



Peter Garrett checks out Group Training

The first politician to take up the offer by TABMA Group Training to inspect apprenticeship and traineeship training activities in traditional trade areas was Labor's Shadow Minister for the Environment, Peter Garrett.

Group Training manager Marilyn Albertson reported that Mr Garrett recently visited Fewings Joinery in the Sydney suburb of Alexandria in response to an invitation to learn more about apprenticeships and traineeships in his local area.



Peter Garrett, Labor's Shadow Minister for the Environment checking out joinery and shop fitting group training initiatives at Fewings Joinery, Alexandria.

Ms Albertson stressed that the primary purpose of the visit was to showcase trade training and employment opportunities in traditional trade areas, plus the use of the services provided by Group Training.

Fewings Joinery provides training in joinery and shop fitting and has the ability to offer "one-off" rather than solely production line work. "Peter Garrett was especially interested in the opportunities for specialised training," said Ms Albertson.

She said Mr Garrett was well disposed to the initiatives of Group Training. "Absolutely – he thought it provided a great opportunity for young people to gain access to a career in trade areas where access to training could otherwise be difficult."

"He was very attentive to the ability of Fewings to provide for special needs training and in the opportunities for Group Training to facilitate the growth of apprenticeships and traineeships in traditional trade areas," said Ms Albertson.

Training gets the midnight oil

A meeting with Labor Shadow Minister Peter Garret and consolidating last years progress are highlights as TABMA Group Training moves into 2007. Manager Marilyn Albertson advised that acting on behalf of their members, Group Training is lobbying politicians of both political persuasions to advance the awareness and interest in supporting additional resources for the growth of apprenticeships and traineeships across all industry sectors.

"Peter Garret was the first politician to take up the offer to meet with companies to look at how the apprenticeship works in the traditional trade areas and how Group Training is supporting companies to employ and skill young people entering trade professions," said Ms Albertson.

Looking forward Ms Albertson said she sees 2007 as being about consolidating the activities of the previous year in what she considers to be a tight business environment for many building supplies companies and related trades in NSW.

"Building on the strengths of what we have been doing and focusing on those areas of training, such as floor coverings that have shown growth in 2006 will be our focus this year."



*Marilyn Albertson
TABMA Group
Training Manager:
Talking to politicians
and consolidating
growth - priorities for
year.*

Membership drive produces results in Western Australia

TABMA Western Australian Executive Officer Graham Whyte has been on a mission to reinforce the values of TABMA membership to existing members and to recruit new ones. His recent membership drive netted five new members and he is pleased to welcome the following new members saying they will be a valuable addition to the TABMA family:

TY Building Products

Importers of engineered veneered doors. Principals Mike Truslove and Young Kang have been operating for seven years from their West Australian office situated in Bibra Lake. As wholesalers they have distributors in Perth and the East Coast of Australia.

Timber Associates WA

Importers of timber decking materials, plywood and joinery Timbers. Principal Ramon Arras has been servicing the Perth market for six years.

Franz Building Supplies

Mike Franz the owner operator supplies building products to leading builders and owner builders. The company has been operating for nine years from a site in Bibra Lake.

MJ & CM West Transport Services

A family run business, servicing the Perth market as well as the frame and truss manufacturing sector. The company's fleet comprises flat top trucks, hiabs, extendables to 26.5 metres, dropdecks, roadtrains and B trains, and tilt-trays. The company operates from a modern site in Wangara.

Origin WA Pty Ltd

Established local company with extensive overseas sawmilling and manufacturing contacts. Importers of Reeded Decking, Plywood and building products for the wholesale market. Other interest includes a Truss and Wall Frame and Solid Timber Flooring manufacturing facilities.

Graham also advises that he is planning to hold trade functions, networking events and training sessions in regional areas for the benefit of members. "We are also putting together a program for the Perth regional area as well."



Graham Whyte, TABMA Western Australian Executive Officer - busy recruiting new members and planning industry events.

Prime Minister visits Western Australia TABMA member

Maddington-based company Perth Regional Roof Trusses believe in focusing on a person's abilities in the workplace rather than their disabilities. This is one of the reasons they took out the Prime Minister's Employer of the Year Award last year. Together with the local member for Hasluck, MP Stuart Henry, the Prime Minister visited their workplace to see first hand how their workplace operated.



Prime Minister John Howard – impressed with example set by Perth Regional Roof Trusses

Half of the staff at the company are hearing impaired. The management believes they are very lucky to have such a skilled workforce that just happens to communicate in a different way.

All staff and directors attended a ten week sign language program to provide them with basic communications skills.

The Prime Minister was hugely impressed by the atmosphere of teamwork and workplace diversity and the award was well deserved – he congratulated the company on leading by example.

Perth Regional Trusses have placed significant numbers of DEAFinite clients, with varying degrees of hearing impairment, into work and have found them to be some of their best employees.

Housing snapshot shows no short term upswing

Rising interest rates have had a dampening affect on home building activity while high land prices and excessive regulatory costs continue to make a negative contribution to housing affordability.

Releasing the summer edition of the HIA Market Snapshot Report, Australia's peak building industry body, HIA, said that comments from Australia's new home builders confirm reasonable rather than healthy housing conditions.

HIA's Chief Economist, Harley Dale, said that there was a clear message of housing activity being constrained by very low housing affordability.

"The cost of land, council delays and regulations, and higher interest rates have all added, to varying degrees, to weaker housing conditions than would otherwise be the case," said Mr Dale.

One NSW builder noted "The big issue is the price of land, which is hurting business prospects."

"In Western Australia the market is still very strong with clear evidence of on-going constraints on labour and materials together with a shortage of land. Even in the west, however, activity looks to be past its best because affordability has fallen so dramatically," he said.

"Outside of parts of New South Wales there is little sign of major weakness in new housing," he said.

"Conditions are broadly expected to be steady to a little softer over the next six months."

"After that, provided interest rates remain on hold, the outlook becomes brighter again, within which on-going concerns about land and the heavy regulatory burden are clear and unmistakable," concluded Mr Dale.

A full copy of the report can be downloaded from the HIA Economics Group Website at <http://economics.hia.asn.au>



High land prices and excessive regulatory costs continuing to make negative contributions to housing affordability.

Timber framing - arguing the case

Timber framing is the construction method of choice for homes in Australia and other parts of the world. About 90 per cent of Australian homes are built using timber framing and then clad in a combination of brick, timber, fibre cement and other materials.

Building houses using timber framing makes sense. Timber framing is the only renewable building material and is sourced from sustainably managed plantations and native forests that can be harvested and regrown again and again. Australia currently has around a million hectares of plantation pine forests that is used for the majority of framing. This will ensure that Australia has a reliable source of framing timber into the future and highly efficient mills and healthy competition means that timber framing is the most cost-effective construction solution.

Although timber framing has been used in Australia for many years, framing systems has been refined to cater for the changing size and shape of Australian houses. Experience gained through earthquakes and cyclones has lead to design standards that ensure that timber framing can be used throughout Australia and is supported by proven fastening, bracing and cladding systems.

Timber framing systems can be designed and partially assembled off-site. A typical prefabricated house frame can be delivered on the back of a single truck and then craned or lifted in position where the floor, wall and roof elements can be fixed and braced together. This means that frames are factory accurately constructed offsite while site preparation can be completed so that on-site erection time can be minimised.

Timber framing is lightweight and allows any design style to be accommodated. Timber elements can be easily joined together and extensions and alterations are easy. Try that with other building materials. New systems using specially designed plasterboard and other materials mean that timber framed construction can deliver superior acoustic performance where home theatre systems are in use or where the homeowner needs a quieter more comfortable home. Timber systems make meeting new thermal performance requirements of the Building Code of Australia.

Termites are a real threat on the Australian mainland and all homes should have a level of termite management commensurate with the level of risk irrespective of the building material used. Ground level physical or chemical barriers should be used in all cases and if the level of risk is higher, then a termite resistant frame should be used.

A number of economical timber options are available including *Blue Pine* framing that is a framing system utilising an envelope treatment of the timber with environmentally friendly pyrethroids commonly used in domestic house sprays and head lice treatments. These systems are backed by a 25 year guarantee and are also effective against European house borer attack.

Timber framing has been moving to keep pace with the Australian home of today and tomorrow and when you consider the environmental benefits, cost competitiveness and style of timber construction, you can see that it will continue to be Australia's favorite home building material.



Blue Pine framing utilising an envelope treatment with environmentally friendly pyrethroids is backed by a 25 year guarantee and effective against termite and European house borer attack.



About 90 per cent of Australian homes are built using timber framing.

Practical approach to eliminating illegally sourced timber supported

A submission prepared by the Australian Timber Importers Federation (ATIF) supports measures to eliminate the trade in illegally-sourced timber and timber products.

The submission was prepared in response to an invitation by the Commonwealth Government to respond to the discussion paper: *Bringing down the axe on illegal logging – a practical approach*, released by the Federal Minister for Fisheries, Forestry and Conservation Eric Abetz.

The ATIF considers that the discussion paper sets out practical and workable measures to help protect the world's forests and ensure that they are harvested in a legal and sustainable way.

According to Executive Officer Kevin Collison, the ATIF had previously confirmed that international trade in illegally logged timber and timber-based products was a significant problem for a number of countries in the developing world.

"The ATIF believes it is important for Australia to act decisively on the issue of illegal timber trafficking to both help protect the integrity of Australia's own leading-edge, sustainable timber industry and to strengthen our credentials as responsible stewards of our region's and indeed the world's forests," said Mr Collison.

The ATIF has already provided the Commonwealth Government with an assurance that it will work cooperatively with the Minister for Fisheries, Forestry

and Conservation to inhibit the import of timber that cannot be verified as having come from legal forest operations.

Mr Collison said the ATIF also supported the implementation of procedures to ensure that timber and timber products imported into Australia are sourced from lawful, well managed forests and plantations. "Recognised that independent third party forest management and process chain certification is a useful tool in providing assurances that the timber is sourced from lawful and well managed forest operations."

Mr Collison advised that, in addition to the measures proposed by the Commonwealth Government, the ATIF propose that the Commonwealth Government implement the following additional measures:

1. Provide funding to facilitate a more comprehensive analysis of the origins, product categories, quantities, values and other characteristics of timber or timber-based products imported into Australia.
2. That the provision of funding, indicated above needs to be ongoing to allow the market characteristics and trends of timber or timber-based products imported to be monitored over time to better inform policy decisions.
3. Work with exporting countries, importers, consumers and regulators to identify and implement measures that would assist to elevate some categories of imports further up the value-added scale.
4. Investigate and where possible reduce or eliminate trade barriers to imports of legally certified timber and timber-based products, especially from tropical countries.
5. Develop and implement in consultation with the timber industry, an education program directed at consumers that outlines the need to ensure that timber and timber-based products are sourced from legally certified rather than illegal sources.

Mr Collison said the first two suggestions would better equip the Commonwealth Government, ATIF and other relevant parties to development and implement effective measures to prevent the import of illegally-sourced timber and timber-based products.

"Suggestions three and four would assist and 'reward' producers of legally certified timber and timber-based products to grow the quantum and value of their exports. This would facilitate and increase the value in country of origin timber and timber-based product manufacturing activity and make legally certified timber and timber-based products more price competitive in Australian markets."

"The final suggestion would assist in raising community awareness of the issue and result in increased acceptance and compliance with Commonwealth Government policy prescriptions," said Mr Collison.



ATIF supports procedures to ensure timber and timber products imported are sourced from lawful, well managed forests and plantations.

New Chief for Boral Timber

Managing Director of Boral Rod Pearse, has announced that Bryan Tisher has been appointed to replace Peter Boyd as Executive General Manager of Boral Timber.

Peter Boyd will leave Boral Timber in March 2007 to take up an executive position with a non-competing Australian public company.

Bryan Tisher joined Boral's Construction Materials Group in 1998 and has been a member of Boral's executive management team since 2000 when he was appointed general manager, Corporate Development.

Property markets forecasts

(adapted from Westpac's Outlook for Australian Property Markets' 2007-2009)

Australia is currently a two-speed economy, with the resource driven States and Territories booming, while the larger economies either trend on or below average. However, consumer confidence has picked up, unemployment is low and while employment growth is forecast to slow, the various State economies should provide a sound base for the local property markets.

Westpac Economics team are forecasting Gross Domestic Product (GDP) growth to pick up through 2007 and post strong growth in 2008. Unemployment should remain below 5% until 2009, without any major blow out in wages. Their view on interest rates is for no change during 2007.

Residential housing demand

Demand during the early months of 2007 is likely to be affected by the interest rate rise in November 2006. However, considerations of a stable interest rate environment, along with a generally healthy economy, are expected to see demand for new properties rise by between 2% and 4% for the various markets during the remainder of the year. Similarly the current diverse nature of the residential markets is expected to narrow over the next three years, as the booming markets of Perth and Darwin slow, while other markets start to pick up. However, low affordability throughout the country should ensure that price growth averages closer to inflation (CPI) over the next three years, as has occurred in past periods following booms.

Investors should benefit from low vacancy and forecast rising rents of around 10% for most markets during 2007, which should serve to push gross residential yields to above 5% in Sydney, Brisbane and Canberra.

Office accommodation demand

Strong tenant demand has resulted in lower vacancies and rising rentals. Stand out markets were, as expected, Perth and Brisbane where vacancy is below 2% and rental growth was around 50% over the year. Low levels of supply in most markets should ensure that rental growth continues, with double digit growth expected in Sydney, Brisbane and Perth CBDs over the forecast period.

Sydney's CBD forecast may be affected by higher vacancy in North Sydney over the next two years. Very strong expansion from the Government in Canberra is expected to limit the increase in

vacancies during 2007 that will be created by completions amounting to 18% of stock. Yield compression was as expected, although now prime office yields are starting to look low, ranging between 5.25% in Sydney and 7.75% in Canberra. However, strong fundamentals for the short term at least, could drive yields lower in many markets, with the investors view on total returns rather than just income yield.

Retail space demand

Retail spending growth improved in all major States during 2006, despite rising interest rates, as employment growth surged and confidence rose. Expectations are that future retail spending will remain at or above average growth in most markets. This will allow retailers to expand into the 1 million square metres of new supply that is under construction around the country.

New bulky goods centres account for around 40% of the new supply. While in many States this is resulting in an improvement in existing bulky good stock, the impact on secondary centres or strips in this sector will need to be watched.

Rental growth has been as expected, at or slightly above CPI, with a few exceptions - notably in Perth and the Melbourne CBD. Not much difference over the next three years is anticipated, given the average growth in retail spending. Investment yields continued to firm during 2006 which suggests that future rental growth is likely to result in slower future total returns over the forecast period. This should eventually halt the firming in yields. Higher risk is likely in the secondary centres where turnover is being impacted by the expansion and improvement of competing centres.

Industrial space demand

Future industrial supply looks high, with over 1.5 million square metres under construction and a further 1.2 million square metres with development approval. Although most has a reasonable level of pre-commitment, speculative development is being noted. The generally healthy outlook for the State economies should ensure demand to absorb new supply or space vacated, particularly from 2008.

Slowing growth in land values is likely to result in rental growth slowing in most markets, averaging around CPI, the exceptions being Brisbane and Perth. While yield compression in most markets eased as 2006 progressed, our outlook for rentals suggests yield compression should be minimal in 2007.

Death of timber icon Warren Hyne

"The captain has left the bridge," lamented a forester and friend when Warren Hyne stepped down as managing director of Hyne & Son Pty Ltd in 1992. Indeed few have invested a lifetime's devotion and faith in the timber industry on the scale of Warren Henry Hyne who died on 15 March at the age of 77 after a long illness.

Mr Hyne was the eldest of three sons who grew up under the dynamic tutelage of 'the boss' J.R.L. (Lambert) Hyne, grandson of Richard Matthews Hyne, an English carpenter who founded the Hyne dynasty on the banks of the Mary River in 1882.

The 'son' in Hyne & Son was Lambert's father Henry James Hyne, eldest son of Richard Hyne who died in 1936 and provided Warren with his middle name.

Warren Hyne succeeded his father (who died in October 1985) as managing director after a thorough grounding in all aspects of the business over a period of nearly 30 years. At the time of his father's retirement, Warren and his brother Richard had just taken a decision to tender for what at the time was the inconceivably huge annual volume of 225,000 cubic metres of slash pine final crop, a move that was a turning point in the history of Hyne.

In 1980, prior to the opening of its Tuan slash pine mill, Hyne & Son was a medium sized player in the industry. Today, Hyne Timber is one of the largest and most successful privately-owned companies, employing more than 1000 people in operations that extend from Cairns, through NSW, to Melbourne, with a joint venture sawmill in Oregon, USA.

Mr Hyne dedicated much of his life to forest industry organisations. He was chairman of the Australian Timber Research Institute, a member and chairman of the Gottstein Memorial Trust, a member of the Wood Science and Technology Advisory Group to CSIRO Forest Products, chairman of the Queensland Timber Board (now Timber Queensland), councillor of the Timber Research and Development Advisory Council, and a foundation member of the National Association of Forest Industries.

He was awarded the Member of the Order of Australia (AM) for services to the forest and timber industries in 1997 and in 2001 was presented with the Centenary Medal. He retired as managing director of Hyne & Son in 1992 but remained as chairman of the board until 2001.

Mr Hyne lived a full active life as a leader in the Maryborough community for which he was a strong

advocate and which he served with distinction on a broad range of community associations. His energy, vision and wise counsel will long be remembered throughout the Maryborough district.

He lived at the family home in Lennox Street, Maryborough, which he shared with his wife Margaret, who died in August 2000. The stately residence was built in the 1880s for Andrew Wilson, one of the partners who began Wilson Hart sawmill. He is survived by two sons, Peter and James, a daughter Jane Sanders, two brothers, Richard and Christopher, two sisters living in England Sue Hyne and Prue Bertlesen and seven grandchildren.



Warren Hyne – timber industry icon and Queensland identity passes away.

New TABMA website under development

TABMA has embarked on an exciting project to build a new contemporary 'active' national website as an important element of TABMA's expanded role as a peak timber industry body and as a further demonstration of the benefits of membership.

The website project team will be consulting states to ensure that individual state views are considered in the design and content of the overall and state sections of the website. Some of the features of the new website will be:

- A new, updated design (that is a 'look and feel' which is more current and consistent with other leading industry associations).
- A new structure to the website which reflects TABMA's identity as a national association.
- Sections for Queensland, Victoria, Western Australia and New South Wales branches.
- Links to TABMA commercial entities and related industry bodies.
- A 'active' site with sections which can be easily edited and updated (newsletters,

- media releases, links and so on.)
- A secure login capacity for members/Board/staff that provide access to 'sensitive' information.
- A newsletter template to create newsletters which can be uploaded to the website, printed, and emailed to members.
- Web infrastructure to accommodate the development of websites or website pages housed on site (that is, member.tabma.com.au) for member companies.

A subsequent next phase will be to offer TABMA members the opportunity for their own website or pages on the TABMA site to assist with their marketing and customer relations efforts. This opportunity will be a lot more cost effective for companies than building stand-alone websites. The linkages with the new TABMA site are anticipated to have a number of commercial benefits for participating members.

Nick Roberts appointed CEO of Forests NSW

Nick Roberts has been appointed as the new Chief Executive Officer of Forests NSW, and will take up his position from the end of April.

Mr Roberts has been a leader in the Australian and New Zealand forestry industry – serving Managing Director of Weyerhaeuser Australia and before that as Managing Director of their New Zealand operations. He also serves as inaugural Chairman and board member of the Australian Plantation Products and Paper Council.

Forests NSW is responsible for 250,000 hectares of hardwood and softwood plantations and a total of over 2.44 million hectares of public forests in NSW.

Mr Roberts has also appointed Deputy Director-General, Primary Industries Trading, within the NSW Department of Primary Industries.



Nick Roberts - new CEO of Forests NSW

Customer Service Measurement

MYSTERY SHOPPER SURVEYS

We conduct a quarterly survey for timber and hardware merchants (undertaken by Hoed Holdings) which give a consumer's perspective on the service offered during a simple shopping/enquiry scenario.

Whilst the results are by no means conclusive, nor a comprehensive report on a store's service, they are a 'snapshot' of one consumer's experience on one day.

However, the surveys are conducted on a quarterly basis, so over time you can detect and track trends. Each survey report comes with the individual store results, the group result plus a comparison on how the average of all in the survey (over 40 stores) scored.

The cost is \$82.50 per survey (plus GST). The hardware survey has a small transaction process as well with a maximum of \$5.00 (this is added to the cost of the survey).

Surveys for this year are January, April, August and December. Please contact Ros Scarcella at TABMA on 9277 3100 if you wish to find out more.

Some Dates for your Diary

Member's Industry Dinner

Wednesday 2 May 2007 at Parramatta RSL Club, commencing at 6.00pm. Guest speakers include Tony Pearson, Head of Australian Economics with ANZ Bank and Nick Livanes, Manager, Market Development with Timber Development Association. Cost \$50 p/p

Contact Ros Scarcella on 9277 3100 for further information

Annual Awards Dinner

Saturday 10 November 2007

Stay tuned for further information!

Outlook for Housing

Geoffrey Bills

March quarter 2007

Welcome to **Outlook for Housing**: a quarterly publication that aims to keep clients up-to-date with the latest housing market trends.

Overview

Work done on all new housing eased slightly in the September quarter of 2006. Activity fell by less than 1 per cent and was 5 per cent lower than a year earlier.

Work done on new houses rose by 1 per cent but was 2 per cent less than a year ago. Work on multi-units fell by 4 per cent and was 9 per cent lower than a year earlier.

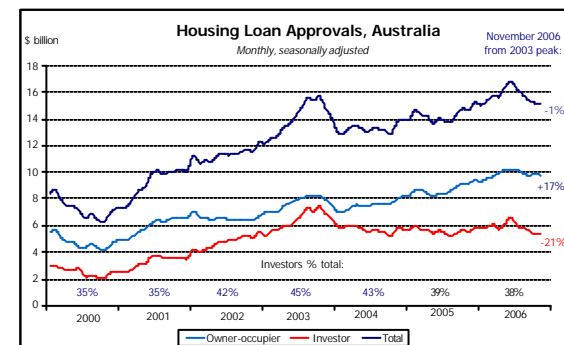
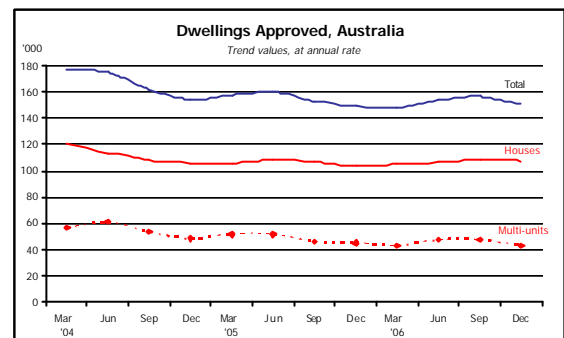
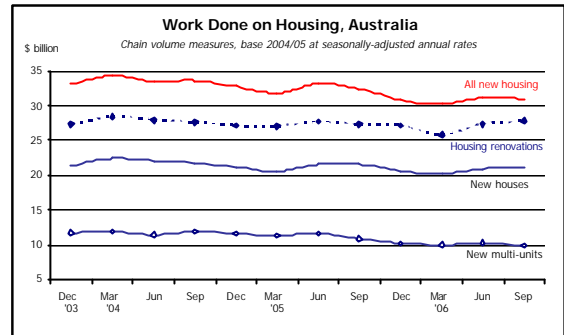
New housing activity fell by 8 per cent in the NT, 7 per cent in NSW and by 5 per cent in Tasmania. It remained steady in Victoria and was higher in every other state and in the ACT.

Work on national housing renovations rose by 2 per cent and was 2 per cent higher than a year ago. Over the year to September, renovation activity fell in NSW (-6%) and the ACT (-21%). Activity increased in Victoria (8%), Queensland (2%), SA (5%), WA (14%), Tasmania (12%) and the NT (13%).

The recovery in dwelling approvals in the June and September quarters last year ended in the December quarter, when approvals fell by 4 per cent to an annual rate of 150,400. Multi-units approved fell by 10 per cent and houses by 1 per cent. The cumulative effect of the three increases in interest rates in 2006, in May, August and November, no doubt dampened demand, but past over-building of flats was probably the main cause of the December quarter decline.

Housing loans to owner-occupiers eased in November but loans to investors increased slightly. Total loans approved have been falling since last June but, at \$15.2 billion in November, remain high. The Reserve Bank should be pleased with recent trends, which suggest that the demand for housing finance is easing but not falling sharply.

Housing starts fell by 4 per cent in 2005/06, to 150,700. They are forecast to rise by 2 per cent to 153,000 in 2006/07.



Recent Trends

In the year to June 2006 Australia's **population** increased by 265,700, 7 per cent more than the increase in 2004/05. Natural increase added 131,200 people and net immigration 134,500.

The biggest increase was in Queensland, where population grew by 76,400, compared with growth of 68,500 in Victoria, 58,700 in NSW, 39,900 in WA and 12,600 in SA. The most significant change last year was the decline in Queensland's population growth and the increase in NSW, Victoria, SA and WA.

Recently strong population growth and increased immigration targets have lifted the estimated **underlying requirement** for new housing in Australia. Requirements are forecast to rise from 161,000 in 2005/06 to 167,600 in 2006/07 and to 169,000 in 2007/08. By 2007/08, requirements are expected to be 43,000 in both NSW and Victoria, 38,000 in Queensland, 27,000 in WA and 11,000 in SA.

In the December quarter of 2006, the trend level of dwelling approvals was below 2006/07 requirements in all states and territories except WA, where it was slightly above.

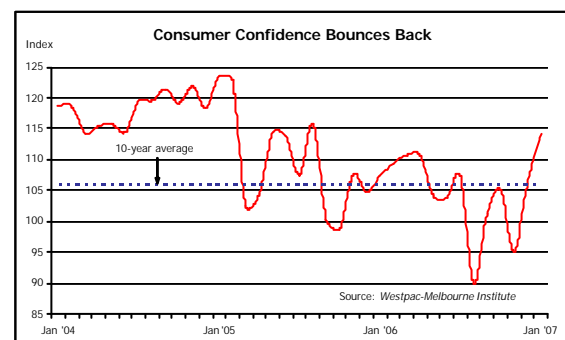
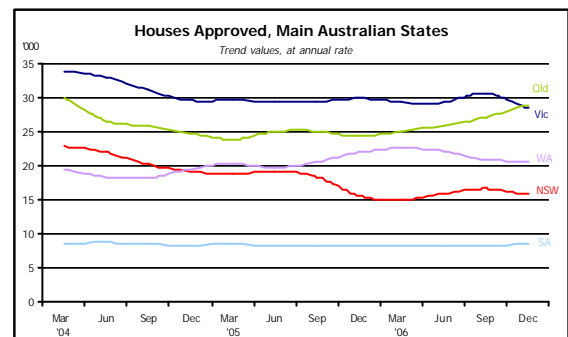
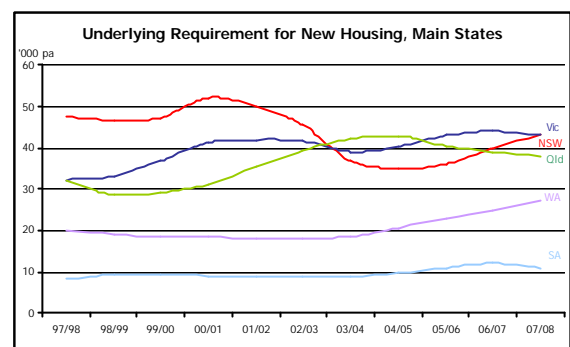
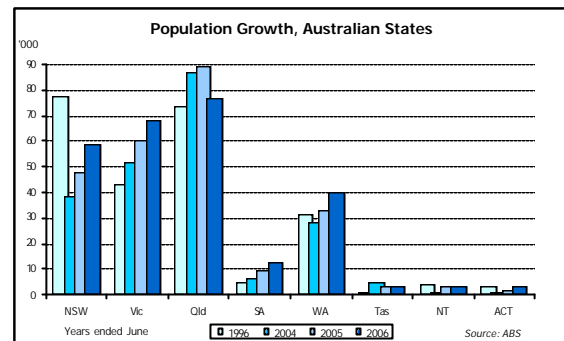
The number of **houses approved** is now trending downward in all states and territories except Queensland.

The recent downturns in NSW and Victoria are relatively severe but are not expected to continue. In all states and territories except WA and the NT, we expect more houses to be started in 2006/07 than in the previous year. In most states the recent interest rate rises will affect multi-units more than houses.

Consumer confidence fell again in November, but staged a remarkable recovery in December and January to rise to well above its long-term average.

Low unemployment, the prosperity flowing to some from the mining boom, and a strong share market, are factors boosting confidence.

The burden of household debt nevertheless continued to rise in the September quarter, and although we do not expect another increase in interest rates this year, some households will be feeling the pinch from past increases. So we expect consumer sentiment to ease, rather than improve, from the January reading.



The Outlook

The world economy continues to perform well. A downturn in housing is slowing growth in the US, but not dangerously so; the Japanese and Euro area economies are growing by around 2 per cent a year; China continues to grow by 10 per cent and India by 7.5 per cent a year.

Treasury expects growth in the Australian economy to fall from a revised 2.9 per cent in 2005/06 to 2.5 per cent in 2006/07, because of drought, and to recover to 3.75 per cent in 2007/08. These forecasts are sensible.

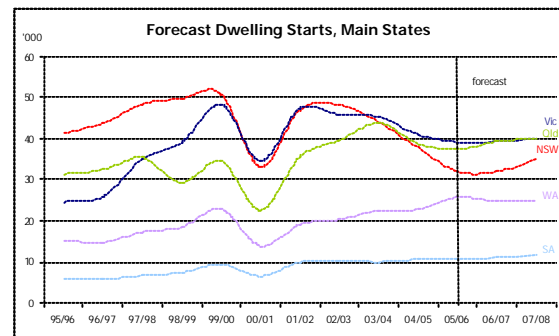
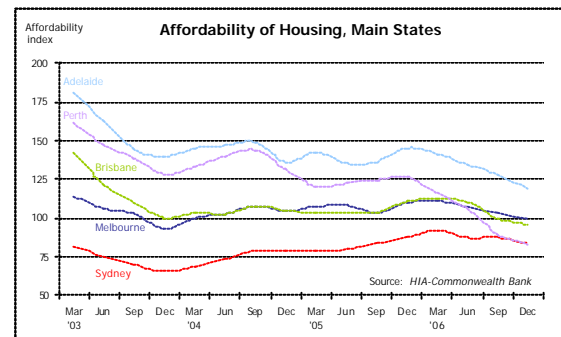
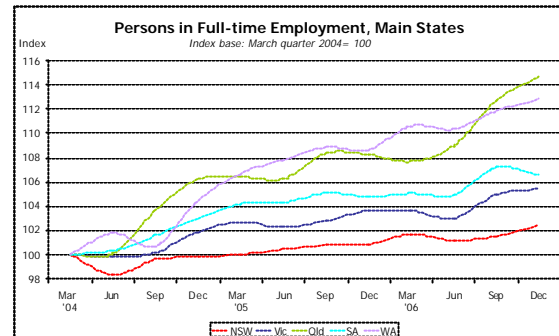
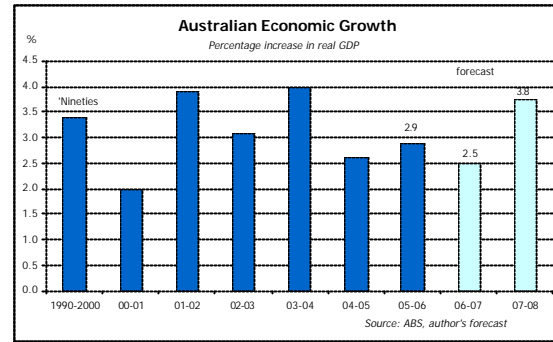
The new chart opposite shows recent trends in the number of fully-employed people in each of the larger states. These trends can be regarded as a rough approximation to the rate of growth in households and thus in potential demand for new housing. Over the three years shown, the number fully-employed has increased by nearly 15 per cent in Queensland, 13 per cent in WA, 6.5 per cent in SA, 5.4 per cent in Victoria but by only 2.4 per cent in NSW. The increase in Tasmania, not shown on the chart, was 5.8 per cent, in the NT 14.5 per cent and in the ACT 9.9 per cent.

The chart helps to explain the relatively weak demand for new housing in NSW over the past few years, and gives hope for some improvement following faster employment growth in recent quarters.

In the December quarter of 2006, the **affordability** of housing to first-home buyers in Australian capital cities fell by 5.5 per cent and was 16 per cent lower than a year earlier. Over the year to December, affordability fell by 35 per cent in Perth, 19 per cent in the ACT, 18 per cent in Adelaide, 14 per cent in Brisbane, 10 per cent in Melbourne, 9 per cent in Hobart and by 5 per cent in Sydney.

Starts of new dwellings fell by 4 per cent to 150,700 in 2005/06: houses by 2 per cent to 103,200, multi-units by 10 per cent to 47,500.

In 2006/07, starts are forecast to increase by 2 per cent to 153,000. Despite increasing population and employment, and despite falling rental vacancy rates and rising rentals in all states, poor affordability will continue to dampen demand for most of 2007.



Forecast Dwelling Starts: by state and territory

| | <i>actual</i> 2005/06 '000 | <i>forecast</i> 2006/07 '000 | <i>forecast</i> 2007/08 '000 | <i>% change</i> | |
|-------------|---|---|---|---------------------|---------------------|
| | | | | 2006/07 % | 2007/08 % |
| NSW | | | | | |
| Houses | 15.5 | 16.3 | 16.8 | 5 | 3 |
| Multi-units | 16.5 | 15.7 | 18.3 | -5 | 16 |
| Total | 32.0 | 32.0 | 35.1 | 0 | 10 |
| Vic | | | | | |
| Houses | 29.6 | 30.3 | 31.8 | 2 | 5 |
| Multi-units | 9.6 | 9.0 | 8.2 | -6 | (9) |
| Total | 39.2 | 39.3 | 40.0 | 0 | 2 |
| Qld | | | | | |
| Houses | 24.5 | 26.4 | 26.1 | 7 | (1) |
| Multi-units | 12.9 | 13.0 | 14.1 | 1 | 8 |
| Total | 37.4 | 39.4 | 40.2 | 5 | 2 |
| SA | | | | | |
| Houses | 8.1 | 8.6 | 9.2 | 7 | 7 |
| Multi-units | 2.5 | 2.4 | 2.3 | -2 | (5) |
| Total | 10.5 | 11.1 | 11.5 | 5 | 4 |
| WA | | | | | |
| Houses | 21.5 | 20.5 | 21.0 | -5 | 2 |
| Multi-units | 4.2 | 4.2 | 4.0 | -1 | (5) |
| Total | 25.7 | 24.7 | 25.0 | -4 | 1 |
| Tas | | | | | |
| Houses | 2.2 | 2.4 | 2.5 | 8 | 3 |
| Multi-units | 0.3 | 0.4 | 0.4 | 37 | (5) |
| Total | 2.6 | 2.9 | 2.9 | 12 | 2 |
| NT | | | | | |
| Houses | 0.7 | 0.7 | 0.8 | -2 | 22 |
| Multi-units | 0.7 | 0.6 | 0.8 | -8 | 24 |
| Total | 1.4 | 1.3 | 1.6 | -5 | 23 |
| ACT | | | | | |
| Houses | 1.0 | 1.3 | 1.0 | 30 | (26) |
| Multi-units | 0.8 | 1.1 | 1.5 | 37 | 36 |
| Total | 1.8 | 2.5 | 2.5 | 34 | 2 |
| Aust | | | | | |
| Houses | 103.2 | 106.5 | 109.3 | 3 | 3 |
| Multi-units | 47.5 | 46.5 | 49.5 | -2 | 6 |
| Total | 150.7 | 153.0 | 158.8 | 2 | 4 |