

1 July 2008

FURTHER WEAKENING FOR NEW HOME SALES

New home sales fell in May following a steady month in April.

HIA's New Home Sales Report released today for the month of May showed a fall of 5 per cent in the sale of houses and units among Australia's largest builders and developers. Detached house sales fell by 5.3 per cent following a 0.2 per cent decline in April. Multi-unit sales fell by 2.4 per cent, the reverse of a 2.4 per cent rise the previous month.

HIA Chief Economist, Harley Dale, said that sales were lower over the month in all five mainland states.

"New home sales results for 2008 to date confirm a renewed cyclical weakness evident across a range of leading housing indicators, a finding that should surprise nobody given the aggressive tightening in monetary conditions seen over the last 12 months," Mr Dale said.

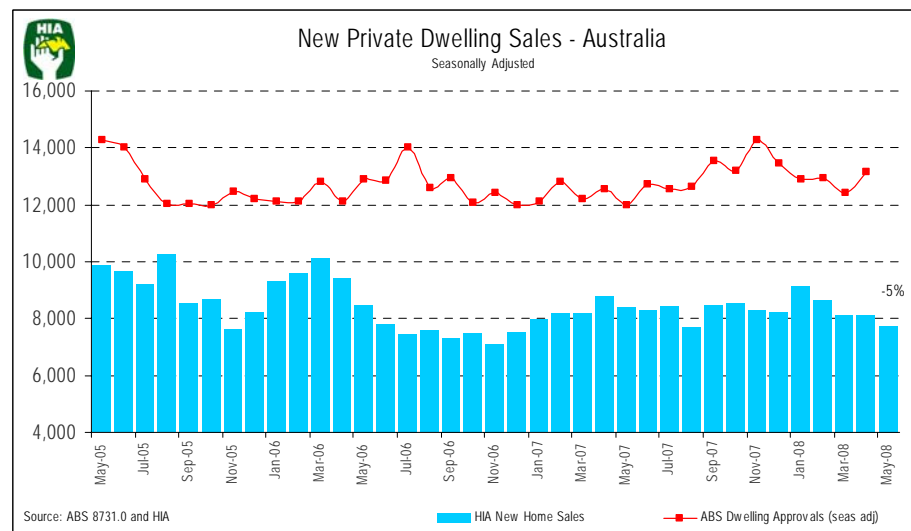
"Higher cost of living and monthly mortgage servicing obligations will continue to weigh on home buying sentiment and new home building activity over 2008/09," Mr Dale said.

"As we face these cyclical headwinds, retaining a constant focus on important supply boosting initiatives such as cutting red tape, reducing the regulatory burden, and lowering the cost of serviceable land will instill much needed confidence in the home building sector."

"Such supply initiatives, the part of the equation we can do something about, will also help in plugging the underlying shortfall in housing stock that is continuing to grow amidst record low housing affordability and a strong surge in immigration. HIA's latest research highlights the need to build an additional 40,000 dwellings a year in order to meet the underlying demand for housing," added Mr Dale.

In the month of May new home sales fell by 9.4 per cent in New South Wales and were down by 6.8 per cent in Victoria, 4.9 per cent in Western Australia, 2.7 per cent in South Australia, and 2 per cent in Queensland.

HIA's New Home Sales Survey is compiled from a sample of the largest 100 residential builders in Australia.



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