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## February Home Lending Figures – a Very Weak Update

Home lending for both new and existing dwellings continued to fall in February 2010, raising further question marks over the sustainability of the new home building recovery, said the Housing Industry Association, Australia's largest building industry organisation.

HIA Chief Economist, Dr Harley Dale, said that the February update for housing finance was very weak and highlighted the risk that the recovery in residential construction activity could begin waning by as early as the middle of this year.

"There remains no evidence that the volume of upgrade owner occupiers and investors entering the new home sector is proving sufficient to offset the removal of stimulus to first time buyers. While ever this is the case, interest rates should be left on hold.

"The prospects for a second stage new home building recovery from 2010/11 are diminishing amidst rising interest rates, lack of available credit, and persistently high supply side barriers to new housing related to land and labour supply, regulation and taxation, and planning delays.

"Australia faces a housing shortage of nearly 110,000 dwellings. There is a clear risk that this shortage worsens because the housing recovery runs out of steam years ahead of when it needs to. Such an outcome would deliver avoidable upward pressure on rents and on existing home values.

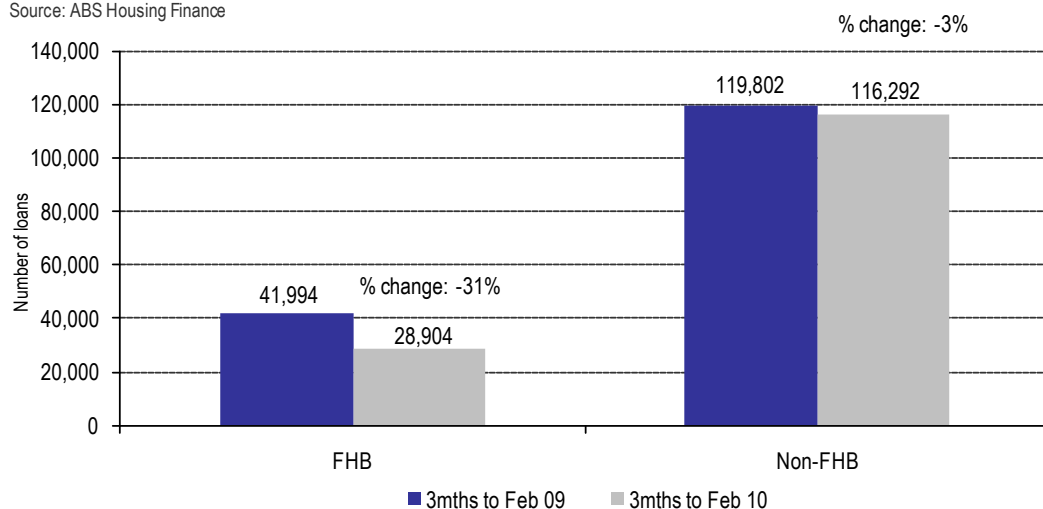
The number of loans for construction fell for a fourth consecutive month in February 2010, down by 3.1 per cent to reach the lowest level since July last year. Loans for the purchase of a new dwelling were effectively flat in February while loans for established dwellings (net of refinancing) dropped by 2.8 per cent to the lowest level since September 2008.

"First home buyer owner occupier loans are, not surprisingly, continuing to decline. At the same time, however, non first home buyer owner occupier loans are losing momentum rapidly and loans for new residential investment are still languishing at near eight year lows," said Harley Dale.

In seasonally adjusted terms the total number of owner occupier loans fell by 5.2 per cent in New South Wales and was down by 3.5 per cent in Queensland, 8 per cent in South Australia, 5.3 per cent in Tasmania, and 1.4 per cent in the Australian Capital Territory. The total number of loans was flat in the Northern Territory and increased by 1.3 per cent in Victoria and by 3.7 per cent in Western Australia.

### First Home Buyer versus Non-First Home Buyer Loans

Source: ABS Housing Finance



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