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Slow Turning Wheels for New Home Building Recovery

The Housing Industry Association, the voice of Australia's residential building industry, said ABS figures released today showed a new home building recovery that was proceeding very slowly.

HIA Chief Economist, Dr Harley Dale, said that new residential building work done grew by less than 1 per cent in the March 2010 quarter, highlighting the potential constraining influence that a lack of available skilled labour was exerting on the pace of recovery.

"New residential work done is only 1.5 per cent higher now than it was at the trough back in mid 2009.

"The value of work in the pipeline has been accumulating in recent quarters but actual work done is only grinding higher, and indeed fell at the end of last year. Meanwhile the value of work approved but not yet commenced remains at historically very high levels.

"The meagre 0.8 per cent increase in new residential work done in the March 2010 quarter, which included a decline in work done on detached houses, is a reminder of the importance of ensuring sufficient skilled labour is available to keep the wheels of recovery turning.

"Furthermore, the extremely high value of work approved but not commenced in recent quarters highlights the risk that actual construction levels will continue to disappoint," said Harley Dale.

The 0.8 per cent increase in new residential building work done in the March 2010 quarter reflected a 4.6 per cent increase in 'Other dwellings', an outcome influenced by the Social Housing Initiative, and a 0.8 per cent decline in work done on detached houses.

"In addition to the slow pace of recovery in actual new home building, leading housing indicators and recent experience on the ground suggests that higher interest rates are dampening demand at the same time as supply side obstacles remain large and onerous. It is far from clear that once the current pipeline of work unwinds there will be sufficient work to generate a 'second stage' new home building recovery.

"On a positive note, the volume of work done on major alterations and additions rose for a third consecutive quarter in March 2010, up by 1.6 per cent, although the rate of growth in recovery has slowed in each successive quarter," Harley Dale said.

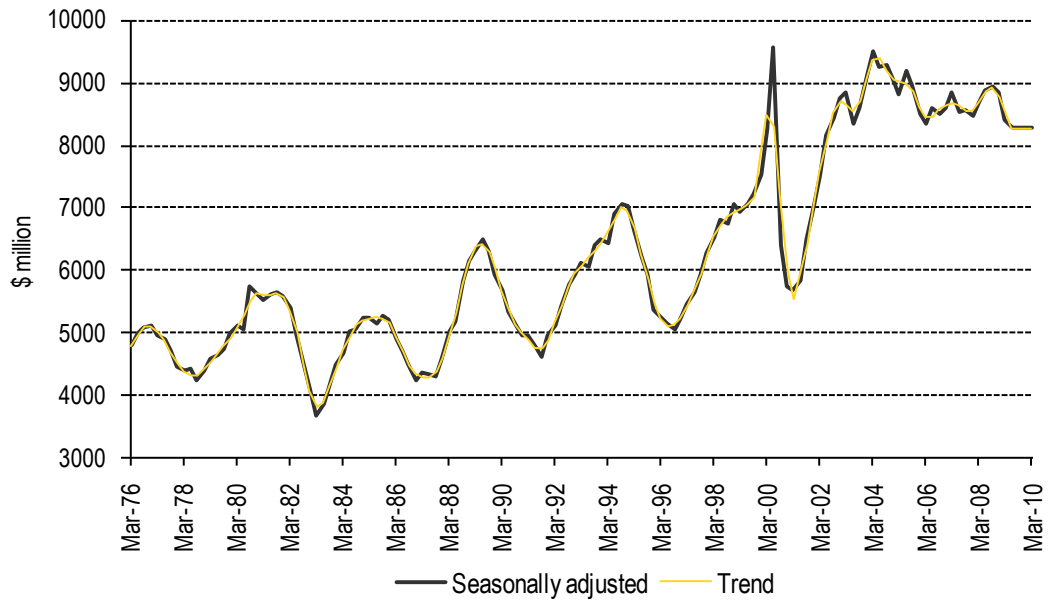
In the March 2010 quarter seasonally adjusted new residential work done increased by 4.4 per cent in New South Wales, 2.3 per cent in Victoria, 4.2 per cent in South Australia, and 5 per cent in Tasmania. New residential work done fell by 5.9 per cent in Queensland, 5.3 per cent in Western Australia, and 5.1 per cent in the Australian Capital Territory. In original terms new residential work done was 36 per cent higher in the Northern Territory compared to the March quarter of last year.

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MEDIA RELEASE

Total New Residential Building Work Done



Change in New Residential Work Done, Mar 10 Qtr

Source: ABS 8755

