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MONETARY POLICY OVERCOOKED

Home lending for owner occupier housing weakened across the board in May.

HIA's Chief Economist, Harley Dale said current conditions appear to confirm arguments that the RBA should have left rates on hold earlier in the year. Higher interest rates have generated a significant weakening in new residential construction over the first half of 2008, a time when the shortage of new housing stock is approaching 40,000 dwellings per annum.

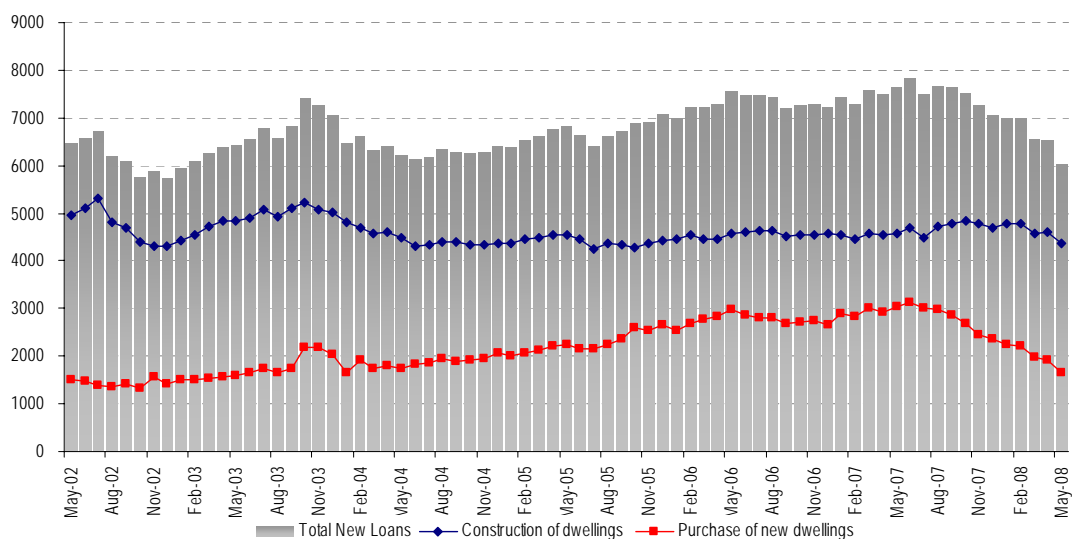
Housing finance figures released today for the month of May 2008 show an overall fall in the number of loans of 7.9 per cent to 52,006. Loans for construction fell by 5 per cent, loans for the purchase of a new home dropped by 13.5 per cent, and loans for established dwellings (net of refinancing) were down by 7 per cent. The number of loans was down across all states and territories.

Tighter monetary conditions have hit the housing sector at precisely the wrong juncture in time, accentuating the urgency for the various levels of government to get their act together in reducing the structural barriers preventing greater housing supply.

"The total number of loans in May was at the lowest level since June 2004 and first home buyer loans are consistently falling below the 10,000 monthly mark for the first time since mid 2005," Harley Dale said.

On a state by state basis, the total number of loans in May fell by 19.4 per cent in Tasmania and was down by 9.5 per cent in Victoria, 8.9 per cent in Queensland, 8 per cent in the ACT, 7.4 per cent in New South Wales, 5.7 per cent in Western Australia, 5.1 per cent in South Australia, and 4.9 per cent in the Northern Territory.

AUST New Home Lending - Number of Loans



Further Information

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