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LENDING FIGURES HIGHLIGHT HOUSING STRESS

Home lending data for August points to the continuation of a wide gap between new housing supply and demand and explains increases in existing house prices and rents.

The total number of loans for owner occupiers increased by 1.6 per cent in August to 64,365, a level 0.3 per cent lower than a year earlier.

Lending for construction increased by 2.7 per cent in August but the aggregate number of construction loans through the middle part of 2007 has not improved at all when compared to the same period last year.

HIA's Chief Economist, Mr Harley Dale, said that the weakness in construction lending figures explains the price pressures in both the existing housing market and in rental markets.

"We saw evidence from the HIA-APM Land Monitor how plummeting land sales were putting the brakes on new residential construction," Mr Dale said.

"Home lending figures show that lending for construction has failed to make a sustained recovery as high land prices and onerous fees, taxes, and charges drive an ever wider wedge between housing supply and demand," Mr Dale said.

"Furthermore an impending update on housing affordability for the September quarter will almost certainly show a further deterioration and set another record low," Mr Dale said.

"A recovery in new home building is a crucial requirement for the Australian economy but affordability is just so low that there is still no sign of a sustainable recovery emerging," Mr Dale added.

"The established housing market is on the up and up again but the same cannot be said for new construction."

On a state by state basis, the total number of seasonally adjusted loans was higher in all states and territories except Western Australia and Tasmania. The number of loans increased by 3.3 per cent in Queensland, 2.7 per cent in South Australia, 2.3 per cent in Victoria, 2.2 per cent in the Australian Capital Territory, 1.4 per cent in the Northern Territory and was 0.3 per cent higher in New South Wales. Total lending fell by 5.3 per cent in Western Australia and was down a marginal 0.1 per cent in Tasmania.

Further Information

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