

The Hot and Cold of Building Approvals

HIA Australia's largest building industry association has released a new report entitled, '*The Hot and Cold of New Home Building*'. The report provides a clear picture of where the fall in building approvals over the past six months has had the harshest impact. It also highlights the state's hottest building spots over the past six months.

HIA Executive Director for NSW, Graham Wolfe said, the most telling aspect for Sydney is the number of 'Arctic Blue Cold Spots', this is where building approvals have fallen relative to the previous year. Approvals have certainly slowed in 2008 and this is concerning when we consider record demand for housing which is being fuelled by strong immigration.

There are six cold spots for Greater Sydney (including the central coast) and three non-metropolitan areas. The biggest fall in activity was in the Lower Northern Sydney region, where the contraction rate was 38.5 per cent.

"More activity would occur in the Greater Sydney cold spots if planning and development delays and add on costs of building were lower and less onerous".

"Planning delays, combined with higher interest rates, will also mean longer lead times for new construction. The situation will compound the dire shortage of housing stock in Sydney, which HIA estimates to be about 13,000 dwellings annually."

The report found the districts of Inner West Sydney, Blacktown and the Northern Beaches are experiencing relatively strong activity in comparison to the same period last year. Known as "White Hotspots" these regions are where building approvals have risen very strongly, by 20 per cent or more over the six months to June.

"It is clear that within a Greater Sydney residential sector that has suffered under the weight of excessive taxation, regulation and planning delays, there are still a number of areas where there is strong demand for residential construction but statutory charges and regulation are choking supply," said Graham Wolfe

The report also identifies several "Red Hotspots", where growth in building approvals is greater than 10 per cent but less than 20 per cent. These include St George Sutherland (up 13.1 per cent) and Canterbury Bankstown (up 16.2 per cent).

HIA has confirmed that NSW requires an additional 18,700 new homes to meet requirements between now and 2013.

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Migration Keeps Melbourne a Housing Hotspot

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HIA Acting Executive Director for Victoria, Mr Robert Harding said, strong migration flows to Melbourne have seen a flurry of activity in the inner city, but housing shortages in Victoria are still set to worsen as a result of a big slump in new building activity in regional areas.

The Western District, Wimmera, Loddon (including Bendigo) and the Ovens-Murray region (including Wodonga) are the worst performing building regions in the state, a report by the Housing Industry Association shows.

"Despite areas of concentrated residential building activity throughout some areas of Victoria, we are still producing 5,000 new homes less than required each year. Unless we increase current production rates we will see a further decline in housing affordability," Robert Harding said.

Melbourne has four main 'Arctic Blue Cold Spots' that is where the contraction in building approvals was greater than 10 per cent over the six months to June. The biggest fall in activity was in the Oven-Murray region (including Wodonga) where the contraction rate was 22 per cent.

The report shows the city of Melbourne remains a 'Red Hotspot', where growth in approvals is greater than 10 per cent but below 20 per cent.

"In Melbourne, the growth rate was almost 15 per cent, which is indicative of strong migration flows to our city and relatively better housing affordability than other big cities like Sydney," said Robert Harding.

"More activity would occur in the regional "Cold Spots" if planning and development delays and add on costs of building were lower and less onerous," said Robert Harding.

The report found the district of Barwon, with Geelong at its base, was experiencing strong growth in construction starts. Approvals for new homes were also up 31 per cent in Barwon, a 'White Hotspot' region (approvals growing by more than 20 per cent).

For further information:

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HIA Executive Director for Queensland, Warwick Temby, said there are very clear areas of weakness in the state. Known as 'Arctic Blue Cold Spots', this is where building approvals have fallen relative to the previous year. Approvals have certainly slowed in 2008 and this is concerning when we consider record demand for housing which is being fuelled by strong immigration.

There are four cold spots for Queensland. The biggest contraction rates were in Mackay, which was down 24 per cent in the six months to June, and the Far North (including Cairns) which dropped 21 per cent.

"The drop in activity in Mackay and Far North Queensland is concerning particularly given the continued mining boom in the state. If not addressed quickly the fall in production will put further pressure on housing affordability," said Warwick Temby.

Planning delays, combined with higher interest rates, will also mean longer lead times for new construction. The situation will compound the dire shortage of housing stock in Queensland, which HIA estimates to be about 4,600 dwellings annually.

The report found the districts of West Moreton, together with the Northern region in and around Townsville, are experiencing relatively strong activity in comparison to the same period last year. Known as 'White Hotspots' these regions are where building approvals have risen very strongly, by 20 per cent or more over the six months to June.

"It is clear that although Queensland's residential sector has suffered under the weight of excessive taxation, regulation and planning delays, there are still a number of areas where there is strong demand for residential construction but statutory charges and regulation are choking supply," said Warwick Temby.

For further information:

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HIA Acting Executive Director in South Australia, David Gaffney, said the state has outperformed the rest of the national market, reflecting a relative housing affordability advantage compared to other states of Australia and the continued boom of the mining sector.

South Australia only had one 'Arctic Blue Cold Spot' this is where building approvals have fallen relative to the previous year. Approvals have certainly slowed in 2008 and this is concerning when we consider record demand for housing which is being fuelled by strong immigration.

The only cold spot in South Australia is in the Murray Lands region, which experienced a 39 per cent drop in building approvals.

"The report is a good one for South Australia, however, skill shortages are presenting a real issue that threaten housing affordability in the state over the next twelve months," David Gaffney said.

The districts of Adelaide, Yorke and Lower North, and Eyre are also experiencing relatively strong activity in comparison to the same period last year. Known as 'White Hotspots' these regions are where building approvals have risen very strongly, by 20 per cent or more over the six months to June.

The report also identifies several "Red Hotspots", where growth in building approvals is greater than 10 per cent but less than 20 per cent. These include Outer Adelaide and Northern (including Whyalla).

For further information:

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For Western Australia the report shows a slump of 4.5 per cent in building approvals for 2008 when compared to the previous year.

HIA Executive Director for Western Australia, John Dastlik, said the most telling aspect for the state is the number of 'Arctic Blue Cold Spots', this is where building approvals have fallen relative to the previous year. Approvals have certainly slowed in 2008 and this is concerning when we consider record demand for housing fuelled by strong immigration and the continued strength of the mining sector here in WA.

"Economic activity in WA's mining sector hasn't slowed, therefore if housing production doesn't at least keep pace with employment and population growth we will see further price hikes in both rents and house prices," said Mr Dastlik.

There are four cold spots for Western Australia. The biggest fall in activity was in the Kimberley region, where the contraction rate was 38 per cent. This was followed by the South Eastern region (including Kalgoorlie) which dropped 23 per cent.

"Cold Spots highlight the negative impact of record low housing affordability and the constraining impact of skill shortages in residential construction," said John Dastlik.

To meet required demand HIA research indicates that an additional 7,000 need to be produced on top of current production rates. New residents from interstate and overseas continue to fuel demand and hence the requirement for new housing.

"We need to be building to cater for the existing and future housing requirements of the state, the time for contemplation is over. Affordability is too low and to improve the situation a mix of statutory planning reforms and government led investment initiatives are necessary," said Mr Dastlik

For further information:

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HIA Executive Director for Tasmania, Stuart Clues said Tasmania has outperformed the rest of the national market, reflecting a relative housing affordability advantage.

Tasmania only had one 'Arctic Blue Cold Spot' this is where building approvals have fallen relative to the previous year. Approvals have certainly slowed in 2008 and this is concerning when we consider record demand for housing.

The only cold spot in Tasmania is in the Greater Hobart region, which experienced a 12.5 per cent drop in building approvals.

"Housing affordability has been disproportionately eroded in Tasmania's largest region and this is now showing up in the numbers. Further improvement in affordability could be achieved through improvements in planning and development delays and through reductions in statutory taxes and charges," said Stuart Clues.

But overwhelming the report found the Southern region, Northern region and Mersey-Lyell are experiencing relatively strong activity in comparison to the same period last year. Known as 'Red Hotspots', these were areas where growth in building approvals was greater than 10 per cent but less than 20 per cent.

Building Spot - TAS

Building Spot	Building Approvals Jan-June 2008 Number	Building Approvals 6 mths to June 2008 Annual growth
<i>Red Hotspot</i>		
Southern	188	13.9%
Northern	356	15.2%
Mersey-Lyell	302	10.2%
<i>Arctic Blue Coldspot</i>		
Greater Hobart	587	-12.5%

Red Hotspot: Growth in approvals > 10% and < 20%

White Hotspot: Growth in approvals > 20%

Arctic Blue Coldspot: Contraction in approvals of at least 10%

Source: Housing Industry Association

For a full copy of The Hot and Cold of New Home Building report (media only), please contact Kirsten Lewis on (02) 6245 1393

For further information:

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HIA Executive Director for the ACT/Southern NSW said the decline in apartment building approvals in 2008 and housing affordability have hampered production in 2008.

The report shows a decline in construction activity in North Canberra, Belconnen, Weston Creek-Stromlo and South Canberra. These areas referred to in the report as 'Artic Cold Spots' saw a relatively strong contraction in activity in 2008 when compared to the previous year.

"Eroding housing affordability and an end to the apartment building boom are the two key drivers behind these cold spots. More activity would occur in the cold spots if planning and development delays and add on costs of building were lower and less onerous," said Stuart Collins.

"Planning delays, combined with higher interest rates, will mean longer lead times for new construction. This is concerning given relatively strong population growth in the ACT and existing pressures in the private rental market," Stuart Collins added.

'White Hotspots' are where building approvals have risen very strongly, by 20 per cent or more over the six months to June. The report found the districts of Woden Valley grew by 80 per cent and Tuggeranong by a massive 533 per cent.

"These two areas have come off a very low base. The Woden Valley provides an example of an area where the rapid escalation in land values in recent years continues to fuel a significant amount of knock-down, rebuild activity. Tuggeranong provides a relatively affordable area for medium density development, in addition to relatively affordable entry level housing."

The report also identifies a 'Red Hotspot', where growth in building approvals is greater than 10 per cent but less than 20 per cent. This was in Gungahlin-Hall.

For further information:

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Building Spot - NSW

Building Spot	Building Approvals	
	Jan-June 2008 Number	6 mths to June 2008 Annual growth
Red Hotspot		
St George-Sutherland	716	13.1%
Canterbury-Bankstown	453	16.2%
White Hotspot		
Inner Western Sydney	642	102.5%
Blacktown	819	59.6%
Northern Beaches	401	42.2%
Arctic Blue Coldspot		
Eastern Suburbs	254	-31.2%
Fairfield-Liverpool	492	-26.9%
Central Western Sydney	698	-36.7%
Outer Western Sydney	258	-18.9%
Lower Northern Sydney	350	-38.5%
Gosford-Wyong	439	-26.1%
Illawarra	830	-12.8%
Northern	328	-19.8%
South Eastern	549	-28.8%

Red Hotspot: Growth in approvals > 10% and < 20%

White Hotspot: Growth in approvals > 20%

Arctic Blue Coldspot: Contraction in approvals of at least 10%

Source: Housing Industry Association

Building Spot - VIC

Building Spot	Building Approvals	
	Jan-June 2008 Number	6 mths to June 2008 Annual growth
Red Hotspot		
Victoria	20,261	11.4%
Melbourne	15,213	14.8%
Gippsland	877	10.5%
White Hotspot		
Barwon	1,259	30.6%
Arctic Blue Coldspot		
Western District	234	-20.4%
Wimmera	74	-21.3%
Loddon	543	-15.0%
Ovens-Murray	288	-22.2%

Red Hotspot: Growth in approvals > 10% and < 20%

White Hotspot: Growth in approvals > 20%

Arctic Blue Coldspot: Contraction in approvals of at least 10%

Source: Housing Industry Association

Building Spot - QLD

Building Spot	Building Approvals	
	Jan-June 2008 Number	6 mths to June 2008 Annual growth
White Hotspot		
West Moreton	414	47.9%
Central West	12	50.0%
Northern	1,315	27.8%
North West	37	54.2%
Arctic Blue Coldspot		
Gold Coast	3,383	-12.4%
South West	29	-23.7%
Fitzroy	766	-22.9%
Mackay	726	-24.4%
Far North	1,237	-21.0%

Red Hotspot: Growth in approvals > 10% and < 20%

White Hotspot: Growth in approvals > 20%

Arctic Blue Coldspot: Contraction in approvals of at least 10%

Source: Housing Industry Association

Building Spot - SA

Building Spot	Building Approvals	
	Jan-June 2008 Number	6 mths to June 2008 Annual growth
Red Hotspot		
South Australia	6,256	18.7%
Outer Adelaide	880	12.0%
Northern	215	10.8%
White Hotspot		
Adelaide	4,227	26.1%
Yorke and Lower North	314	33.6%
Eyre	193	69.3%
Arctic Blue Coldspot		
Murray Lands	259	-39.1%

Red Hotspot: Growth in approvals > 10% and < 20%

White Hotspot: Growth in approvals > 20%

Arctic Blue Coldspot: Contraction in approvals of at least 10%

Source: Housing Industry Association

Building Spot - WA

Building Spot	Building Approvals	
	Jan-June 2008 Number	6 mths to June 2008 Annual growth
Arctic Blue Coldspot		
South West	1,563	-21.1%
Lower Great Southern	241	-19.7%
South Eastern	160	-23.4%
Kimberley	104	-37.7%

Red Hotspot: Growth in approvals > 10% and < 20%

White Hotspot: Growth in approvals > 20%

Arctic Blue Coldspot: Contraction in approvals of at least 10%

Source: Housing Industry Association

Building Spot - TAS

Building Spot	Building Approvals	
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Source: Housing Industry Association

Building Spot - ACT

Building Spot	Building Approvals	
	Jan-June 2008 Number	6 mths to June 2008 Annual growth
Red Hotspot		
Gungahlin-Hall	321	15.9%
White Hotspot		
Woden Valley	54	80.0%
Tuggeranong	133	533.3%
Arctic Blue Coldspot		
North Canberra	95	-37.9%
Belconnen	415	-10.8%
Weston Creek-Stromlo	17	-37.0%
South Canberra	134	-13.5%

Red Hotspot: Growth in approvals > 10% and < 20%

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Source: Housing Industry Association

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