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## Weak Detached House Approvals In November

Building approvals rose strongly in November but only thanks to a big jump in the volatile multi-unit segment.

Total building approvals increased by 14.6 per cent in November. This reflected a hefty 29.9 per cent jump in approvals for the highly volatile multi-unit sector which in turn was primarily driven by a big spike in New South Wales. Detached house approvals turned in a disappointing month, rising by a bare 0.2 per cent to a level of 9,496.

HIA Chief Economist Harley Dale said that the rise in November was a positive result, although it was more narrowly driven than the headline suggested within which the detached house market appeared to be running out of steam.

"There has been a modest upward trend apparent for building approvals since February 2007. The bottom of the multi-unit cycle appears to have passed, which is encouraging news, although there is a long recovery road ahead following four years of weakness," Mr Dale said.

"Detached house approvals struggled in November, posting their weakest result in six months, likely reflecting a second rise in official interest rates banging against already record low housing affordability," Mr Dale said.

"The first half of 2008 is going to be a challenging period for new home building amidst upward pressure on interest rates. It will be difficult for a sustained recovery in new home building to emerge," said Mr Dale.

"This environment highlights the importance of moving quickly to begin addressing the high supply side costs to new housing such as planning delays, infrastructure charges, and skilled labour shortages."

On a state by state basis the trend in building approvals in November increased by 5.6 per cent in New South Wales and was up by 5 per cent in South Australia, 1.9 per cent in the Australian Capital Territory, 1.5 per cent in Western Australia, 1.1 per cent in Queensland, and 0.3 per cent in Victoria. The trend in building approvals fell by 9.2 per cent in the Northern Territory and was flat in Tasmania.

Building Approvals - Australia



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