MEDIA RELEASE

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Home Starts Fall Well Short of the Mark, says HIA

ABS Dwelling Commencements (housing starts) posted a modest rise in the March 2011 quarter, within which the core detached house segment fell for a fifth consecutive quarter, said the Housing Industry Association (HIA), the voice of Australia's home building industry.

HIA Chief Economist, Dr Harley Dale, said that total housing starts increased by 3.1 per cent in the March 2011 quarter thanks to lift of 11.5 per cent in 'Other dwellings'. Detached house starts fell by 1.8 per cent to be running at an annual level 9 per cent lower than the long term average.

"It is good to see a rise in one component of housing starts, dwellings other than detached houses, in early 2011," Harley Dale said. "However, an overall downward trend persists and has now extended into a second year, and that should be of considerable concern to policy makers in an environment of stalled progress on housing supply reforms and heightened uncertainty over future interest rate moves."

"Leading indicators point to further weakness ahead for housing starts and the 2010/11 financial year is set to fall nearly 20,000 dwellings short of what was achieved last year," Harley Dale said.

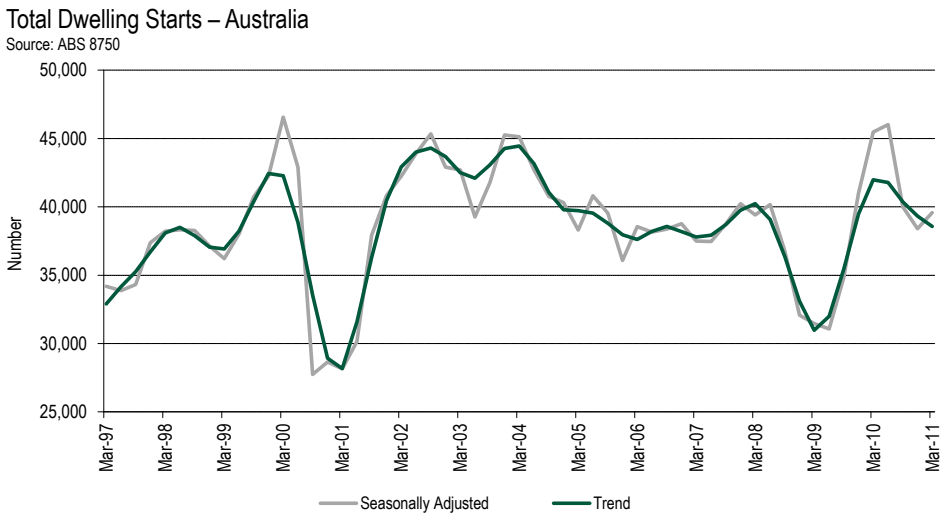
"When underlying demographic demand is running at around 175,000 dwellings per annum and the number of homes started is heading in the wrong direction towards 150,000 in 2010/11 and then lower still, that's hardly a recipe for cheer," said Harley Dale.

"This weak new home building profile is a recipe for steady interest rates and a reinvigoration of the stalled reform process to reduce the excessive costs of new housing, including the debilitating impact the on-going credit squeeze is having on residential development."

"Continued weakness in new home building reflects both softer demand conditions and the very high supply side obstacles which include the incessant credit crunch."

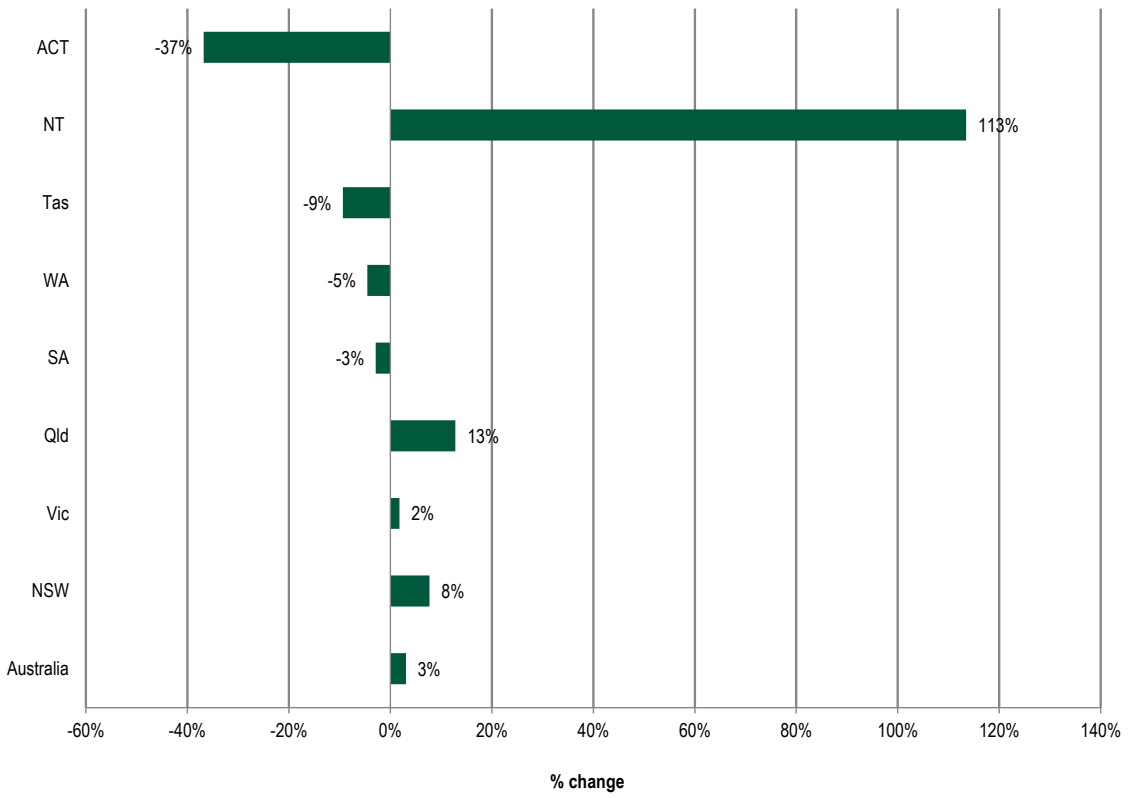
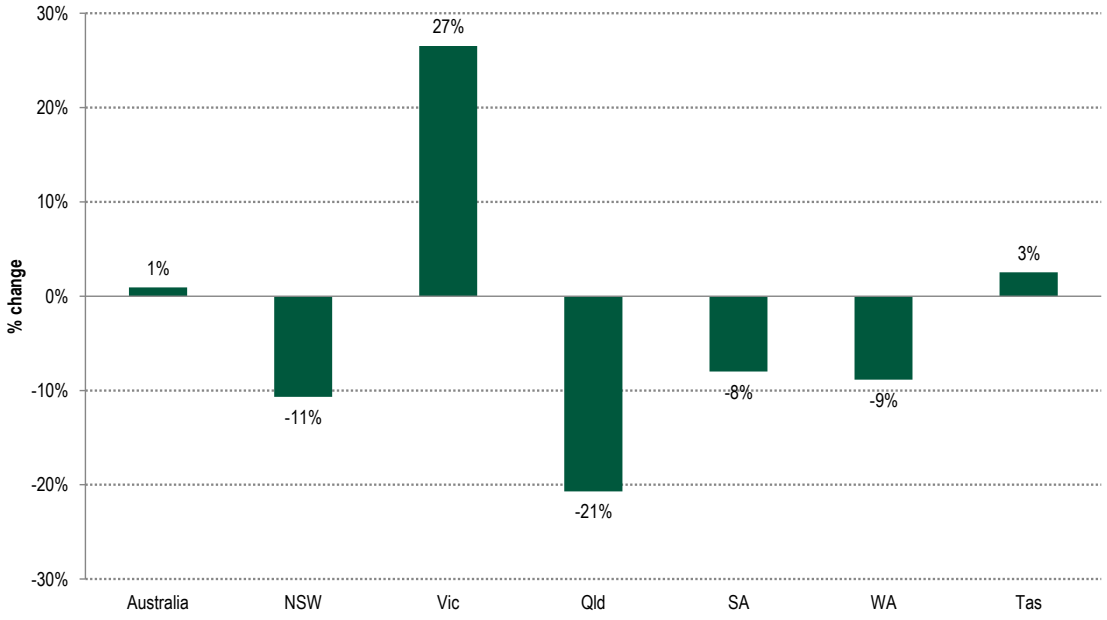
"A dire lack of available finance for what are commercially viable residential projects is imparting significant weakness on the housing industry and considerable pain on numerous small and medium sized businesses," Harley Dale added. "At the heart of this problem lies the significant undervaluation of residential projects that is clearly at odds with commercial reality."

The number of seasonally adjusted housing starts increased in four of eight states and territories in the March 2011 quarter. Housing starts increased by 7.7 per cent in New South Wales, 1.8 per cent in Victoria, 12.8 per cent in Queensland, and 114 per cent in the Northern Territory. Housing starts fell in the March 2011 quarter in South Australia (down by 2.9 per cent), Western Australia (down by 4.5 per cent), Tasmania (down by 9.3 per cent), and the Australian Capital Territory (down by 36.8 per cent).



For further information please contact:
Harley Dale, Chief Economist 0414 994 186

Change in housing starts - March 2011 Quarter
Source: ABS 8750.0



Housing Starts Levels - March 2011 qtr vs Decade Average
Source: ABS 8750.0