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New Home Lending Continues Downhill Run

Higher interest rates and the removal of the First Home Owners Boost has seen September mark a further fall in new home lending, said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Senior Economist, Andrew Harvey, said that in September 2010 the number of loans for the construction or purchase of new homes fell by 0.7 per cent to be down more than 33 per cent from the peak in October 2009.

"Housing finance leads dwelling starts by around six months, so today's finance numbers mean we can expect building approvals and starts to continue along their downward trajectories over coming quarters," said Andrew Harvey.

"Lending for new homes continues to be below trend and highlights the problem the nation is now facing in terms of a two-speed economy. It's great that the mining sector is about to take off like an Aston Martin DB9, but unfortunately we have the residential building industry stuck in neutral," Mr Harvey noted.

The weaker outlook for residential construction was further highlighted yesterday by the Treasury markedly downgrading its forecasts for dwelling investment in its Mid-year Economic and Fiscal Outlook.

"In light of the weakening housing outlook, the Federal Government needs to examine how it might achieve a more balanced growth profile across various sectors, particularly in the face of tightening monetary policy, which is a fairly blunt instrument," added Andrew Harvey.

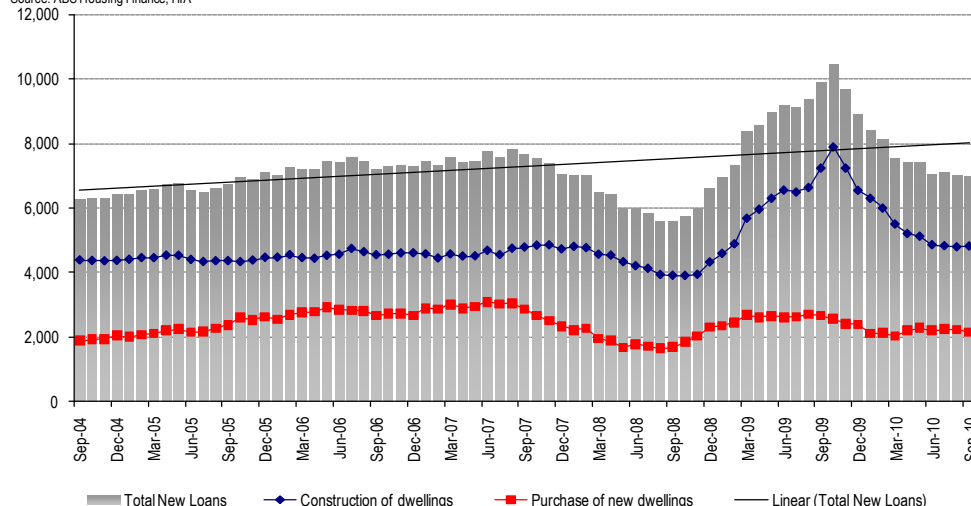
The number of loans for the purchase of new dwellings fell by 3.2 per cent in September 2010 to be down by 19.7 per cent on September 2009. The number of loans for construction rose by 0.5 per cent in September 2010 but is down by 33.5 per cent on September 2009.

Over the three months to September 2010 total housing loans dropped by 24.3 per cent compared to the same period in 2009. First home buyer loans were down by 52.9 per cent, while trade up buyer loans fell by 14.6 per cent.

In seasonally adjusted terms, in September 2010 the total number of owner occupier loans fell by 1.4 per cent in Victoria and by 0.5 per cent in Queensland. Total owner occupier loans increased by 0.4 per cent in New South Wales, 1.1 per cent in South Australia, 4.9 per cent in Western Australia, 1.7 per cent in Tasmania, 2.2 per cent in the Northern Territory and 1.1 per cent in the ACT.

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance; HIA



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