

NEW HOME STARTS RISE STRONGLY IN EARLY 2006

New home starts increased significantly in the March 2006 quarter, but the recovery is unlikely to be sustained in the short term, especially in light of the higher interest rate environment.

According to Australian Bureau of Statistics figures released today, new home starts increased by 10.6 per cent to 39,219, a level 4 per cent higher than in the March quarter last year. Over the entire 12 months to March 2006 starts were down by 3.3 per cent to a level of 153,495.

Detached house starts increased by 4 per cent in the March 2006 quarter to 26,221, a level 5.3 per cent higher than a year earlier. Multi-unit starts jumped by a strong 25.7 per cent to 12,479, a bare 0.5 per cent higher than the March 2005 quarter level.

Australia's peak building industry body, HIA, said that today's figures were an encouraging update on the new housing industry.

HIA's Chief Economist, Mr Harley Dale, said that despite the hefty rise, housing starts would be lower in 2005/06 overall.

"A big recovery in apartments and modest growth in detached houses has seen dwelling commencements get off to a healthy start in 2006, following a 12 per cent fall over the second half of 2005," Mr Dale said.

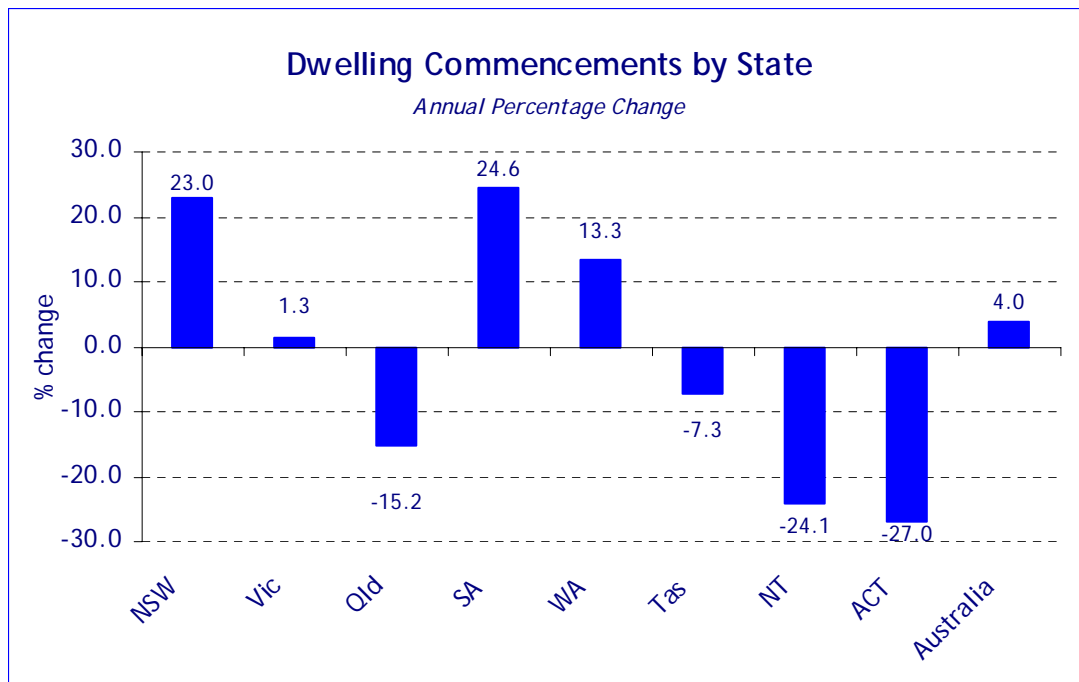
"This situation for the March quarter was reflected in most states and territories and that is certainly a positive update for the housing industry," Mr Dale said.

"Housing starts are still trending down and we expect to see a decline of 5 per cent in 2005/06 to around 148,400 starts," he added.

"A recovery in 2006/07 is still on the cards, although the higher and more uncertain interest rate climate could well restrain that recovery," Mr Dale said.

"The concern is that with incessant speculation of a further rate rise, there is a risk that starts struggle to get much further than the 150,000 mark next year, a level still well down on the 160,000 homes required to satisfy underlying demand," Mr Dale added.

On a state-by-state basis, the number of housing starts increased everywhere except in Queensland and the Northern Territory. Starts were up by 42 per cent in the ACT and rose by 41 per cent in New South Wales, 29 per cent in South Australia, 8 per cent in Tasmania, 7 per cent in Western Australia, and 1 per cent in Victoria. Starts fell by 8 per cent in Queensland and were down by 47 per cent in original terms in the Northern Territory (24 per cent lower than a year earlier).



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