

NEW HOME SALES RISE FURTHER IN MARCH

New Home Sales continued their recovery in March, providing further evidence that the slowdown in spending on new housing will likely be drawing to a close in late 2006. Unfortunately that story goes out the window if you throw an interest rate rise into the mix as that would snuff out any recovery in lead housing indicators.

HIA's New Home Sales figures released today show that the sale of new homes and units among Australia's largest builders and developers increased by 5.2 per cent in March to 10,114 dwellings. Sales of new houses increased by 4.2 per cent. The sale of multi-unit dwellings increased by 13.5 per cent, the second consecutive increase.

Australia's peak building industry body, HIA, said that a sustained recovery in new home sales was becoming evident.

HIA's Chief Economist, Mr Harley Dale, said that despite the recovery in sales in recent months, the positive news could be short-lived.

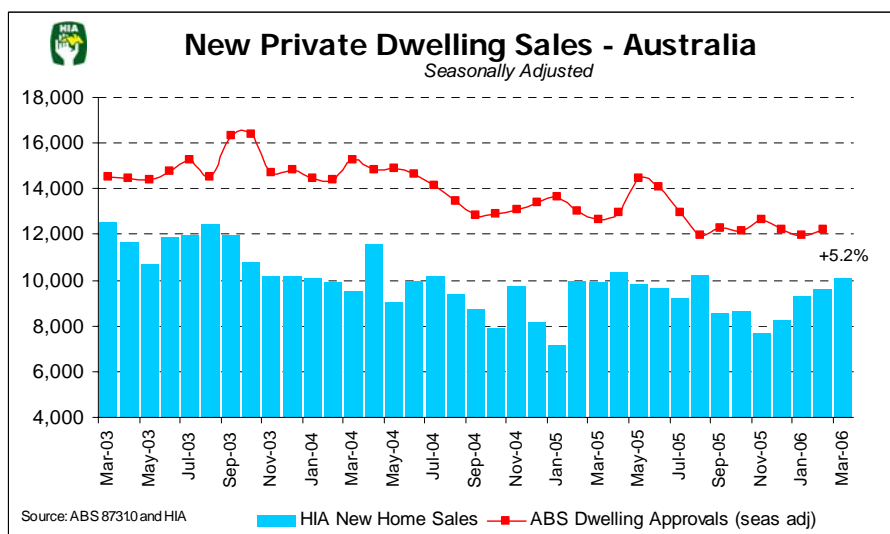
"New home sales are clearly recovering from a weak 2004/05, but you can forget about a continuation of that trend if households have to endure another interest rate rise," Mr Dale said.

"Talk about the sensitivity of the household sector to interest rate rises has been around for some years now. At this juncture in time we would do well to recognise that the risk that any further rate rises put too many households under stress is far closer to reality than to talk," Mr Dale said.

"New home sales were looking relatively weak in the first quarter of last year and it is a positive development that sales levels are higher in the March quarter this year."

"Housing activity is set to slow for some time yet, but leading indicators such as new home sales point to a modest recovery coming through by the back end of 2006/07. Let's hope that situation prevails."

HIA's New Home Sales Survey is compiled from a sample of the largest 100 residential builders in Australia and is the most leading indicator on new housing activity. For the month of March, detached house sales increased by 24 per cent in Victoria, 12 per cent in New South Wales, and 0.2 per cent in Western Australia. Sales fell by 9.5 per cent in South Australia and by 8.2 per cent in Queensland.



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***For a full copy of the New Home Sales Report (media only) or for an annual subscription, please contact Kirsten Lewis on (02) 6245 1393.