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Building Approvals Plunge at End of 2007

Building approvals plummeted at the end of last year, providing further evidence that the large gap between housing supply and demand is set to deteriorate in 2008.

Total building approvals dropped by 16 per cent in December, their largest monthly fall in over five years. Detached house approvals were down by 10.6 per cent and reached their lowest level since September 2005. Approvals for the more volatile multi-unit sector dipped by 26 per cent which more than wiped out the November gain.

HIA Chief Economist Harley Dale said that ahead of a widely anticipated interest rate rise, building approvals provided clear evidence of further weakness ahead for the new home building sector.

"Building approvals weakened considerably at the end of 2007 and this occurred in every state and territory across Australia with the exception of Tasmania," Mr Dale said.

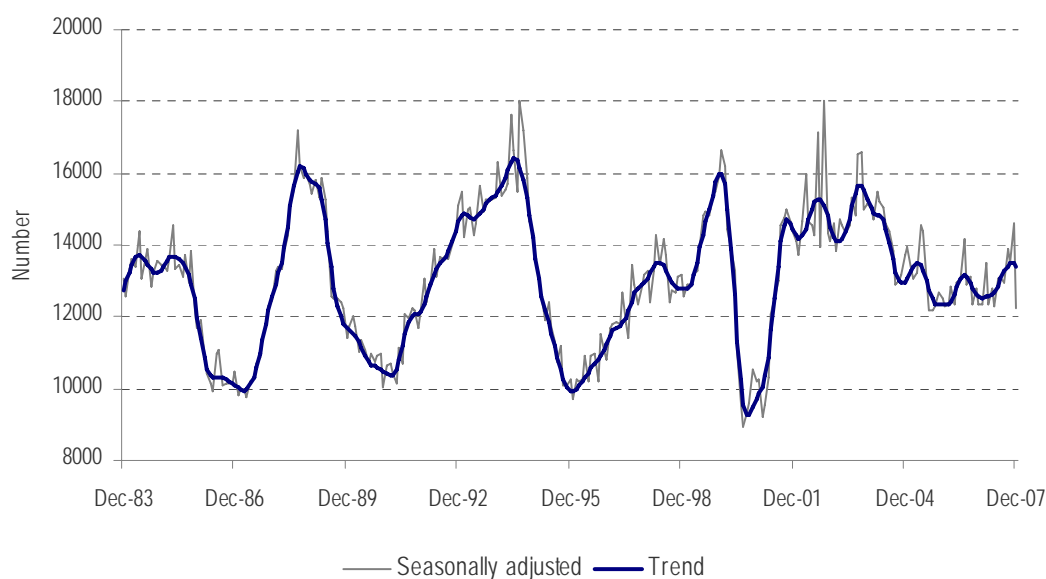
"Building approvals only grew by 2 per cent over the entire 2007 year and detached house approvals were effectively flat. At an annual level of 156,600, building approvals fell substantially short of underlying demand for the third consecutive year," Mr Dale said.

"New housing is already lagging demand by 20,000 dwellings per annum and higher interest rate settings in 2008 will see this gap blow out further," said Mr Dale.

"That means more price pressure on established housing, more pain for rental households, and greater difficulty for aspiring first home buyers," added Mr Dale.

On a state by state basis the number of seasonally adjusted building approvals in December fell by 30.8 per cent in New South Wales and was down by 23.4 per cent in South Australia, 12.1 per cent in Western Australia, 9.4 per cent in Victoria, and 5.8 per cent in Queensland. The trend in building approvals fell by 7.9 per cent in the Northern Territory and by 3.8 per cent in the Australian Capital Territory. Seasonally adjusted building approvals increased by 7.6 per cent in Tasmania.

Building Approvals - Australia



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