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VOLATILE APARTMENT SECTOR STALLS HOUSING RECOVERY

A lack of suitable sites and local government opposition to high rise development in larger cities has stalled the modest recovery in housing.

Figures released today for the month of August showed a 12.6 per cent fall in total residential approvals. After 3 consecutive months of increases in the higher density sector, this was all but unwound in the most recent month with the number of flats, units and townhouses approved falling from 5,427 in July to 3,213 in August.

For detached houses, demand appeared to be more robust reaching 8,952 approvals over the month – a rise of 1.1 per cent.

Australia's peak building industry body, HIA, said that the fall off in the multi-unit sector was understandable given the strength in recent months; however the availability of suitable medium to high density sites and problems with getting projects approved will keep a lid on the much needed jump in apartment development.

HIA's Executive Director Housing and Economics, Mr Simon Tennent, said that overall, dwelling approvals were holding up but the usual suspects of higher interest rates and falling home buyer confidence would result in another year of weak home building activity in most states.

"For some states, supply constraints are evident, particularly in the provision of affordable zoned land however in the higher priced states of New South Wales and Victoria, demand has been affected by high mortgages and household budgets that are being stretched by higher petrol prices."

"Today's figures are still in line with HIA's home building forecasts of another weak year ahead however the unstoppable force of housing demand brought about by overseas migrants and household formation will see a sustained upturn in home building gathering momentum in 2008.

On a state by state basis, seasonally adjusted approvals fell in all 5 of the largest states. The largest fall was recorded in Western Australia, down 16.6 per cent followed by Victoria, down 14.5 per cent, Queensland, down 14.3 per cent, South Australia, down 11.1 per cent, Tasmania, down 10.9 per cent and New South Wales, down 1.2 per cent.

Further information:

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