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Stimulus Induces Strong Building Burst

The first round new home building recovery surged ahead in the December 2009 quarter said HIA, Australia's biggest residential building association.

HIA's Chief Economist, Dr Harley Dale said that the result confirmed the success of targeted fiscal stimulus and very low variable mortgage rates in driving the first stage of a housing recovery.

"The strong recovery in housing starts to date highlights the success of targeting policy towards new home building, which is what happened with the tripling of the First Home Owner Grant for new dwellings. Furthermore, the Social Housing Initiative is clearly supporting growth in 'Other residential building', which is recovering from an awfully low base," said Harley Dale.

"There will be a healthy recovery in housing starts in the 2009/10 financial year, but today's result does nothing to answer the question of whether that recovery can be sustained once the impact from fiscal and monetary policy stimulus comes to an end."

"The prospect for a second stage to the recovery is threatened by underlying supply side issues, including a widespread lack of available finance and re-emerging land and labour shortages. The positive impact from stimulus measures is masking the constraining impact these supply side obstacles are having on the residential construction sector."

"Leading housing indicators are already sending mixed signals as to whether the new home building recovery is sustainable. That sounds a note of caution to ensure that interest rates are not raised too quickly, something that would, perversely, increase the chances that the recovery petered out," Harley Dale said.

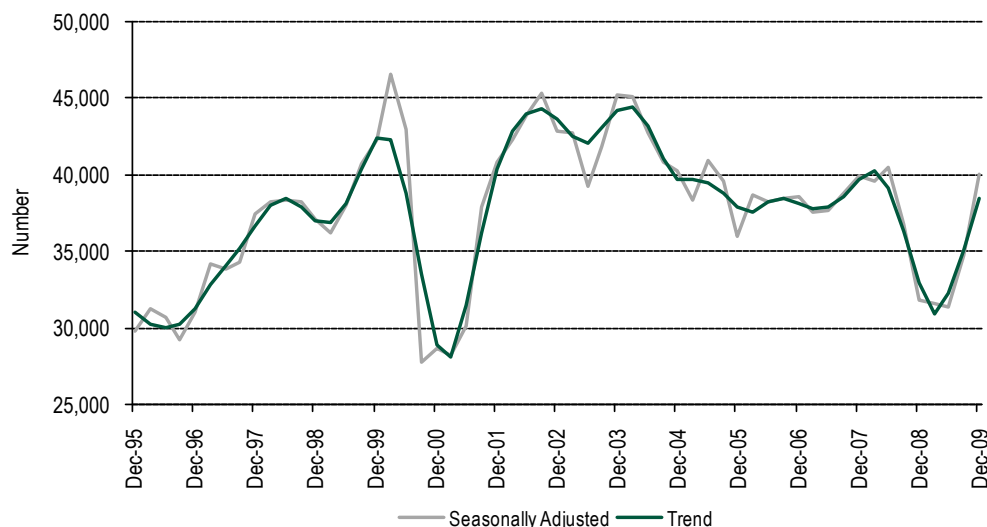
According to Australian Bureau of Statistics figures released today, housing starts increased by 15.1 per cent in the December 2009 quarter to an annualised level of over 160,000, following an upwardly revised 11 per cent rise in the September quarter.

Detached house starts increased by 14 per cent in the December 2009 quarter following a 10 per cent lift in the September quarter. 'Other residential building' starts increased by 18 per cent at the end of last year following a rise of 14 per cent in the September 2009 quarter.

The number of housing starts (including conversions) in the December 2009 quarter grew by 16.5 per cent in New South Wales, 15.6 per cent in Victoria, 13.4 per cent in Queensland, 8.7 per cent in South Australia, 2.3 per cent in Western Australia, 0.8 per cent in Tasmania, 12.2 per cent in the Northern Territory, and 33.8 per cent in the Australian Capital Territory.

Total Dwelling Starts – Australia

Source: ABS 8750



FURTHER INFORMATION:

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