

## FLOOR REMAINS UNDER HOUSE PRICES

A lack of new housing and tight rental markets have put a floor under Australian house prices.

Following on from recent findings showing housing affordability declining over the June quarter, today's official numbers from the Australian Bureau of Statistics confirm that prices climbed by 3.1 per cent across Australia to an average annual growth rate of 6.4 per cent – more than double the rate of inflation over the same period.

Australia's peak building industry body, HIA, commented that the long-held relationship between higher interest rates and falling house prices is likely to be somewhat disconnected for the rest of the decade.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent said that higher rates will clearly reign in discretionary spending and have already taken the wind out of the sales for the building industry but with an estimated shortage of some 25,000 dwellings nationwide, demand pressures will keep prices high.

"The challenge of putting an affordable product on the ground remains as difficult as ever and today's figures again confirm that the cost of building a new home has barely been higher than inflation – up 3.2 per cent on last year while land prices have continued to ratchet up, rising 14 per cent over the same period," Mr Tennent said.

"As the debate about declining affordability rages, it is crucial that the pressure is lifted off the housing sector by increasing the supply of affordable housing and attracting private rental investment. Lowering the cost of land and easing the tax and regulatory burden on Australia's building community is an obvious and immediate step in the right direction.

House prices rose in all cities: Perth (+11.9 per cent), Darwin (+3.6 per cent), Canberra (+2.6 per cent), Adelaide (+2.3 per cent), Brisbane (+2.1 per cent), Melbourne (+2.0 per cent), Hobart (+2.0 per cent) and Sydney (+1.4 per cent).

For brand new homes (excluding the land cost) prices rose in all cities, up 4.1 per cent in Darwin, up 3.9 per cent in Perth, up 1.5 per cent in Brisbane, up 0.9 per cent in Canberra and Hobart, up 0.8 per cent in Adelaide, up 0.6 per cent in Melbourne and up 0.5 per cent in Sydney.

<b>ABS House Prices - June Quarter 2006</b>				
	<b>Established Homes</b>		<b>New Homes (Minus Land)</b>	
	<i>Qtly (%)</i>	<i>Annual (%)</i>	<i>Qtly (%)</i>	<i>Annual (%)</i>
Sydney	1.4	-0.5	0.5	0.9
Melbourne	2	5.5	0.6	1.8
Brisbane	2.1	4.5	1.5	2.2
Adelaide	2.3	7.3	0.8	2.8
Perth	11.9	35.4	3.9	16.6
Hobart	2	7.4	0.9	3.2
Darwin	3.6	18.7	4.1	11.3
Canberra	2.6	6.7	0.9	3.9
<b>Weighted average of eight capital cities</b>	<b>3.1</b>	<b>6.4</b>	<b>1.2</b>	<b>3.2</b>

### FURTHER INFORMATION

Please contact Simon Tennent, HIA Executive Director, Housing and Economics on 0419 445 557. Website: <http://economics.hia.asn.au>