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MEDIA RELEASE

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Housing Drop signals Importance of Steady Rates, says HIA

New home sales suffered their heaviest monthly decline in five years in June 2011, providing further evidence of the need to keep interest rates on hold, said the Housing Industry Association, the voice of Australia's residential building industry.

The latest HIA - JELD-WEN New Home Sales Report, a survey of Australia's major residential builders, showed that the number of new homes sold in June 2011 dropped by 8.7 per cent, the sharpest monthly decline since May 2006.

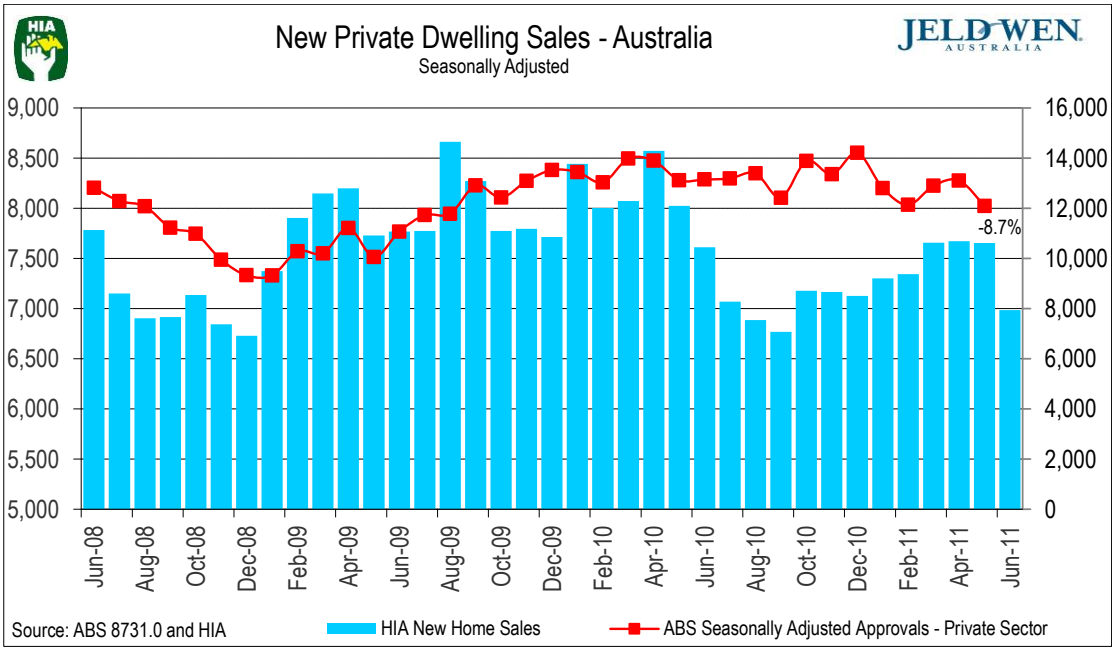
"There has been widespread anecdotal evidence for some time that new home demand hit a wall in mid-2011 and today's new home sales figures unfortunately confirm that situation," said HIA Chief Economist, Dr Harley Dale. "Evidence is mounting that weakness in the new home sector is accelerating even with interest rates on hold."

"Amidst the roller coaster of interest rate sentiment that has unnecessarily become the norm in 2011, the idea that an imminent rate hike is now unavoidable is misplaced," said Harley Dale.

In the month of June 2011, detached house sales fell by 8.8 per cent, the second consecutive fall. The volatile units sector fell by 8.1 per cent in June following a jump of 23.3 per cent in May.

"In terms of government action, reducing the excessive costs of new housing is an important area of the domestic economy to focus on. The upcoming Tax Forum in early October offers a golden opportunity to reduce the high and inefficient taxation of a basic necessity, shelter, and therefore boost new housing supply," Harley Dale added.

In June 2011 the HIA – JELD-WEN New Home Sales Report found that detached new house sales fell by 1.8 per cent in New South Wales, 10 per cent in Victoria, 17.1 per cent in Queensland, and 6.3 per cent in Western Australia. Sales were flat in South Australia.



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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