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LENDING FIGURES PROVIDE SOFT UPDATE FOR NEW HOME BUILDING

Total home lending for owner occupiers posted a modest gain over the first quarter of 2007 but much needed investment in new rental stock continued to weaken.

Figures released today show that the number of loans for owner occupiers increased by 1.3 per cent to 63,335 in the month of March and rose by 1.6 per cent over the entire quarter.

On the investment front, a 14.6 per cent rise in lending for construction in March masked a softer quarter overall. Over the first three months of 2007 lending for investment in new rental stock fell by 2.2 per cent to be down by a sharp 25.1 per cent on the March 2006 quarter.

Australia's peak housing body, HIA, said that the lending update for the construction of both owner occupier and investor dwellings highlighted a weak first quarter.

HIA's Chief Economist, Mr Harley Dale, said that housing finance and building approvals updates over the early months of 2007 portrayed a home building sector that was struggling against the highest housing affordability hurdle the country has ever faced.

"The established market is picking up a little bit of steam but over the early months of this year indicators for new construction have remained soft," Mr Dale said.

"Clearly a cyclical recovery in housing is not emerging as it should be because of the excessive government-imposed costs to home building," Mr Dale added.

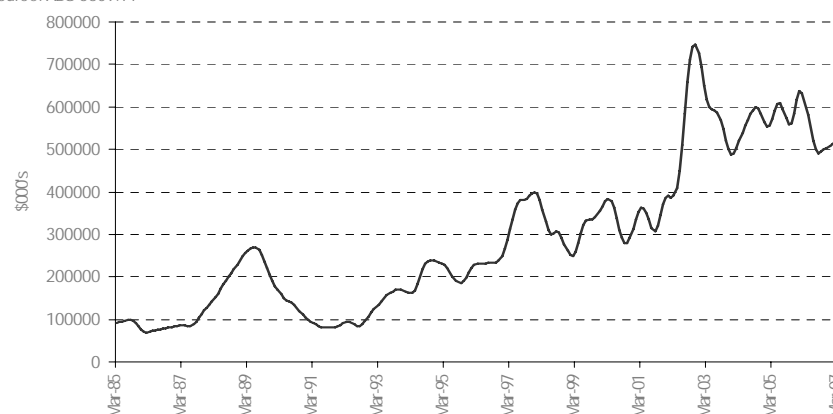
"This situation is placing enormous pressure on first home buyers and renters."

"The number of first home buyer loans did increase in March and the proportion of first home buyers lifted above the 18 per cent mark for the first time in a year. We have seen before, however, that improvement in the first home buyer segment of the market proves all too short-lived in the current climate of record low housing affordability," Mr Dale added.

On a state by state basis, the total number of seasonally adjusted owner occupied housing commitments increased by 17.8 per cent in the Australian Capital Territory and by 9.6 per cent in the Northern Territory. Modest rises were recorded for Queensland, up 1.5 per cent, Western Australia, up 1.2 per cent, and New South Wales, up 0.5 per cent. The number of loans fell by 1.5 per cent in South Australia and Tasmania, and by 0.4 per cent in Victoria.

Trend in Investment Lending for Construction

Source: ABS 5609.11



Further Information

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