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## Credit Squeeze Bites Hard on New Housing

A seventh consecutive slide in new home loans in May highlights the impact of rising interest rates and tighter finance restrictions on new housing activity, said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Chief Executive - Association, Graham Wolfe, said that six interest rate rises over the nine months to May this year and tighter access to credit are weighing down any hope of a sustained new home building recovery.

The number of loans for construction fell by 2.2 per cent in May while loans for the purchase of new dwellings grew by 4.7 per cent. Overall, loans for new housing dropped by 0.2 per cent to be 20 per cent lower than six months ago.

"The decline in the number of first home buyers has unfolded as expected. However, interest rate speculation that was evident in the early part of the year has clearly downgraded the confidence of trade up buyers, and if there is any hope of a substantial return of trade up buyers to the market, interest rate increases need to be avoided for the remainder of 2010," said Mr Wolfe.

Over the 3 months to May 2010 total housing loans dropped by 26.2 per cent compared to the same period in 2009. First home buyer loans were down by 56 per cent, while trade up buyer loans fell by 10 per cent.

"Today's result also points to the recent substantial declines in housing affordability, which is not just a product of interest rate increases, but upward price pressures sourced from tight credit availability, and obstacles related to land supply, planning, infrastructure charges and taxation," said Mr Wolfe.

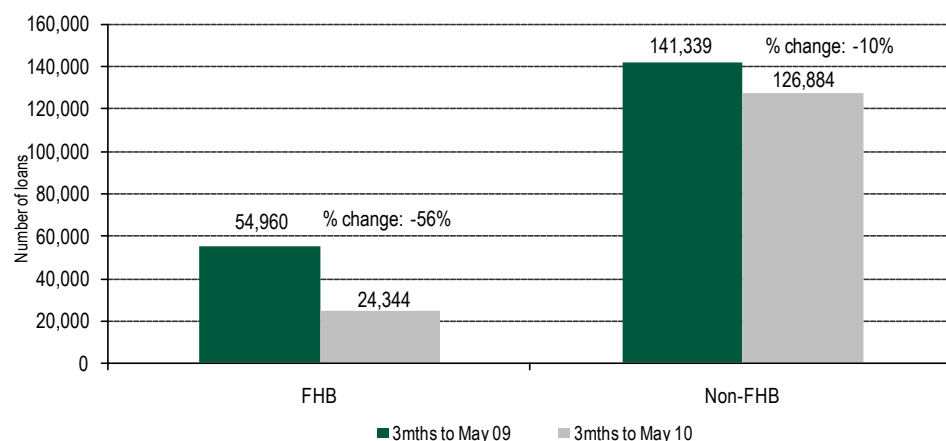
"Impediments to a sustained housing recovery must be removed if we are to have any chance of supplying sufficient new housing to meet demand," said Mr Wolfe.

"HIA estimates that the underlying demand for housing in 2010 is running at 190,000 dwellings per year. Yet, housing starts in 2010 are forecast to total only 165,940. This should be a signal to the Reserve Bank that steady rates are the appropriate course for the remainder of 2010."

In seasonally adjusted terms, the total number of owner occupier loans in May 2010 fell by 3.8 per cent in Western Australia and by 2.4 per cent in the ACT. Total owner occupier loans increased 2.3 per cent in New South Wales, 0.4 per cent in Victoria, 3.8 per cent in Queensland, 1.9 per cent in South Australia, 0.3 per cent in Tasmania, and 7.7 per cent in the Northern Territory.

First Home Buyer versus Non-First Home Buyer Loans

Source: ABS Housing Finance



### For further information:

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