

## **Australia up for the “Mother of All Housing Booms” – ANZ Bank**

THE ANZ Bank says the growing housing shortage is setting Australia up for the "mother of all" housing booms.

New home building figures showing slumping building approvals have sparked fears of a price and rent explosion that will price even more prospective buyers out of the market.

The ANZ's senior economist, Paul Braddick, said yesterday Australia faced a critical and potentially chronic shortage of housing.

"A growing housing shortage is setting the scene for the mother of all housing booms," Mr Braddick said.

"Demand has accelerated and rising immigration, both permanent and temporary, shows no sign of abating. Meanwhile, rising interest rates continue to stymie any building recovery.

"Underlying housing demand is already outstripping new supply, and the gap is set to widen sharply, driving pent-up housing demand to record levels," he said.

The Australian Bureau of Statistics said yesterday new apartment approvals fell 18.2 per cent in May and were down 4.2 per cent over the past 12 months.

New house approvals fell 1.2 per cent and were down 1.7 per cent over the year. In Victoria total building approvals were up 2.8 per cent.

Commonwealth Securities chief equities economist Craig James said buyers had fled the property market because of high interest rates.

"With population growing at the fastest rate in 18 years, we simply should be building more homes, not less," he said.

"Interest rate hikes have spooked investors and budding owner-occupiers.

"Investors are putting their money in the bank and people are staying in the rental market longer. But the situation is unsustainable."

Mr James said rents and house prices would be forced up because of the tight conditions, which would eventually attract more investors and lead to more building.

"The latest slump in new dwelling approvals is clearly bad news for those renting," he said.

"The supply of apartments isn't rising but the number of people wanting to rent certainly is."

Victorian rents are at record highs and housing affordability is close to record lows.

The Commonwealth Bank's senior economist, Michael Workman, said interest rates would need to start falling and buyers would need to believe prices were rising before they would re-enter the market.

The building approval slump has cut the odds of another interest rate increase from the Reserve

Bank.

Source:

By Craig Binnie

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