

12 May 2010



## New Home Lending Hits 12 Month Low

In a worrying sign for a sustainable housing recovery, the number of new home loans hit a 12 month low in March said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Chief Economist, Dr Harley Dale, said there is a disturbing downward trend in new home lending that does nothing to instil confidence in the prospects for a recovery in new residential construction that extends beyond this year.

"The March ABS Housing Finance result marks the fifth consecutive fall in loans for construction and the sixth consecutive decline in total lending," said Harley Dale.

"We have a debilitating confluence of higher interest rates, tight credit availability, and obstacles related to land supply, planning, and infrastructure charges and taxation.

"These forces are standing in the way of a sustainable lift in new construction in 2011 and beyond that would allow inroads to be made into Australia's large and growing housing shortage.

"A circuit breaker is urgently required to expedite progress in reducing supply side barriers and easing credit conditions. Otherwise the financial strain on renters and entry level buyers will only worsen and upward pressure on interest rates will intensify.

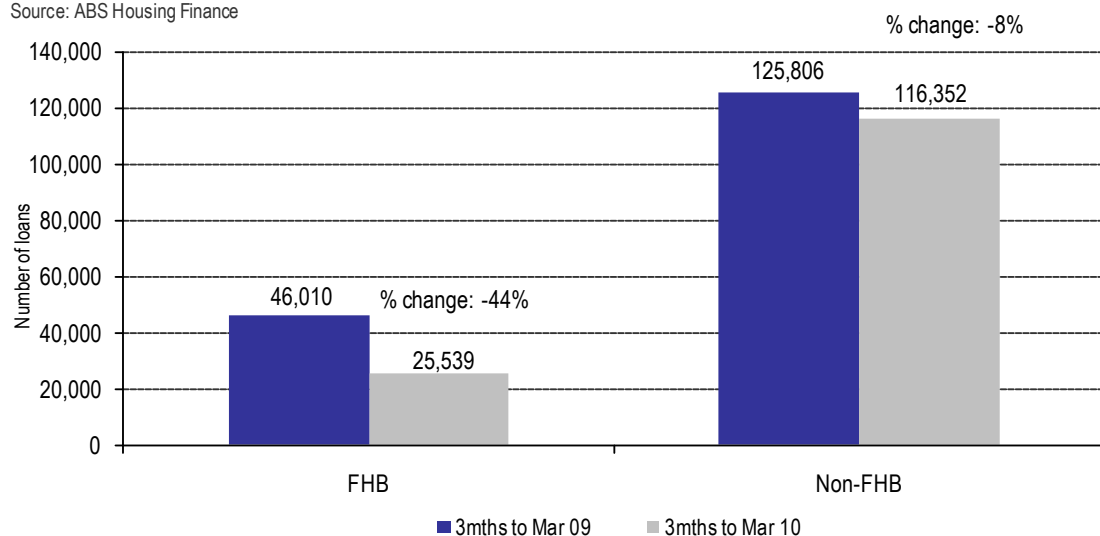
The number of loans for construction fell by 7.3 per cent in March 2010 to be down by 15 per cent over the quarter. Loans for the purchase of new dwellings fell by 3.2 per cent in the month of March to be 14 per cent lower over the quarter.

"Clearly the first stage new home building recovery was driven by first time buyer-related activity. In the March 2010 quarter the first home buyer loan market was nearly 50 per cent down on the same period last year, but the non-first home buyer market was weakening rather than filling the void left by the removal of the First Home Owner Boost," said Harley Dale.

In seasonally adjusted terms the total number of owner occupier loans in March 2010 fell by 4.1 per cent in New South Wales, 3.5 per cent in Victoria, 1.8 per cent in Queensland, 5.6 per cent in South Australia, 6.8 per cent in Western Australia, 2.2 per cent in Tasmania, 12.1 per cent in the Northern Territory, and 4 per cent in the Australian Capital Territory.

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

Source: ABS Housing Finance



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