

First Time Buyers Drag on Sales

According to the latest Housing Industry Association (HIA) survey of Australia’s largest builders, the number of new home sales fell by 4.6 per cent in December 2009 as interest rates rose and the impact from the First Home Owner Boost continued to wane.

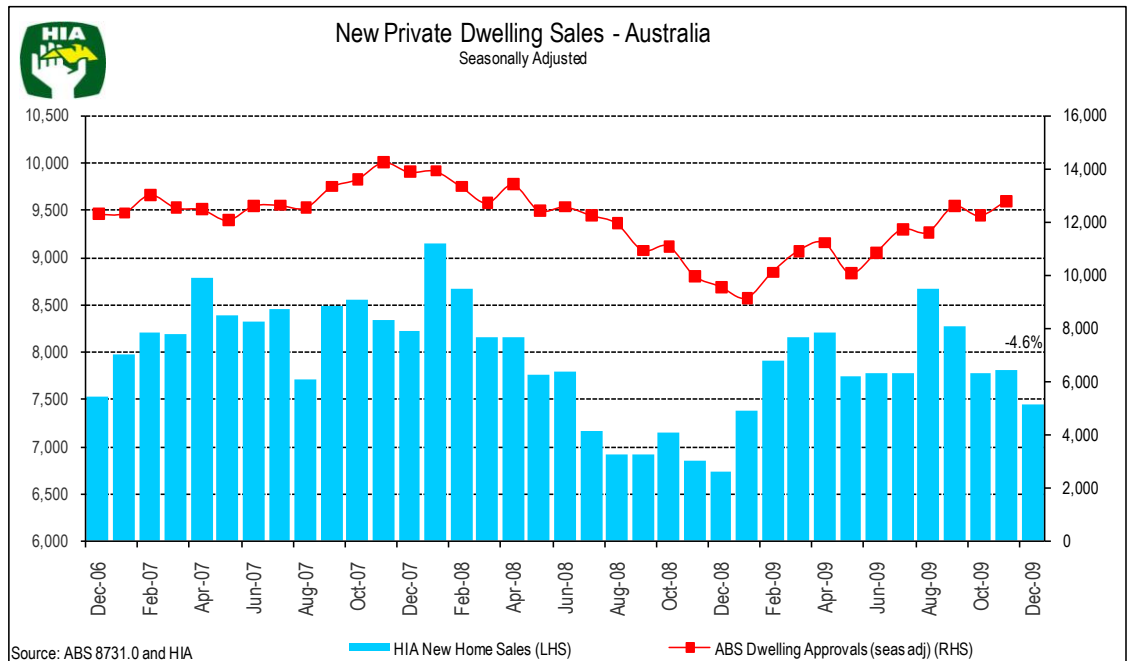
HIA’s Chief Economist, Dr Harley Dale, said that while a lift in new home sales in calendar year 2009 signalled a first round recovery in residential construction, there remained a big question mark over whether such a recovery could be sustained beyond 2010.

“New detached home sales increased by 7 per cent in 2009 with that recovery driven in large part by first time buyer-related activity. After seven years of trend decline we will finally see an increase in housing starts in 2010.

“It is clear that momentum is coming out of new home sales as the stimulus from first time buyer-related activity recedes. We don’t as yet, however, have evidence of trade-up buyer and investor activity gathering sufficient momentum to propel us into the second round of a new home building up cycle.

“This evidence is going to be harder to come by as interest rates move higher. Without a broad based recovery in private sector new residential construction we will face undue upward pressure on existing home values and unrelenting tightness in rental markets”, said Harley Dale.

Detached new home sales fell by 6.2 per cent in the month of December 2009, while the volatile apartment sector saw a rise of 10.4 per cent. Across the five mainland states, detached house sales increased in New South Wales (+5 per cent) and Queensland (+2.4 per cent), but fell in Victoria (-17.1 per cent), South Australia (-1.2 per cent), and Western Australia (-8.2 per cent).



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