

31 January 2008

## Interest Rates Up, Sales Down

New home sales fell in the final month of 2007, the second consecutive decline, as higher interest rates and further pressure on house prices bit into the new home building industry.

HIA's New Home Sales figures released today for December 2007 show a 1.3 per cent fall in the sale of new homes and units among Australia's largest builders and developers. A 2.9 per cent drop in the sale of detached houses outweighed a 5.1 per cent rise in apartment sales.

HIA Chief Economist, Mr Harley Dale, said prices pressures on existing houses and 10 per cent plus increases in rents will continue unless an additional 20,000 dwellings were constructed each year.

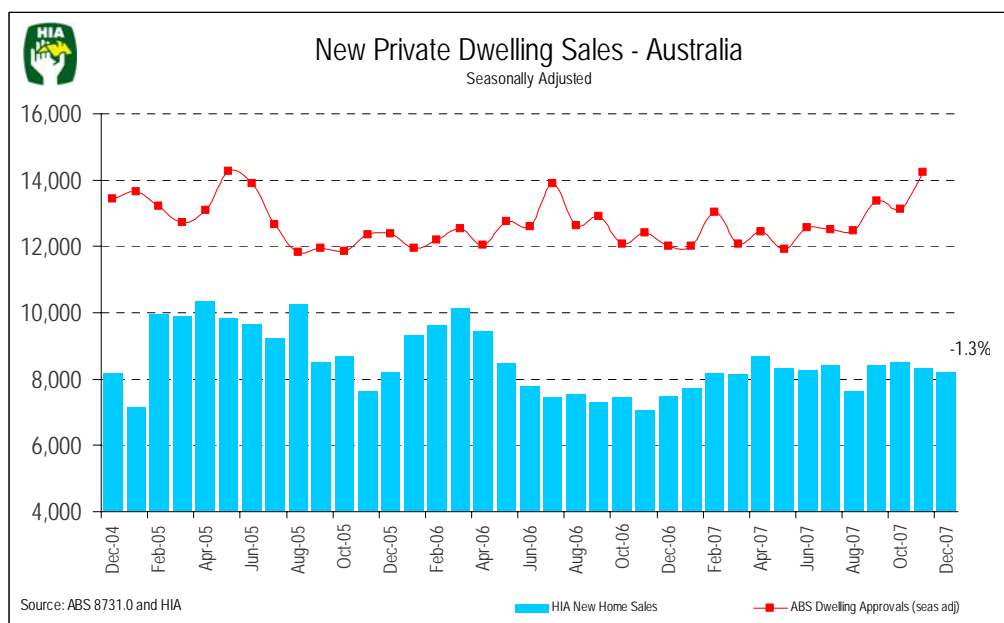
The residential construction industry is currently building approximately 150,000 residential dwellings a year, HIA believes an additional 20,000 new dwellings are required each year to meet demand.

New home sales declined by a further 0.3 per cent in 2007, the fourth weak year in a row.

"The new home building sector is in danger of enduring a fifth straight year of weakness in 2008 given continued upward pressure on domestic interest rates," Mr Dale said.

"Another year where there is no catch up made in the yawning gap between housing supply and demand will only serve to extend the existing problems of very tight rental markets and deteriorating housing affordability," said Mr Dale.

HIA's New Home Sales Survey is compiled from a sample of the largest 100 residential builders in Australia and is the first leading indicator on new housing activity released for each month.



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\*\*\*For a full copy of the New Home Sales Report (media only) or for an annual subscription, please contact Kirsten Lewis on (02) 6245 1393 or [k.lewis@hia.com.au](mailto:k.lewis@hia.com.au)