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## HIGHER RATES KEEP HOUSING WEAK

Figures released today suggest that a nascent recovery in building approvals has stalled towards the end of 2006, sending a clear message that enough is enough on the rate rise front.

Weak demand for housing, which has been apparent for some time, caught up with building approvals in October as both detached house and multi-unit approvals recorded significant falls.

Today's figures show that building approvals fell by 7.4 per cent in October to a level of 12,214, 1.4 per cent lower than in October last year. Approvals for detached houses fell by 8.1 per cent to a level of 8,700, effectively flat compared to a year earlier. The number of approvals for flats, units and townhouses was down by 5.6 per cent to 3,514, a level 6.1 per cent lower than in October last year.

Australia's peak building industry body, HIA, said that low housing affordability and consumer uncertainty regarding future interest rate moves was reflected in a weaker update for building approvals.

HIA's Chief Economist, Mr Harley Dale, said that talk of a housing recovery emerging in 2007 was premature.

"What was always a very modest up swing in building approvals which emerged through much of 2006 has been all but snuffed out," Mr Dale said.

"In the current environment where low affordability levels continue to put the brakes on new housing, it is hard to see how a sustained recovery for new housing will emerge," Mr Dale added.

"With a stable interest rate climate we remain confident that strong labour markets and the dire need for additional housing stock will be reflected in a recovery in residential construction over 2007/08."

"However, that timing becomes murkier if a further rate rise is undertaken in early 2007."

"Building approvals fell in six out of eight states and territories in October."

On a state by state basis, seasonally adjusted approvals fell by 15 per cent in Western Australia and were down by 8.1 per cent in Queensland, 5.2 per cent in New South Wales, and 0.4 per cent in Victoria. Approvals eked out a 0.9 per cent gain in South Australia and were up by 8.8 per cent in Tasmania. In original terms, approvals fell by 50.7 per cent in the Northern Territory and 63.1 per cent in the Australian Capital Territory.

### Further information:

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media release