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FINANCE FOR NEW HOME BUILDING WEAKENS IN APRIL

Figures released today show that the number of loans for owner occupiers increased by 2.2 per cent to 66,016 in April due to a 2.7 per cent lift in finance for established dwellings. Loans for construction fell by 1.4 per cent and loans for the purchase of a new dwelling fell by 2.8 per cent.

Total home lending for owner occupiers increased modestly in April, due to a rise in the established market.

Over the three months to April 2007 loans for construction eased by 1 per cent and were only 0.6 per cent higher than for the three months to April last year.

Australia's peak housing body, HIA, said that a modest up-trend in total housing finance masked a long-running flat profile for the construction of new homes.

HIA's Chief Economist, Mr Harley Dale, said that leading indicators of new home building, such as today's update on lending for construction, provides no evidence of a recovery in new housing.

"Economic conditions are healthy and this is reflected in the continuing improvement of the established housing market," Mr Dale said.

"The new housing market can't match this improvement because government-imposed costs, planning delays, and high raw land costs prevent a recovery from taking hold," Mr Dale added.

"Meanwhile the first home buyer market continues to struggle. The number of first home buyer loans fell back in April, although the proportion of first home buyers did improve from 16.6 per cent to 17.2 per cent.

"The situation overall for the first home buyer market is no better this year than last. You simply cannot achieve any sustained improvement in housing conditions for aspiring home owners in an environment where housing affordability continues to hit fresh lows."

On a state by state basis, lending for construction in April was down on year ago levels for the Northern Territory (-50%), the Australian Capital Territory (-31%), Western Australia (-18%), and New South Wales (-6%). Loans for construction were higher in Queensland (+35%), Victoria (+12%), South Australia (+10%), and Tasmania (+1%).

Further Information

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