

9 June 2010



New Home Lending Continues to Slide

Higher interest rates and the on-going sharp deterioration in the first home buyer market contributed to new housing loans falling for a sixth consecutive month in April, said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Senior Economist, Ben Phillips, said that without the government support and low interest rates observed in 2009 the new housing market was looking decidedly unhealthy.

"A sustainable recovery in residential construction is looking increasingly unlikely amidst a debilitating confluence of higher interest rates, tight credit availability, and obstacles related to land supply, planning, and infrastructure charges and taxation.

The number of loans for construction fell by 4.8 per cent in April while loans for the purchase of new dwellings grew by 6.3 per cent. Overall, loans for new housing dropped by 1.8 per cent to be 25 per cent lower than six months ago.

Over the 3 months to April 2010 total housing loans dropped by 20.8 per cent compared to the same period in 2009. First home buyer loans were down by 51.4 per cent, while trade up buyer loans fell by 8.6 per cent.

"The large pull forward in first time buyers in 2009 has predictably been replaced by a sharp contraction in numbers. However, upgrade buyers are simply not entering the market in sufficient numbers to provide the necessary net boost to generate a sustained housing recovery, said Ben Phillips.

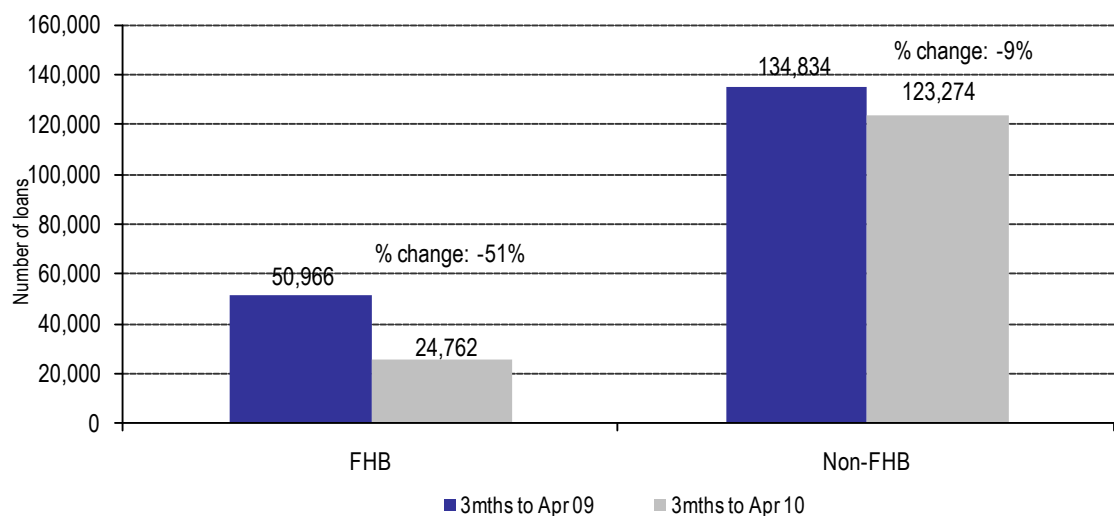
"The only bright spot in this release is that investment loans for new housing increased 9.1 per cent over the month, assisting total investment to increase by 1.3 per cent, said Ben Phillips.

"Today's figures reinforce a renewed, post stimulus weakness in the new homes market which should be a signal to the Reserve Bank that steady rates is the appropriate course for the foreseeable future," said Ben Phillips.

In seasonally adjusted terms the total number of owner occupier loans in April 2010 fell by 0.7 per cent in Victoria, 3.1 per cent in Queensland, 1.9 per cent in Western Australia, 0.2 per cent in the ACT, and 8.6 per cent in the Northern Territory. Loans increased by 0.4 per cent in New South Wales, 3.8 per cent in South Australia, and 2.7 per cent in Tasmania.

First Home Buyer versus Non-First Home Buyer Loans

Source: ABS Housing Finance



For further information:

Ben Phillips, Senior Economist

0424 147 321