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Rate Hikes Hit New Home Sales says HIA

Higher interest rates are biting with new home sales dropping by more than 6 per cent in May 2010 according to the Housing Industry Association (HIA), the voice of Australia's residential building industry.

Releasing its latest New Home Sales report of Australia's major residential builders, the HIA said that successive increases in interest rates and persistent cost pressures from on-going supply side constraints were denting sales activity.

HIA Chief Economist, Dr Harley Dale, said that new home sales had flattened out in recent months.

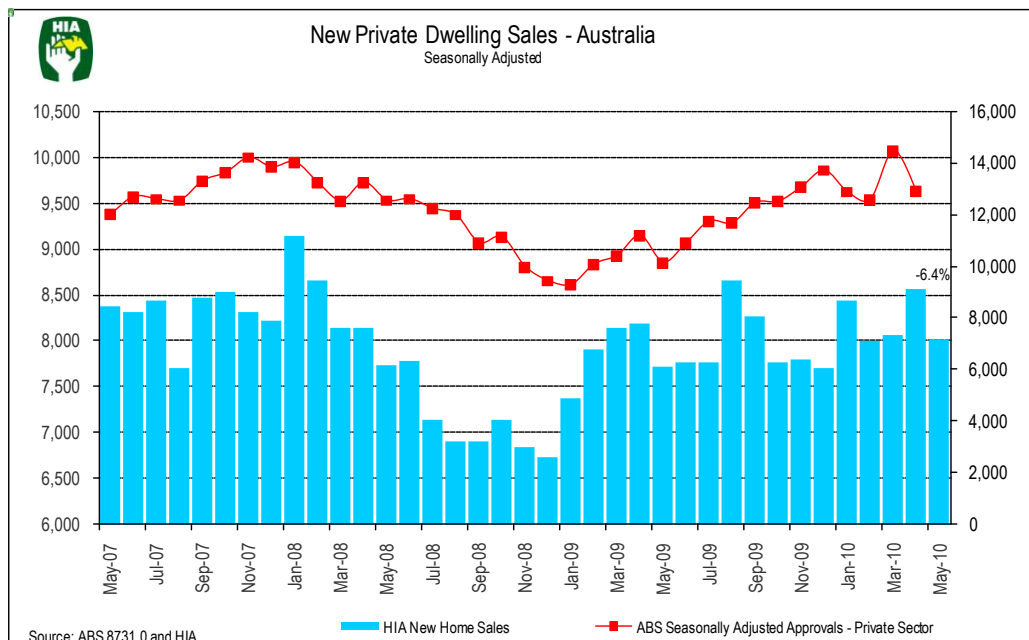
"There is no sustained upward momentum in new home sales in 2010 because higher interest rates and concerns over the threat of further rate hikes are dampening demand. Meanwhile, supply side obstacles, including a lack of affordable land and tight credit availability for residential development, are weighing down considerably on the new home building sector," said Harley Dale.

"The current recovery in new residential construction looks set to stall by mid next year and it is appropriate at this juncture that the Reserve Bank hold fire on further rate hikes not only next week, but through the remainder of 2010."

"At the same time it is vital that more rapid progress is made in addressing the supply side obstacles related to land, planning, skilled labour, taxation, regulation, and finance. Obstacles in these areas are the primary culprit behind signs Australia's current new home building recovery will peter out," said Harley Dale.

Total seasonally adjusted new home sales fell by 6.4 per cent in May. Detached house sales fell by 5.9 per cent while sales in the volatile multi-unit sector dropped by 11.6 per cent.

In the month of May 2010 detached new home sales increased by 13.6 per cent in New South Wales and by 2.1 per cent in South Australia. Sales fell by 8.5 per cent in Victoria, 12.3 per cent in Queensland, and 10.7 per cent in Western Australia.

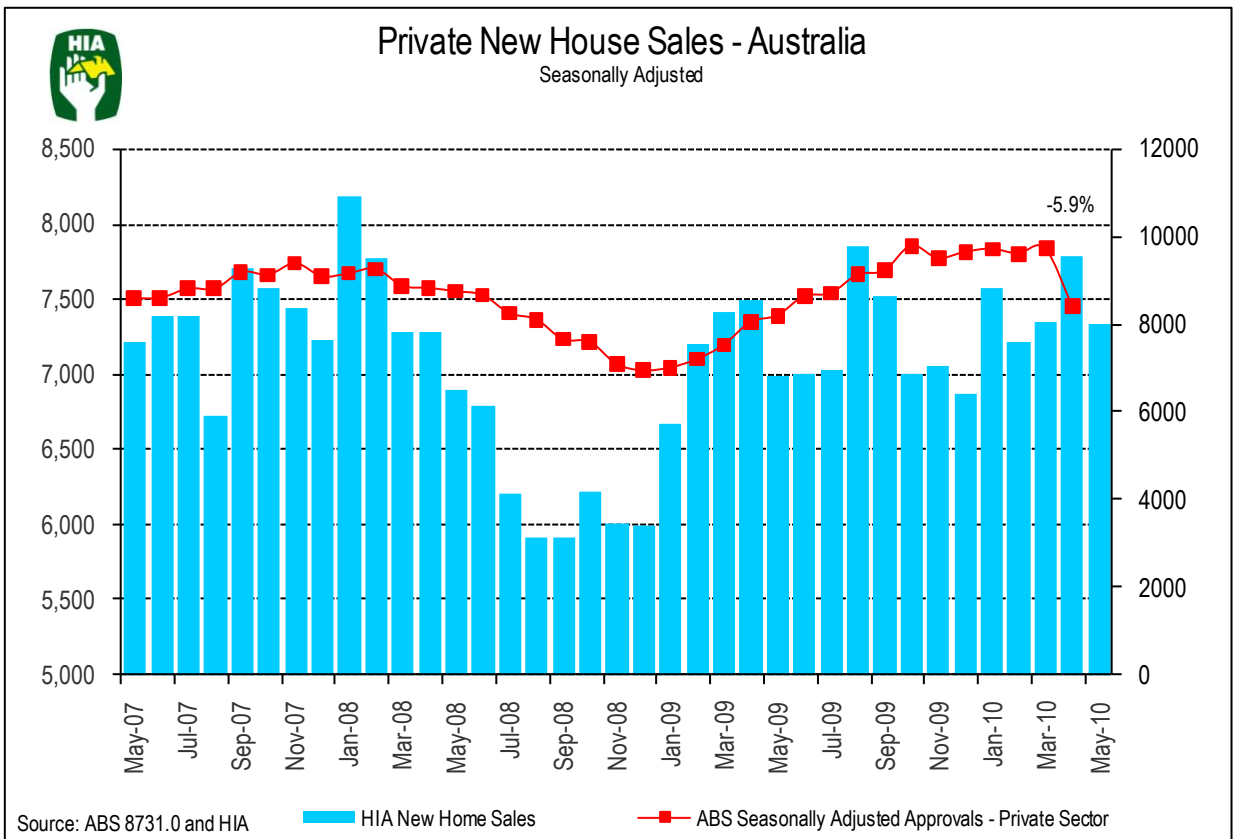


For further information please contact:

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



Private Detached House Sales - Percentage Change

Source: HIA New Home Sales Report

