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## Uptick in New Home Lending in May

A lift in new home lending in May is encouraging but much larger and sustained improvements are needed to make real inroads on the nation's current weak residential building levels, says the Housing Industry Association, the voice of Australia's home building industry.

"Today's figures show that the number of loans for the construction or purchase of a new dwelling rose by 5.7 per cent in May, which comes on top of the 3.3 per cent rise experienced in April. Hopefully new home lending is finally dragging itself off the canvas, although we need much more than today's improvement to lift us from what is a chronically low level of new home lending," said HIA Senior Economist, Andrew Harvey.

"Unfortunately, back in January new home lending shifted down yet another gear in what now looks to be a 'double-dip' in home financing activity. New home lending in the first five months of 2011 is down by 15.7 per cent on the same five months in 2010 as the interest rate hike of November last year buffeted the confidence of potential home buyers," said Andrew Harvey.

"When we consider how important new home lending is as a leading indicator of residential building activity the overall profile does not bode well for home building levels in Australia. If the pre-GFC trend in new home lending had continued then we would be seeing lending in the order of 10,000 loans per month rather than the 6,000 or so loans we currently have," added Andrew Harvey.

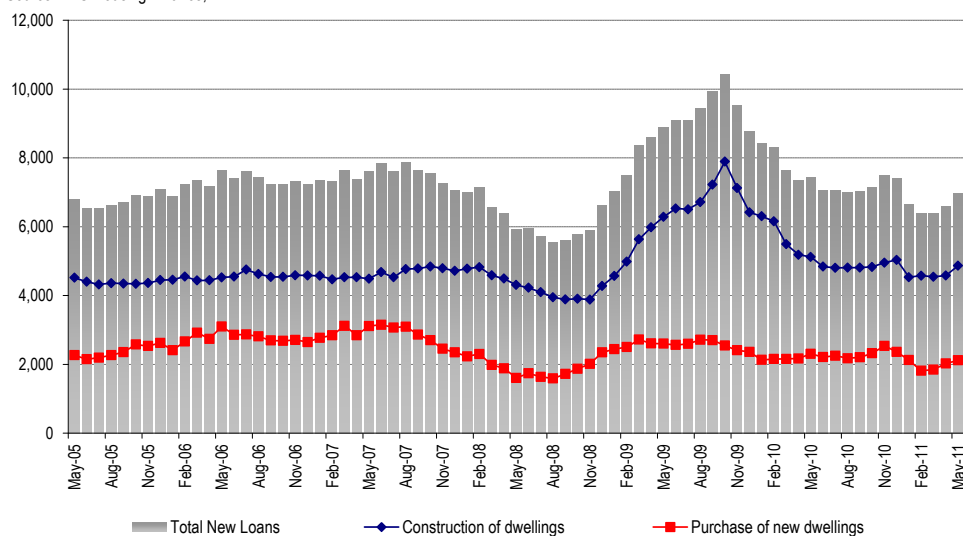
Loans for the purchase of a new dwelling increased by 4.6 per cent in May 2011, but the rise was insufficient to prevent a drop of 5.0 per cent over the May 'quarter'. Meanwhile, lending for construction posted an encouraging 6.2 per cent increase in the month of May to be down by 1.1 per cent over the May 'quarter'.

In seasonally adjusted terms, the number loans for new housing in the month of May 2011 increased by 6.0 per cent in New South Wales, 3.9 per cent in Queensland, 5.3 per cent in Victoria, 5.4 per cent in South Australia and by 10.0 per cent in Western Australia. Loan numbers fell by 2.7 per cent in Tasmania, 6.1 per cent in the NT and by 7.5 per cent in the ACT.

It was a different story over the three months to May 2011 where in seasonally adjusted terms the number of owner occupier loans for new housing fell in the majority of the states and territories. New housing loans fell by 2.2 per cent in New South Wales, 2.3 per cent in Victoria, 1.1 per cent in Queensland, 7.6 per cent in South Australia, 2.6 per cent in Western Australia and by 7.2 per cent in the ACT. Increases were recorded for Tasmania (up by 5.4 per cent) and the NT (up by 0.6 per cent).

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance; HIA



### For further information:

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