

Housing Recovery – Is It Sustainable?

The Housing Industry Association, Australia's largest building industry organisation, said that final figures released today by the Australian Bureau of Statistics confirm that new residential building activity began to recover in the September 2009 quarter, as did work commenced.

HIA Chief Economist, Dr Harley Dale said that while 2009/10 would be a healthier year for new residential construction, there were question marks over the sustainability of the up-cycle.

"First home buyer-related activity, the Social Housing Initiative, and the lagged impact of very low mortgage rates will combine to generate growth in new residential work done in 2009/10," Harley Dale said.

"It remains unclear, however, whether the recovery can gather legs beyond this year in the face of persistent supply side obstacles, rising interest rates, and what to date is an insufficient number of upgrade buyers and investors to fill the void left by first time buyers.

Seasonally adjusted work done on new residential dwellings increased by 2.8 per cent in the September 2009 quarter to an annualised worth of \$36.3 billion. This was 3.9 per cent down on the September 2008 quarter and over 9 per cent lower than the previous cyclical peak seen back in early 2004. Work done on detached houses increased by 6.5 per cent over the September 2009 quarter but work done on 'other residential building' dropped by 5.5 per cent. Seasonally adjusted new residential work commenced in the September 2009 quarter increased by 5.8 per cent, the first rise since mid 2008.

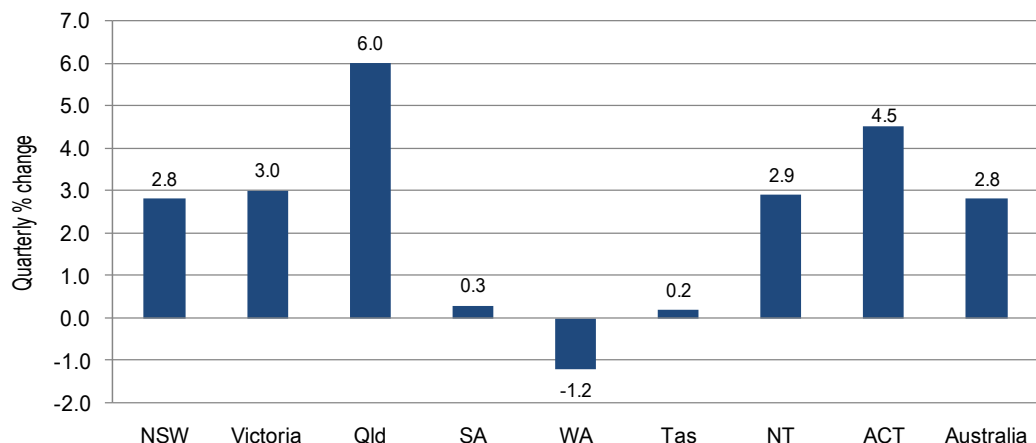
"There was brighter news on the renovations front in the September 2009 quarter with the volume of work done on major alterations and additions increasing by 3.9 per cent following four consecutive quarters of decline.

"The renovations sector should continue to recover after a soft 2008/09 as labour market conditions improve further and gains in home prices bolster confidence," said Harley Dale.

In the September 2009 quarter seasonally adjusted new residential work done increased in every state and territory with the exception of Western Australia. New residential work done increased by 6 per cent in Queensland, 4.5 per cent in the Australian Capital Territory, 3 per cent in Victoria, 2.9 per cent in the Northern Territory, 2.8 per cent in New South Wales, 0.3 per cent in South Australia, and 0.2 per cent in Tasmania. New residential work done fell by 1.2 per cent in Western Australia.

Change in New Residential Building Work Done

Source: ABS 8752



For further information please contact:
Harley Dale, Chief Economist on 0414 994 186