

New Housing Loans Push Higher in October

Lending to home buyers to build or purchase new dwellings defied the increase in interest rates in October but was blunted by continued weakness in lending for rental investment according to the Housing Industry Association, Australia's largest building industry organisation.

HIA Senior Economist, Mr Ben Phillips, said that loans for the construction of new dwellings and the purchase of newly-built homes combined increased by 5.7 per cent following a rise in September. New housing loans increased in 13 out of the last 14 months.

"The strength of lending to owner occupiers continued to be countered by weakness in loans for new investment housing, which experienced a fall of 0.6 per cent. Loans for new investment housing were down 10.5 per cent over the last 3 months relative to the corresponding period of the previous year," said Ben Phillips.

"The housing industry will be relying on a strong investor market over 2010 to assist in a broad-based housing recovery through 2010. The investment lending figures bode poorly for this outcome and signal another year of skinny rental vacancies and upward pressure on rents," said Ben Phillips.

During October, loans for the construction of new dwellings increased by 9.2 per cent, while loans for the purchase of newly-built dwellings dropped by 3.9 per cent.

"Further interest rate increases in November and December and the potential for more in the new year, along with the removal of the first home owners boost mean that achieving further growth over 2009 and 2010 in owner occupier loans will be difficult," said Ben Phillips.

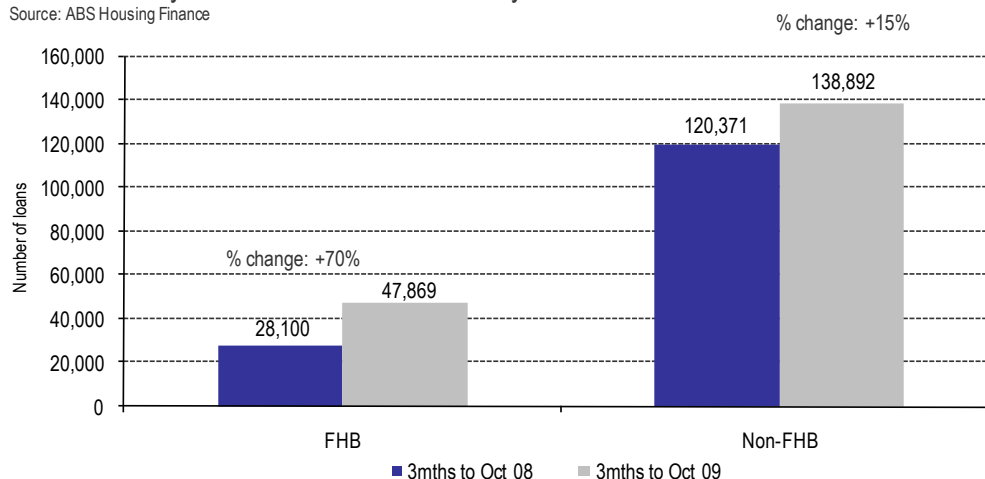
"Higher interest rates, lower first home owner grants and unrelenting supply-side impediments to new home building provide a challenging environment for the much needed revival of the residential housing market as we move into 2010," said Ben Phillips.

The total number of seasonally adjusted loans for owner occupiers (net of refinancing) dropped by 1.5 per cent in the month of October 2009 but was up by 37.4 per cent compared to October 2008.

In seasonally adjusted terms the total number of owner occupier loans (net of refinancing) in October 2009 declined in New South Wales (5 per cent), Queensland (0.6 per cent), Victoria (0.4 per cent), the Australian Capital Territory (1 per cent) and South Australia (3.8 per cent). The total number of loans increased by 0.8 per cent in Western Australia, the Northern Territory (7.9 per cent) and by 6.2 per cent in Tasmania.

First Home Buyer versus Non-First Home Buyer Loans

Source: ABS Housing Finance



For further information:

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