

NEW HOME SALES HIT BY RATE RISE

The interest rate rise had an immediate negative impact on the housing industry with the sale of new homes across Australia falling in May.

HIA's New Home Sales figures released today show that the sale of new homes and units among Australia's largest builders and developers fell by 10.1 per cent in May to 8,499 dwellings. Sales of new houses dropped by 11 per cent. The sale of multi-unit dwellings fell by 2.9 per cent.

Australia's peak building industry body, HIA, said that today's figures highlight the risk of a delay to the housing recovery due to a higher interest rate environment.

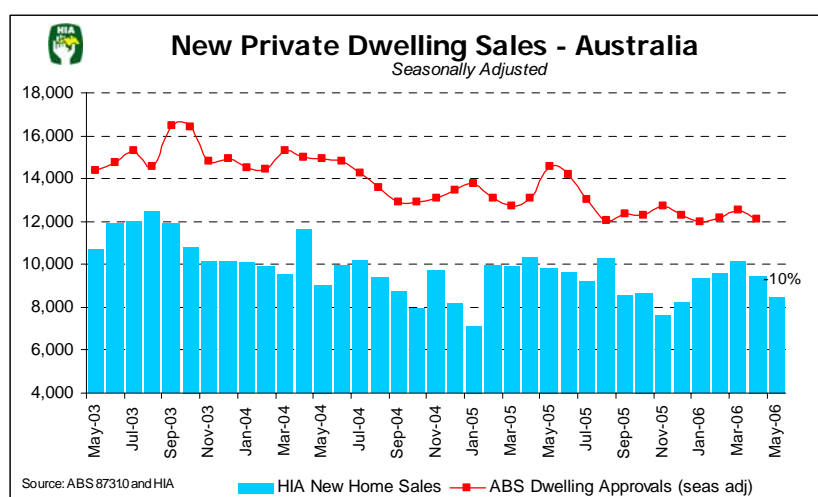
HIA's Chief Economist, Mr Harley Dale said that the rate rise combined with fear of another could dampen sentiment towards housing throughout the remainder of 2006.

"Sales volumes are likely to be subdued in the months ahead as higher interest rates and concern over a possible further hike exert a negative impact on the supply of new housing," Mr Dale said.

"This is a very untimely situation to be in given there is already insufficient supply of housing stock to satisfy demand," he added.

"Housing affordability was historically very low and it has now been further eroded. Low affordability and the lack of a sustained recovery in housing supply will combine to place further downward pressure on rental markets, and they are very tight now," Mr Dale said.

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 May, detached house sales fell by 17.8 per cent in New South Wales and were down by 13.9 per cent in Queensland, 12.2 per cent in Western Australia, and 6.2 per cent in South Australia. Victoria bucked the trend with detached house sales increasing by 4.1 per cent.



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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 or k.lewis@hia.com.au