

New Home Lending Signals Recovery Potential

The level of new home lending remained very healthy in July 2009 said the Housing Industry Association, Australia's largest building industry organisation.

HIA Chief Economist, Dr Harley Dale, said that the number of loans for construction eased slightly in July after eight straight months of growth.

"Construction lending increased by 15 per cent over the three months to July 2009 and is up by 41 per cent over the year to date, clearly signalling the potential for a strong recovery in new home building," said Harley Dale.

"The concern is that the recovery is getting bogged down in the approvals process. Between November 2008 and July this year the number of loans for construction has jumped by 61 per cent but detached house approvals are only up by 20 per cent. This suggests that a decent pace of recovery in new home starts may be slow to materialise," Harley Dale said.

The total number of seasonally adjusted loans for owner occupiers (net of refinancing) fell by 2.2 per cent in the month of July 2009 but was up by 5.1 per cent over the 'quarter'. The number of loans for construction eased by 0.7 per cent over the month. The number of loans for the purchase of new dwellings eased by 0.5 per cent in July but was 2.8 per cent higher over the quarter. Lending for established dwellings (net of refinancing) fell by 2.5 per cent in July but was up by 3.8 per cent over the quarter.

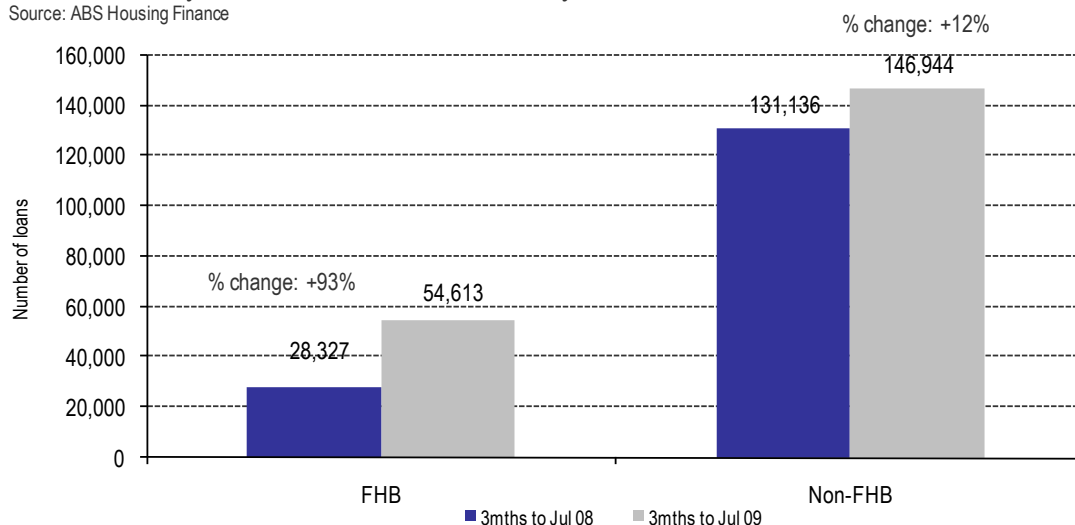
"Loans to both first time buyers and non-first time buyers are higher over the three months to July 2009 compared to the same period last year. First home buyers are leading the way still but momentum is waning so it is encouraging to see a lift outside this market, something that was lacking earlier in the year," Harley Dale said.

"The interest in new home building from trade-up buyers is growing and this trend, along with a recovery in new investment, needs to continue to ensure a sustainable and broad-based recovery for residential construction," said Harley Dale.

In seasonally adjusted terms the total number of owner occupier loans in July 2009 fell in New South Wales (-0.8 per cent), Victoria (-1.3 per cent), Queensland (-3.1 per cent), Western Australia (-3.3 per cent), Tasmania (-8.9 per cent), and the Australian Capital Territory (-14.4 per cent). The total number of loans increased by 0.1 per cent in South Australia and by 4.9 per cent in the Northern Territory.

First Home Buyer versus Non-First Home Buyer Loans

Source: ABS Housing Finance



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