

Builders forced to lower costs

Cut-price housing

DEVELOPMENT

Trevor Chappell

HOMEBUILDERS are opting for cheaper houses, given weaker economic conditions and problems with affordability, building supplies group James Hardie says.

Chief executive Louis Gries says developers are building cheaper houses to ensure they make a profit.

Builders were "value-engineering" and "de-featuring" houses to cut costs, Mr Gries said. Houses were also smaller and being built with lower-cost materials, he said.

"They pull any costs out of the home that homeowners are not aware of," Mr Gries said yesterday, after announcing a return to profitability in James Hardie's third quarter.

"Meaning it's not easy to see if you've got five-eighth-inch gypsum (plasterboard) or half-inch gypsum."

His comments came as the Australian Bureau of Statistics revealed the construction sector contracted in the final months of 2012.

The value of construction work in Australia slipped 0.1 per cent in the three months to December, compared with the previous quarter.

Economists were broadly expecting a rise of 1.5 per cent.

Mr Gries expected an eventual re-

versal in the trend for developers to cut costs, but said it might take several years.

James Hardie, which makes most of its sales in the US, said the American market was picking up but Australia remained subdued. In the three months to December, sales volumes rose 17 per cent in the group's US and Europe fibre cement business.

The group booked a net operating profit of \$30.95 million in the quarter, compared with a loss of \$4.72 million a year earlier.

Separately yesterday, property developer AV Jennings said buyers were finally returning to the market for new houses after an extended slowdown.

Chief executive Peter Summers said low interest rates, underlying housing shortages and stable economic conditions were among factors indicating an improving market.

"Visitations are up in a lot of our projects ... (that) indicates it is an improving market out there, and in some of our projects, the sales rates are up as well," Mr Summers said.

AV Jennings reported a first-half net loss of \$19.1 million for the six months to December, compared with a profit of \$3.3 million in the same period a year earlier.

The group's shares closed unchanged yesterday at 41c. James Hardie climbed 1.6 per cent to \$9.50.

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