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A WELCOME BOUNCE IN DWELLING APPROVALS – HIA

Today's solid bounce in dwelling approvals is welcome news for Australia's new home builders.

The rise however was not consistent across states and territories with a large increase in Queensland more than offsetting a disappointing month in New South Wales.

Australia's peak building industry body HIA, said that while the New South Wales situation continues to bow under the weight of high land prices and a BASIX induced distortion, for the wider industry there is clearly a healthy level of demand.

HIA's Chief Economist, Simon Tennent said that the industry is currently faced with a mixed bag of positive and negative factors which fortunately are exerting their influence at a time when pressure on interest rates has eased and the employment market remains strong.

"Aside from the volatility in New South Wales, this positive result is confirmation that the industry has not been overbuilding and that demand is there as long as the price is right," Mr Tennent said.

"For New South Wales however, the market continues to be dominated by trade up buyers who currently are having trouble selling their existing homes," Mr Tennent added.

"It's a simple equation whereby if established sales volumes are down by 25 per cent and first home buyers continue to be under-represented, the overall falls in the new home market will be somewhat harder than in other states."

"Fortunately for NSW, there have been tentative signs of a slowing in population outflow to other states, and some slight improvement in the land supply situation."

"For the rest of Australia, forecast improvements in housing affordability from stable prices, stable interest rates, and rising household incomes will ensure that this slowdown doesn't reach the depths of previous downturns," Mr Tennent said.

On a state by state basis, Queensland recorded the biggest increase in dwelling approvals over the month, up 39.4 per cent. They were followed by Tasmania, up 8.9 per cent, Western Australia, up 3.3 per cent and Victoria, up 1.2 per cent. Falls were recorded in New South Wales, down 22.9 per cent and South Australia, down 3.9 per cent.

FURTHER INFORMATION

Simon Tennent, HIA Chief Economist on 0419 445 557

Website: <http://economics.hia.asn.au>

media release