change:									
2001/02	41	37	57	52	38	73	0	45	43
2002/03	2	-3	10	3	6	8	-4	32	3
2003/04	-8	-1	11	-3	11	36	6	-8	1
2004/05	-16	-10	-12	5	3	-1	28	-16	-9
2005/06	-6	-3	-3	-6	0	-7	-16	-4	-4
2006/07	6	5	7	-1	-5	1	2	6	4
2007/08	6	5	6	3	2	7	4	5	5



## The Outlook for Renovations

### HOUSING RENOVATIONS FORECAST: by state and territory

*Value of work done, \$ million, constant 2001/02 prices*

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
2000/01 (a)	4,700	4,377	3,309	1,009	1,730	242	161	185	15,714
2001/02 (a)	5,478	5,150	4,374	1,071	1,875	395	99	234	18,676
2002/03 (a)	6,539	5,100	5,577	1,259	1,971	360	129	245	21,180
2003/04 (a)	7,199	5,795	5,988	1,583	1,863	500	128	275	23,331
2004/05	7,005	5,635	6,456	1,592	1,998	493	183	243	23,605
2005/06	6,375	5,400	6,195	1,512	2,038	463	159	228	22,371
2006/07	6,311	5,346	5,886	1,497	1,997	463	148	231	21,879
2007/08	6,563	5,453	6,003	1,543	1,917	473	154	233	22,338
<b>% change</b>									
2001/02	17	18	32	6	8	63	-39	26	19
2002/03	19	-1	28	18	5	-9	30	5	13
2003/04	10	14	7	26	-5	39	-1	12	10
2004/05	-3	-3	8	1	7	-1	43	-12	1
2005/06	-9	-4	-4	-5	2	-6	-13	-6	-5
2006/07	-1	-1	-5	-1	-2	0	-7	1	-2
2007/08	4	2	2	3	-4	2	4	1	2

(a) = actual



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# Thank You

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November 2005

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