

15 January 2007

NO CASE FOR INTEREST RATE RISE

Despite Australia's robust labour market, there are worrying signs ahead for Australia's \$60 billion housing industry.

Figures released today show that housing finance for owner occupiers fell in value by 0.9 per cent to \$13.6 billion in November. Of more concern however, is that despite a very slight rise in finance to property investors over the month, the trend remains in steep decline at a time when rents are skyrocketing and vacancy rates are at record lows.

Australia's peak housing body, HIA, said that these figures coupled with the falling trend in building approvals demonstrate that the industry was already in decline before the last interest rate increase of 2006.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent said that the figures support HIA's latest forecasts of virtually no improvement in new dwelling activity until 2008.

"Sadly, at the current rate of new building the pressure on Australia's housing stock will reach bursting point over the year," Mr Tennent said.

"Today's figures show that an increasing share of potential first home buyers are stuck at home with mum and dad or being crippled by the rental market with first home buyers falling from 17.7 per cent of all loans to 17.4 per cent," Mr Tennent added.

"Given the strong multiplier effect of new home construction, weakness in home ware retailing and building material supply is likely to be a drag on growth throughout the year."

"It is therefore important that interest rates remain on hold to alleviate the pressure building up in housing markets," Mr Tennent added.

On a state by state basis, the total number of seasonally adjusted owner occupied housing commitments fell in all but two states. The largest fall was in the Northern Territory; down 10.8 per cent followed by Western Australia, down 4.1 per cent, South Australia, down 0.7 per cent, the ACT, down 0.6 per cent, Queensland down 0.2 per cent and Victoria, down 0.1 per cent. Increases were recorded in Tasmania, up 2.9 per cent and New South Wales up 1.1 per cent.

Further Information

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Value of dwelling commitments
Total dwellings

