

MEDIA RELEASE

Wednesday, 3 July 2019

WEAK BUILDING APPROVAL FIGURES SHOW NEED TO DRIVE REFORM

Weak building approval figures released today highlight a continued need for policy reforms to drive economic growth and that interest rate cuts alone will be insufficient to boost growth, according to the Urban Development Institute of Australia.

Data released by the Australia Bureau of Statistics today shows building approvals fell by 0.5 percent in May – with the decline driven by a fall in private sector housing approvals, which are down by 1.3 percent in trend terms.

The seasonally adjusted number showing a 0.7 percent increase in total dwelling approvals should be viewed with caution, given it was almost exclusively driven by a 14.4 percent increase in one state, Victoria.

“The weak building approval data underlines a continued fragility in a core pillar of our economy,” says Connie Kirk, UDIA National Executive Director.

“The downward trajectory has been the same for the past year and beyond. Approvals are down 19.6 percent in the past year and detached dwelling approvals remain close to a six-year low.

“Housing construction propels investment, jobs, wages and economic growth – the exact formula that the Reserve Bank said it was seeking when it cut the cash rate to one percent yesterday.

“There is a clear need to step beyond a dependence on interest rates and ensure all policy levers are being exercised in the interests of confidence, certainty and growth,” she says.

“The Reserve Bank’s actions – coupled with APRA’s recent decision to revise loan serviceability benchmarks – will hopefully begin to free credit for homebuyers.

“We have also witnessed gains with retention of negative gearing, the pending introduction of the First Home Loan Deposit Scheme and downsizer measures boosting retirement incomes and housing supply.

“There is a clear case however for seizing every opportunity to reduce the barriers to housing construction.

“The endless layering of taxes and charges, red tape and complex planning regimes act as a brake on projects that has added to the downturn and forced proponents of housing projects to ensure seven to 10-year timelines to gain relevant approvals to commence development.

“We hope these issues capture the attention of the Federal Government as it moves to target the regulatory barriers to assistance, including green and red tape,” says Connie Kirk.

MEDIA CONTACT:

Christina Efthymiades 0417 207 107

www.udiapriorities.com.au