

Home Lending Defies Global Doom

A lift in home lending in May points to a green shoot in home building said the Housing Industry Association, Australia's largest building industry organisation.

HIA Senior Economist, Mr Ben Phillips, said that the number of loans for new dwellings had risen for nine consecutive months and pointed to a modest recovery emerging for residential construction.

"New home lending figures are in contrast to the surprise negative building approvals figures for May and show that the housing sector continues to be buoyed by the first home buyers grant and low interest rates," said Ben Phillips.

The total number of seasonally adjusted loans for owner occupiers increased by 2.2 per cent in the month of May 2009 to a level 23.5 per cent higher than in May last year. There was an 8 per cent increase in loans for construction while lending for established dwellings (net of refinancing) was up by 2.7 per cent. The number of loans for the purchase of new dwellings grew by 2.9 per cent.

"First home buyer activity continues to be a key feature of the strength in housing finance with the number of loans for first home buyers up by 102.5 per cent in May compared to a year earlier," Ben Phillips said.

"Most pleasing was a return of investors for the construction of new rental dwellings which grew by 83.7 per cent over May. Conditions for rental investment have improved significantly recently with strong rent growth, low interest rates and renewed confidence in house prices buoying the sector," Ben Phillips added.

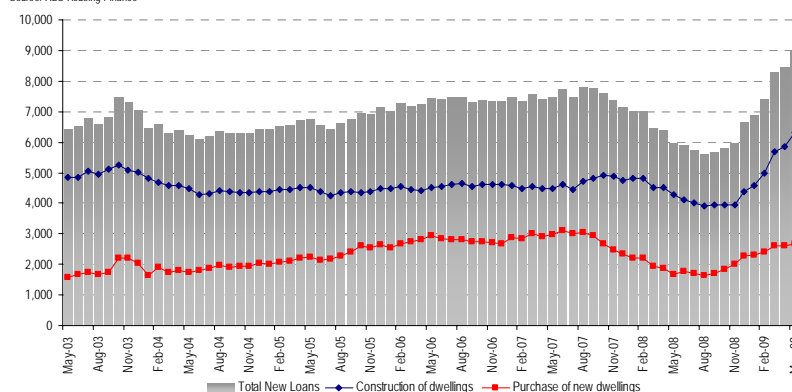
"HIA notes that the improved May rental investment figures for new housing mask the reality that the investment over the 5 months to May remain 40 per cent below the same period last year. Credit constraints and the lack of pass-through of lower interest rates to the building sector continue to drag down this important sector," Ben Phillips added.

"HIA is forecasting a 15 per cent increase in housing starts by the December quarter this year following a trough reached in the March quarter and new dwelling investment is forecast to make a positive contribution to Australia's economic growth in the 2009/10 financial year," Ben Phillips said.

In seasonally adjusted terms the total number of owner occupier loans in May 2009 increased in New South Wales (+1.5 per cent), Victoria (+3.1 per cent), Queensland (+3.4 per cent), South Australia (+2.6 per cent) and Western Australia (+0.5 per cent), but fell in the Northern Territory (-5.4 per cent), Tasmania (-3.3 per cent) and the Australian Capital Territory (-1.0 per cent).

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance



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