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NEW HOME STARTS BOUNCE BACK

Despite weakness in the leading indicators of new housing, Australia's huge work pipeline has seen new home starts increase in the June quarter.

According to figures released today, new home starts rose by 5.5 per cent to 39,993, bringing the year-to-June figure to 156,249, 9.5 per cent down on the 172,630 home starts recorded in 2003/04.

Detached house starts rose 17.7 per cent to 26,105 over the June quarter while multi-unit starts increased 11.7 per cent to 11,753.

Australia's peak building industry body, HIA said that today's figures are welcome news for the industry, again confirming the underlying strength in the new housing market.

HIA's Chief Economist, Mr Simon Tennent said that over 2004, a lack of trades and complicated approval processes saw a record amount of work build up in the construction pipeline.

"The bounce in June shows that many of these jobs made it to the commencement stage over the quarter, as housing sentiment and trade availability improved," Mr Tennent said.

"Looking ahead, the current rate of finance and approvals suggests that starts will weaken towards the end of the year before stabilising throughout 2006," he added.

"It is important to note however that the current rate of home starts is not meeting underlying demand."

This build up in demand coupled with the potent mix of low interest rates, low unemployment, high overseas migration and tight rental markets should see home starts back on a growth path in early 2007."

"This growth however, will be at a far more subdued rate given the affordability hurdles that still face many new home buyers." Mr Tennent said.

On a state by state basis, the number of housing starts rose in 4 of the 7 reported states and territories. The largest rises occurred in South Australia and Western Australia, up 13.8 and 13 per cent respectively. Rises were also recorded in New South Wales, up 12.7 per cent and Victoria, up 8.8 per cent. Falls were recorded in Queensland, down 3.8 per cent, Tasmania, down 3.4 per cent and the ACT down 1.7 per cent.

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