

Housing Bubble Talk Rubbished by Lending Figures

Home lending for both new and existing dwellings fell for a third straight month in January 2010, rubbishing claims of a property bubble and pouring cold water on the strength of Australia's housing recovery, said the Housing Industry Association, Australia's largest building industry organisation.

HIA Senior Economist, Mr Ben Phillips, said that loans for the construction of new dwellings fell for the third straight month in January 2010. The number of loans for new dwellings fell by 6.4 per cent in January owing to a 13.2 per cent drop in loans for the purchase of new dwellings and a 3.9 per cent drop in loans for the construction of new dwellings.

"The removal of the federal government's first home buyer boost and increasing interest rates have clearly lowered activity in both the new and existing homes market."

"The Reserve Bank must take stock of the impact that higher interest rates are having on the new homes market. Aggressive interest rate increases will ultimately constrain new housing and push up prices for both home purchase and renters," said Ben Phillips.

The share of first home buyer owner occupier loans declined further in January to 20.1 per cent, falling from a high in May 2009 of 28.5 per cent. Total loans for first home buyers are now one third lower than a year ago and trade-up buyers have not taken up the slack, dropping by nearly 10 per cent over the past 12 months.

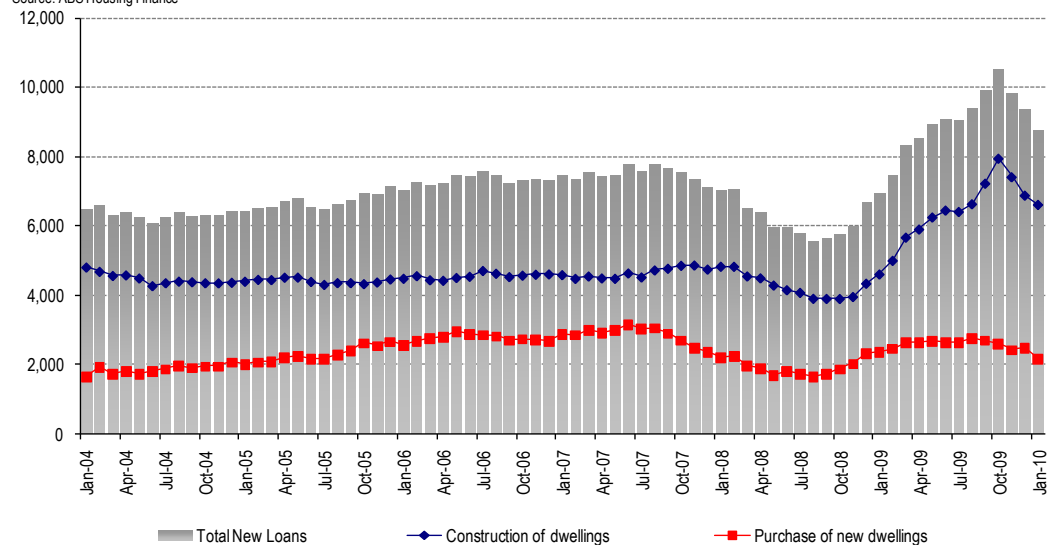
"Disappointingly, the long-awaited boost to investment housing is yet to bare fruit with loan approvals dropping 6.3 per cent for new investment housing and total investment growing by a glacial 0.9 per cent."

"Population growth across the nation is at record levels, and construction of new housing is lagging badly. The end result is worsening housing affordability and a growing gap between the housing haves and have nots."

In seasonally adjusted terms the total number of owner occupier loans fell in every state and territory with the exception of the Northern Territory in January 2010. The number of loans fell in New South Wales (-7.3 per cent), Victoria (-3.7 per cent), Queensland (-9.6 per cent), South Australia (-5.5 per cent), Western Australia (-11.1 per cent), Tasmania (-8.0 per cent), and the Australian Capital Territory (-4.3 per cent). The Northern Territory gained 3.6 per cent.

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance



For further information:

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