

Lending Hit by Higher Rates/Fewer First Homes

Home lending for both new and existing dwellings fell further in December 2009, reflecting the unwinding of the first home buyer stimulus and a third consecutive rate rise, said the Housing Industry Association, Australia's largest building industry organisation.

HIA Chief Economist, Dr Harley Dale, said that loans for the construction of new dwellings fell for the second straight month in December 2009 following 14 monthly increases in a row. The number of loans for new dwellings fell by 6.4 per cent in December following a downwardly revised 7.1 per cent decline in November.

"The level of new home lending is still historically high, as you would expect given the monetary and fiscal policy stimulus that was in play through much of last year.

"On a positive note, the combination of federal and state government grants for new housing saw the share of lending for new housing increase significantly, particularly in Victoria. By making new homes more attractive for first home purchasers, the additional incentives have provided a significant boost for new dwelling starts.

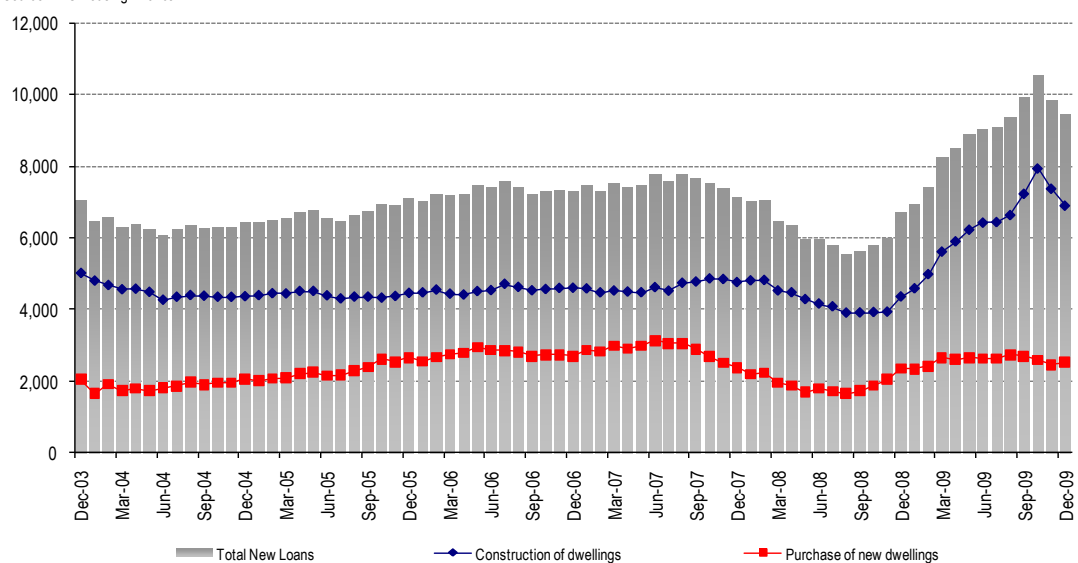
"Targeting incentives on new dwellings makes a lot more sense than pumping money into the churning of established dwellings. The tilting of first home grants to new dwellings has lifted both the demand for new homes and the level of new home construction," said Harley Dale.

The reversal of the first home buyers' boost saw the number of first home buyer loans peak in mid-2009 while the proportion of first home buyer loans now sits at 21 per cent, the lowest since October 2008 and well down on the peak of 28.5 per cent seen in May 2009.

In seasonally adjusted terms the total number of owner occupier loans fell in every state and territory in December 2009 with the exception of the Australian Capital Territory. The number of loans fell in New South Wales (-6.7 per cent), Victoria (-4.9 per cent), Queensland (-5.6 per cent), South Australia (-6.4 per cent), Western Australia (-2.7 per cent), Tasmania (-4.3 per cent), and the Northern Territory (-6 per cent). The number of loans increased by 0.5 per cent in the Australian Capital Territory.

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance



For further information:

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