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LARGE PIPELINE LIFTS DWELLING CONSTRUCTION

A continuing large pipeline of work has fed into modest growth in residential construction in the June 2006 quarter.

Figures released today for work completed through to mid year showed a moderate improvement in residential activity with total building increasing by 2.7 per cent. The value of new housing completed rose by 2.4 per cent to \$7.7 billion. For the alterations and additions market, work done increased by 4.9 per cent to \$1.37 billion.

Australia's peak building industry body, HIA, said that the stronger June quarter, while a positive update on the industry, was insufficient to halt an overall decline in residential construction activity over 2005/06.

HIA's Chief Economist, Mr Harley Dale, said that the healthy pipeline of work will prevent a sharp deterioration in building activity in 2006/07, but a further modest decline is likely, especially given the higher interest rate environment.

"New residential building fell by 5.3 per cent in 2005/06 compared to HIA's forecast for a 6.6 per cent decline," Mr Dale said.

"With housing affordability still languishing at or near record lows the short term outlook is for further weakness in new home construction," he added.

"There is still a very large gulf between household borrowing power and the average price of a new home and as such the bottom of the cycle has yet to be reached."

"It is encouraging that a strong pipeline of work is still readily apparent, reflecting in no small part strong housing conditions in Western Australia and North Queensland. There was around \$15.6 billion or about 8 months worth of work in the pipeline in the June quarter."

"While a large pipeline is preventing a sharper overall decline in building activity from occurring, a further pull-back in spending on new housing is envisaged for 2006/07," Mr Dale said.

Across the country, new residential building activity increased by 10.6 per cent in Tasmania, followed by gains of 6.4 per cent in Western Australia, 5.9 per cent in South Australia, 3.6 per cent in Victoria, 2.1 per cent in New South Wales, and 0.1 per cent in Queensland. Activity fell by 5.1 per cent over the quarter in the Australian Capital Territory.

FURTHER INFORMATION: Please contact:
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