

## New Home Building Recovery Not Strong Enough

Building approvals are pointing to a moderate rather than strong recovery in new home building said the Housing Industry Association, Australia's largest building industry organisation.

HIA Chief Economist, Dr Harley Dale said that the number of building approvals in the September 2009 quarter confirmed that a recovery in new home building was underway, but the scale of the recovery looked insufficient to address the shortage of new housing stock.

"It is encouraging to see clear signs of a lift in new home building. However, supply side constraints including bottlenecks in the building approvals process, and a lack of breadth to the recovery are preventing new construction from growing at the rate required to satisfy a rapidly growing population.

Detached house approvals were flat in the month of September, a disappointing result, but increased by 8.1 per cent over the quarter. The number of multi-unit approvals increased by 11.8 per cent in the month of September to be up by 17.5 per cent over the quarter.

"The positive impact of very low mortgage rates and the First Home Owner Boost drove the increase in detached house approvals over the September 2009 quarter, while the Federal Government's Social Housing Initiative played a role in lifting multi-unit approvals.

"It remains unclear, however, whether trade-up buyers are re-entering the new home market in sufficient numbers to fill the breach left by waning first time buyer demand, while private residential investment in new homes is still extremely weak.

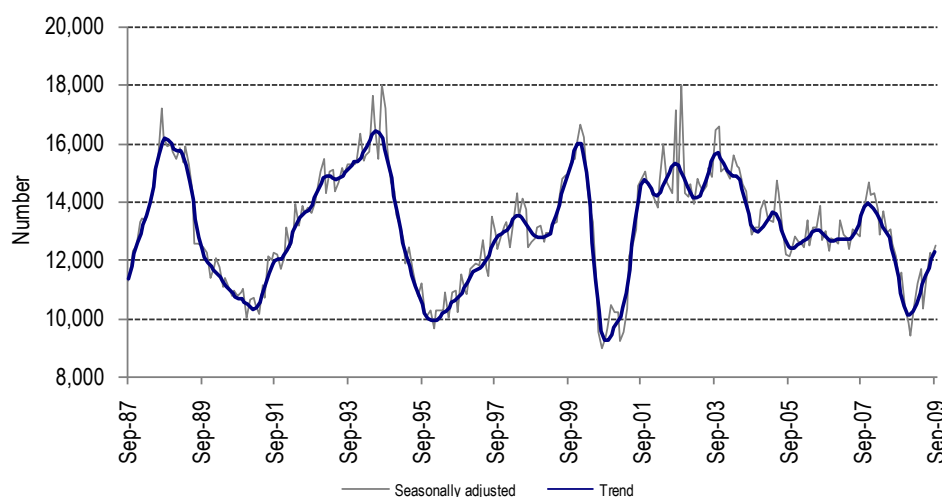
"The lack of a broad recovery in new housing is a concern, as are planning delays and re-emerging land shortages which form part of a number of supply side obstacles preventing a rapid increase in new housing stock.

"A renewed focus on removing supply side constraints is essential to reducing tight pressure on rental markets and preventing an unnecessary deterioration in housing affordability," Harley Dale said.

The number of seasonally adjusted residential dwelling approvals increased in September by 5.1 per cent in Victoria, 5.9 per cent in Western Australia, and 3.4 per cent in Tasmania. Dwelling approvals fell by 1.9 per cent in New South Wales, 1.4 per cent in Queensland, and 3.9 per cent in South Australia. The trend number of approvals fell by 2 per cent in the Northern Territory but was up by 1.2 per cent in the Australian Capital Territory.

**Building Approvals - Australia**

Source: ABS 8731



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