

Rate Cut and FHOG Spark Sales

Sales of new houses jumped 6.7 per cent in October, sparked by the one per cent drop in interest rates and tripling of the First Home Owners Grant in mid-October, according to the latest Housing Industry Association survey of major builders.

The big winners were Victoria and Queensland where new house sales jumped more than 20 per cent in October.

HIA Chief Economist, Harley Dale, said the result saw an increase in new home sales among Australia's largest builders and developers for the first time since June.

Activity in the multi-unit sector failed to spark, with sales down by more than 8 per cent, indicating that investors are still sitting on the sidelines.

"Both new home sales and building approvals fell sharply over the first nine months of 2008. It will be a long road back, but it is hoped that an improvement in new home sales in October could mark the beginning of a stabilisation followed by improvement in leading housing indicators over 2009," Harley Dale said.

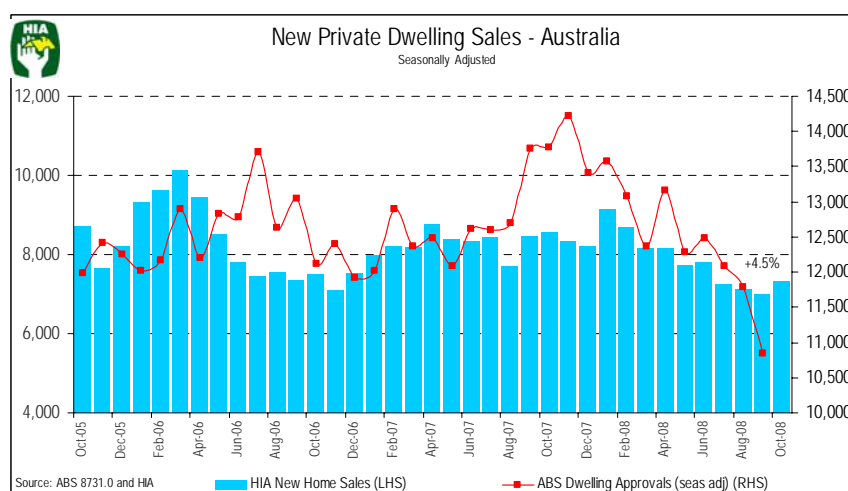
"The unfortunate and avoidable caveat is that any housing recovery that emerges over 2009 will be constrained by a lack of readily available land, planning delays, and the excessive cost of state and local government taxation on new homes," said Harley Dale.

HIA's New Home Sales Report showed a 4.5 per cent increase in total sales volumes in October 2008. Detached house sales increased by 6.7 per cent and were responsible for the aggregate lift in sales. Multi-units sales dropped by 8.6 per cent in October and have now only risen in three out of the last ten months.

Sales results were mixed across the five mainland states. Queensland and Victoria drove the better result with increases of 24.9 per cent and 20.3 per cent, respectively. These outcomes follow a very weak three quarters to September, particularly for Queensland. Sales in South Australia eked out a 0.5 per cent gain.

"Western Australia endured a big fall of 12.9 per cent following a hefty rise in September. New South Wales experienced a 14.7 per cent drop in sales in October reinforcing the systemic weakness in new home building conditions that will take more than just falling interest rates to fix," Mr Dale added.

HIA's New Home Sales Survey is compiled from a sample of the largest 100 residential builders in Australia and is the first indicator of new home building activity released 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