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FIRST HOME BUYERS CONTINUE TO STRUGGLE

The first home buyer market continues to struggle.

The total number of loans for owner occupiers barely moved in May while the proportion of first home buyers dropped. Lending for construction eased by 0.4 per cent to be 0.7 per cent lower than in May last year.

Over the three months to May 2007 loans for construction were down by 0.9 per cent to be only 1 per cent higher than for the three months to May last year.

Australia's peak housing body, HIA, said that May housing finance figures provided a weak update on the Australian residential sector.

HIA's Chief Economist, Mr Harley Dale, said that an increase in the value of lending masked a disappointing set of numbers.

"The overall picture is one of flat to weaker lending for construction and a first home buyer market that was in better shape in the first half of last year than this year," Mr Dale said.

"The average number of first home buyer loans written this year to date is little changed on the first five months of last year and the proportion of first home buyers in the market has actually declined," Mr Dale said.

"On the investment front, a jump in construction finance in May has failed to arrest an alarming downward trend in loans for new investment properties."

"Despite record lows in private rental vacancy rates new construction is not recovering. This reflects an underlying fundamental failure of the market to deal with a chronic shortage of rental stock."

On a state by state basis, the total number of loans in May fell by 7.3 per cent in Western Australia and was down by 2.6 per cent in New South Wales. Total lending was up in Tasmania (+6.4%), the Australian Capital Territory (+4.6%), the Northern Territory (+2.3%), Victoria (+1.6%), Queensland (+1.4%), and South Australia (+0.7%).

Further Information

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