

APPROVALS CONFIRM ONGOING STRENGTH IN HOUSING DEMAND

Tight rental markets, high overseas migration and strong household formation continue to underpin demand in Australia's new housing sector.

Figures released today for the month of January showed a 7.4 per cent increase in detached house approvals (reaching 8,965), offsetting weakness in flat/unit/townhouse approvals, down 8.6 per cent to 4,281.

Australia's peak building industry body, HIA said that these pre-interest rate rise figures reveal that the fundamentals driving housing demand continued into 2005, albeit at lower levels than the previous two years.

HIA's Chief Economist, Mr Simon Tennent said that the soft landing scenario continues to play out as expected but the reaction to the latest rate rise and the potential for more will create a new set of challenges at a time when the housing market is finely balanced.

"There is a weight of evidence showing that outside of some inner city markets, there is virtually no oversupply of housing stock" Mr Tennent said.

"Vacancy rates are tight and yesterday's house price figures confirm the strong demand for housing in most states and territories" he added.

"With monthly approvals now down to around 13,000 a month, we are building at a rate below underlying demand ensuring that despite slightly higher interest rates, price and affordability pressures will continue for some time to come."

"The only real long term solution for housing affordability is to address the fundamental structural problems of dwindling land supplies and charging new homebuyers for the provision of local infrastructure," Mr Tennent said.

On a state by state basis, seasonally adjusted approvals rose in New South Wales, up 4.2 per cent, Victoria up 3.2 per cent, and South Australia, up 36.8 per cent. Falls were recorded in Tasmania, down 8.1 per cent, Queensland, down 7.3 per cent and Western Australia, down 0.3 per cent.

Further information:

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