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MEDIA RELEASE

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Headline Approvals Mask Underlying Weakness

Building approvals fell only modestly in June 2012 following a strong increase in May, said the Housing Industry Association, the voice of Australia's residential building industry.

"Today's building approvals update is a reasonable result at face value," said HIA Chief Economist, Harley Dale. "The decline of 2.5 per cent in total seasonally adjusted building approvals in June 2012 looks modest in the context of the 27 per cent jump which occurred the previous month."

"Furthermore, the headline result reflects the sharp decline now underway in Victoria, with building approvals increasing in June in every other state and territory," said Harley Dale.

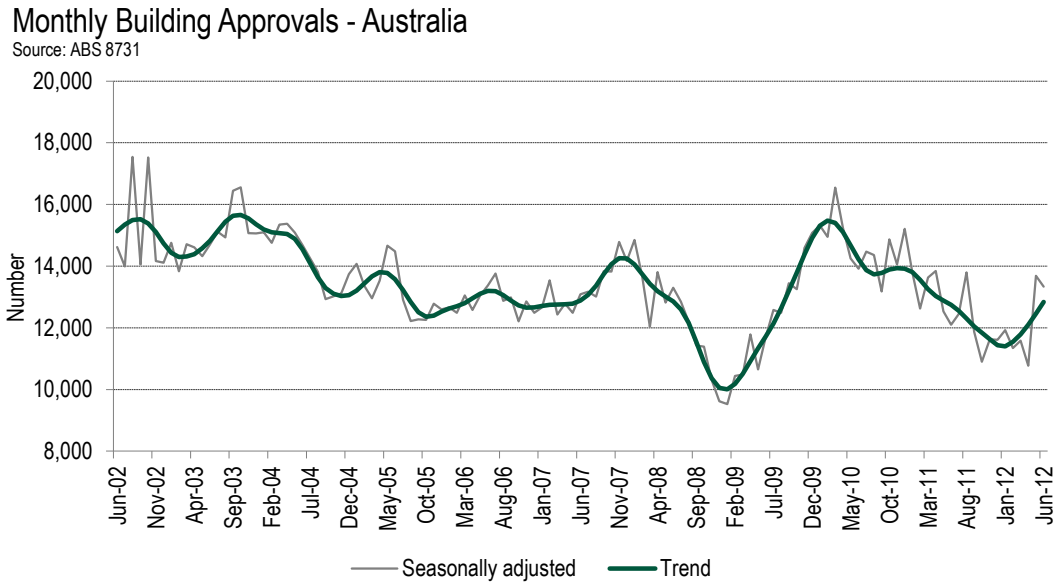
"Building approvals increased in the June 2012 quarter and this improvement is driven by a relatively healthy rebound in 'other dwellings'," said Harley Dale. "The concerning factor is that this recovery masks on-going deterioration in the core detached house segment of the new home building market."

"Housing starts are back at recessionary levels in 2012 and the pain of that situation for tens of thousands of businesses around the country is unfortunately plain to see," Harley Dale said.

"It is vital to see evidence of a broad-based recovery in building approvals and that is simply not the case at present," said Harley Dale. "Detached house approvals fell by 6.2 per cent in the June 2012 quarter and by 10.2 per cent last financial year to reach their lowest level in over a decade. The trend decline in detached house approvals now extends to 30 consecutive months."

"That situation makes the case for government investment in new housing and reform of the excessive and inefficient levels of taxation on the sector all the more compelling," added Harley Dale.

In June 2012 total seasonally adjusted building approvals fell by 14.6 per cent in Victoria. Building approvals increased by 7.7 per cent in New South Wales, 18.0 per cent in Queensland, 4.2 per cent in South Australia, 28.9 per cent in Western Australia, and 9.3 per cent in Tasmania. In trend terms, total approvals rose by 7.1 per cent in the Northern Territory and by 9.1 per cent in the Australian Capital Territory.



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