

MEDIA RELEASE

QUEENSLAND HOUSING INDUSTRY STILL LAST IN THE RECOVERY QUEUE

Predictions of imminent interest rate rises are more alarming for the Queensland housing and construction industry than any other state, according to its peak body.

The Urban Development Institute of Australia (Queensland) will today (Thursday, September 23) release its quarterly industry research report showing Queensland's housing remains the most affected since the global financial crisis.

"In terms of home building approvals, the Sunshine State is still suffering more than anywhere else in the country," said UDIA Qld President Warren Harris.

"Approvals had been improving in early 2010 but as interest rate rises started to bite, they dropped again to 22 per cent lower than the pre-GFC 2000's average," he said.

"In the context of recent comments from RBA governor Glenn Stevens indicating more rate rises are imminent, we are obviously gravely concerned about the effect that further rises will have.

"Mr Stevens this week warned the resources boom is threatening to overstimulate the economy, with domestic economic growth likely to surpass the long-term trend in 2011.

"The Queensland housing industry has been hoping for a recovery in activity - it's hard to contemplate a further move backwards," he said.

The UDIA (Qld) *Development and Construction Industry Performance Report* provides a quarterly analysis of key industry data including housing approvals and starts, employment levels and housing demand.

The September report raises concerns over continuing low levels of activity with only a minor improvement in employment.

"While there has been some improvement in employment in the last quarter, employment in the construction sector remains down by 24,072 since August 2008," Mr Harris said.

"Queensland is also still under building. In the 2009 – 2010 financial year, it is estimated that 8,000 more homes were required to meet population growth than were commenced.

"With housing approvals running at 25% below the longer term levels in the last quarter and unit approvals running at 40% below, the undersupply is likely to continue," he said.

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Other findings in the report illustrate the erosion of housing affordability for Queensland families.

Queensland is classed as substantially unaffordable with around 65 per cent of Queensland families unable to afford a \$434,000 home (Qld median house price). At this point, each \$10,000 price change or 0.25% interest rate change is estimated to exclude a further 20,000 families from purchase.

According to the report, the median house price would need to be reduced to \$350,000 to be affordable for around half of Queensland's families.

"This places the Queensland Government under even greater pressure to resolve the uncertainty and quantum of infrastructure charges in the immediate future and to significantly reduce the costs of delays in planning systems and processes," Mr Harris said.

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