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New Home Building Weakens in Sep Qtr

ABS figures released today provide a sobering update on the residential sector early in the 2010/11 financial year, claims the Housing Industry Association, the voice of Australia's residential building industry.

HIA Chief Economist, Dr Harley Dale, said that updates on housing conditions continue to paint a picture of under-performance as the industry grapples with rising borrowing costs and slow or no progress in reducing supply side barriers including very restrictive credit conditions.

New residential building work done fell by 7.1 per cent in the September 2010 quarter in reflection of declines across all regions with the exception of the Australian Capital Territory. Work done on major alterations and additions turned in a flat quarterly result.

"It has been clear for some time that a first stage, stimulus driven housing recovery will not transform into a more sustained upturn, but rather will be replaced by renewed weakness," Harley Dale said.

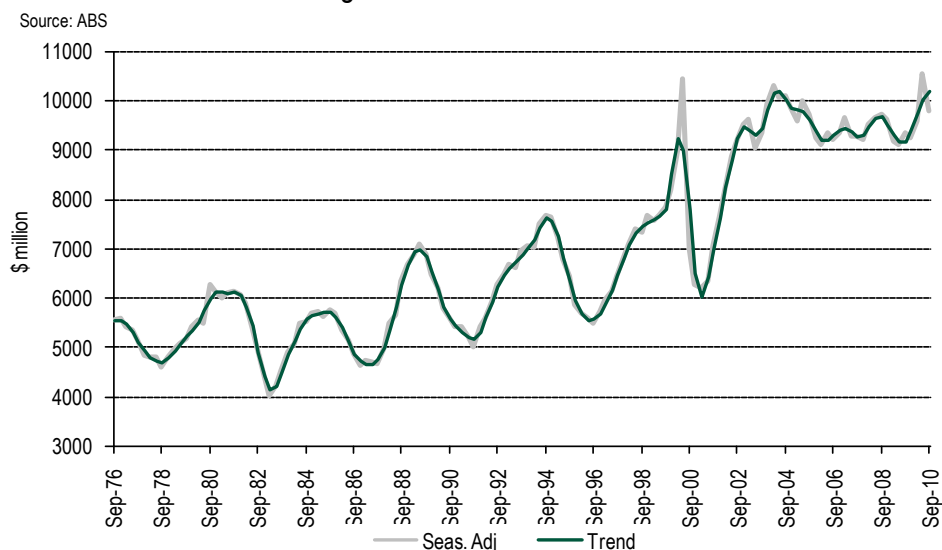
"That situation portends a worsening of Australia's housing shortage and further pressure on already very tight rental markets," said Harley Dale.

"With considerable pressure evident in housing and many other industries not directly benefitting from the resources boom, there is certainly no justification for contemplating further rate hikes. We've already moved too far too quickly," Harley Dale said.

"Furthermore, action needs to be taken to end the debilitating effect that a lack of available credit is having on residential development. Concrete measures to ensure greater competition in our banking system need to take into account the obstacle that a lack of credit presents to boosting Australia's housing supply," Harley Dale added.

In the September 2010 quarter, seasonally adjusted new residential work done fell by 7.6 per cent in Victoria, 16.5 per cent in Queensland, 2.1 per cent in Western Australia, and 2 per cent in Tasmania. New residential work done was effectively flat in New South Wales and South Australia and rose by 22.3 per cent in the Australian Capital Territory. In original terms new residential work done fell by 14.5 per cent in the Northern Territory when compared to the September quarter of last year.

Total New Residential Building Work Done



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