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New Home Sales Disappoint in February

The Housing Industry Association's (HIA's) New Home Sales report, a survey of Australia's large volume residential builders, showed a 5.2 per cent dip in sales in February 2010 following an encouraging start to the year in January.

The HIA, Australia's largest building industry organisation, said that the decline raised fresh concerns regarding the sustainability of a recovery in residential construction in the face of rising interest rates and supply side barriers pushing households away from new homes towards existing property.

HIA Chief Economist, Dr Harley Dale, said that current residential construction activity is relatively strong reflecting the monetary and fiscal policy stimulus of last year.

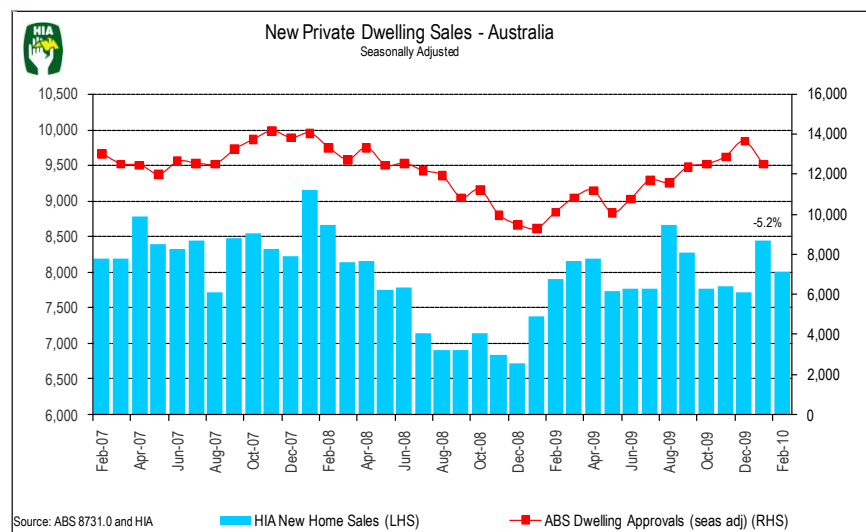
"This stimulus has been highly successful in driving the first stage new home building recovery, but that stimulus will soon start to fade," said Harley Dale.

"Land and labour shortages, frustrating planning delays, and the inequitable level of taxation and regulation on new housing are all deterrents to households entering the new home market as opposed to existing property. All these supply side obstacles require urgent attention or Australia's chronic housing shortage will worsen and we will, perversely, see more upward pressure on interest rates than would otherwise be the case.

"In terms of the entire new home building market we also need to see urgent rectification of the unjustifiably low level of finance being extended to small residential developers. Credit rationing is choking off perfectly viable residential projects and pushing households, who aren't suffering from significant restraints on credit, towards the existing property market," Harley Dale said.

Private sector detached house sales fell by 4.7 per cent in February 2010 while multi-unit sales declined by 9.4 per cent.

Detached new home sales fell by 9 per cent in New South Wales and were down by 5.8 per cent in Queensland, 7.9 per cent in South Australia, and 5.1 per cent in Western Australia. Sales increased by 16.1 per cent in Victoria.



For further information please contact:

Harley Dale, Chief Economist on 0414 994 186

Website: <http://economics.hia.com.au>

***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