

Dwelling Approvals Sink in May

Cold water has been poured on suggestions of an over-heated housing sector with building approvals dropping 12.5 per cent in May. The set-back means that approvals are again battling to remain above the record lows of late 2008, said the Housing Industry Association, Australia's largest building industry organisation.

HIA Senior Economist, Mr Ben Phillips said that the drop in approvals was driven by units falling 39.5 per cent in May to a record low level of just 1,943 dwellings. Detached housing slid by 2 per cent.

"The approvals numbers add weight to the story that while the first home buyers' boost has been a positive for the industry, this stimulus will be temporary and the continued lack of demand in the much larger trade-up buyer and investor markets remains a drag on a sustainable housing recovery," said Ben Phillips.

"Weak investment for rental properties is a major concern with rents increasing strongly and vacancy rates remaining at record lows. Suggestions for the removal of negative gearing on rental property simply make no sense," said Ben Phillips.

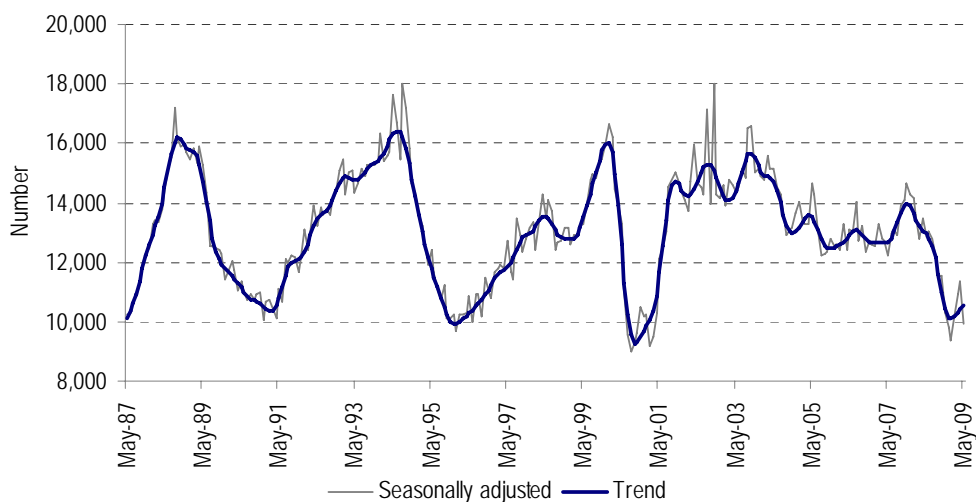
"The weakness felt outside the first home buyer market continues to be impacted by a range of supply side factors: on-going lack of credit availability particularly for the units sector; the high cost of developer charges; and the high transaction taxes still in place across the nation.," said Ben Phillips.

"Programs such as the federal government's National Rental Affordability Scheme (NRAS), the Housing Affordability Fund (HAF) and a timely role-out of the 20,000 social housing boost will play a vital role in not only boosting the rental stock but also maintaining Australia's economic position," said Ben Phillips.

The number of seasonally adjusted residential dwelling approvals decreased in May by 25.6 per cent in New South Wales, 8.9 per cent in Victoria, 13.3 per cent in Queensland and 17.5 per cent in South Australia. Dwelling approvals increased by 27 per cent in Tasmania and were flat in Western Australia. The trend number of approvals increased in both the Northern Territory (+3.0 per cent) and the Australian Capital Territory (+11.2 per cent).

Building Approvals - Australia

Source: ABS 8731



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