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LACKLUSTRE PERFORMANCE FOR DWELLING CONSTRUCTION

Residential construction failed to grow at all in the September quarter last year as low affordability weighed down heavily on home building even before the third rate rise came to pass.

Final figures released today for residential work done showed a largely flat result through the September quarter (activity down by 0.4 per cent) and 3.9 per cent less work done than in the September quarter of 2005.

The value of new housing eased by 0.7 per cent to \$7.7 billion and was down by 4.5 per cent on a year earlier. For alterations and additions, which captures around 25 per cent of the total renovations market, work done increased by 1 per cent to just under \$1.5 billion, little changed from a year earlier.

Australia's peak building industry body, HIA, said that housing affordability sinking to an all time low at the end of 2006 provided a portent for further softness ahead for new housing construction.

HIA's Chief Economist, Mr Harley Dale, said that three interest rates rises in seven months in 2006 had derailed any hope of a recovery in new housing in 2006/07.

"If we were to get another rate rise this year then you'd have to be thinking about 2008 before any real housing recovery emerged," Mr Dale said.

"With record low housing affordability and the related chronic shortage of affordable rental stock any further rate hits to home construction is a very unpalatable situation to contemplate," Mr Dale added.

"New residential building work in the September 2006 quarter was flat or down compared to a year earlier in every state and territory around the country except for Western Australia."

Over the September 2006 quarter new residential building activity increased by 7.9 per cent in the Australian Capital Territory, followed by gains of 2.5 per cent in South Australia and Western Australia, 2.0 per cent in Queensland, and 0.1 per cent in Victoria. Activity fell by 7.5 per cent in the Northern Territory and was down by 7.4 per cent in New South Wales and 4.8 per cent in Tasmania.

FURTHER INFORMATION: Please contact:
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Change in New Residential Work Done

