

Housing Recovery Running Out of Steam?

The Housing Industry Association, Australia's largest building industry organisation, said that building approvals fell by 3.3 per cent in February 2010. The much needed housing recovery felt, for the second month in a row, the impact of a large drop (12.3 per cent) in units and semi-detached "Other dwelling" approvals. The "Other dwelling" segment is already down 27 per cent on December 2009 figures.

"The result indicates that the units and semi-detached market is still bearing the brunt of tight credit conditions. Interest rate increases over 2010 will only exacerbate this situation. Tight credit conditions in the detached housing market are still being masked by the latent impacts of the first home buyers boost, social housing boost and low interest rates through 2009.

"Detached housing approvals dropped 0.9 per cent to a still healthy 9,711 for the month of February.

"The poor start to 2010 should be a reminder that a housing recovery is not a given and that with government support, through the social housing initiative and the first home buyers boost, being phased out or removed in 2010, interest rates will be a key factor in determining the fortunes of the home building industry.

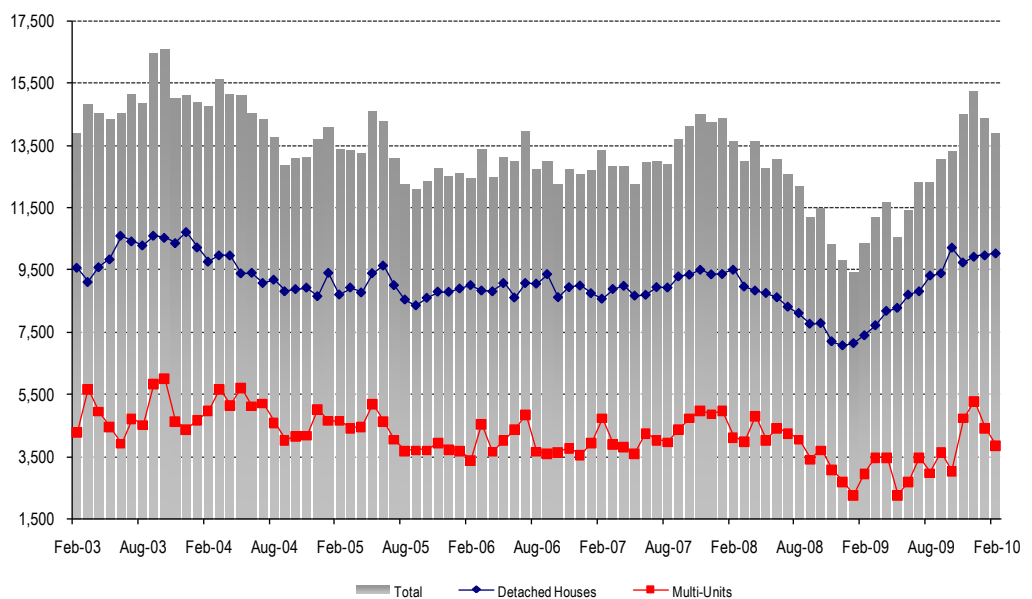
"Adding further pressure to a broad-based housing recovery will be the ever-present supply side issues, such as the high cost of infrastructure charging at a state and local level and an approvals process that is overly constraining and time consuming.

"In spite of the poor start to 2010, building approvals remain 47.2 per cent higher than 12 months ago and auger well for a spirited recovery in housing starts through 2010. HIA is forecasting a boost in housing starts of 18 per cent in 2010 compared to the disastrous year in 2009.

"It's all about what happens beyond 2010. The fundamentals of strong population and employment growth can be expected to push high housing demand. Without an adequate supply response, price pressures and further erosion of housing affordability will be inevitable," said Ben Phillips.

The number of seasonally adjusted residential dwelling approvals increased in February by 2.1% in Queensland, 8.1 per cent in Western Australia, and 17.6 per cent in Tasmania. Approvals fell 14.6 per cent in New South Wales, 2.0 per cent in Victoria, and 23.3 per cent in South Australia. In trend terms, building approvals dropped 12.0 per cent in the Northern Territory and dropped 5.8 per cent in the ACT.

Australia - Monthly Dwelling Approvals
Source: ABS Building Approvals



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