

6 June, 2006

## HOME LENDING HOLDS STEADY IN APRIL

Home lending held steady in April, ahead of a likely pull-back mid year as a result of the interest rate rise in May.

Housing Finance for April, released today, showed a bare 0.5 per cent decline in total lending for owner occupation from 59,752 loans to 59,459 loans.

Australia's peak housing body, the Housing Industry Association (HIA), said that the recovery in housing finance had more than likely stalled.

HIA's Chief Economist, Mr Harley Dale, said that the breather taken by housing finance in April was likely to extend to a modest weakening in the months ahead.

"There has been an encouraging, although modest, improvement in home lending underway for some time, but there was a pause in April," Mr Dale said.

"Sentiment towards housing has been negatively affected by the rate rise of last month, and a resumption of the housing finance recovery in the short term is very unlikely," Mr Dale added.

"The high level of competitiveness in the mortgage market will likely mitigate, rather than prevent, a short term weakening in home lending activity."

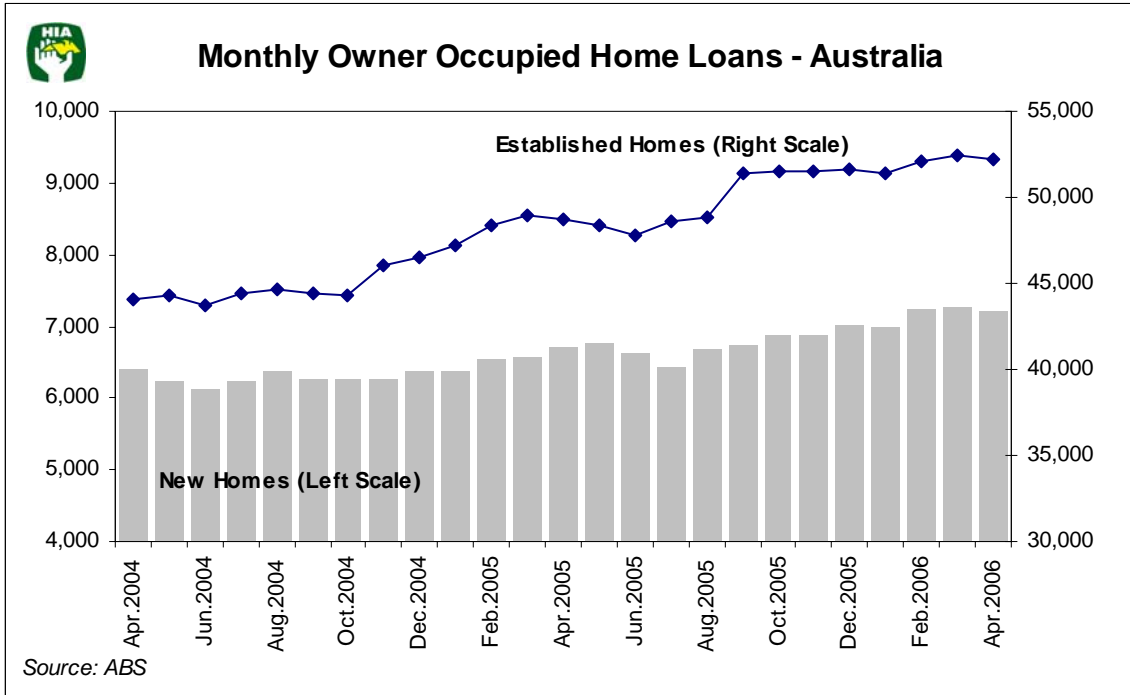
"The first home buyer market has also been in recovery mode, albeit one that has been all too gradual. The proportion of first home buyers increased from 18.4 per cent in March to 19.1 per cent in April."

"Higher mortgage rates and higher fuel costs may well snuff out any further recovery in first home buyers in the second half of 2006."

The number of owner occupied housing commitments (seasonally adjusted) eased by 0.5% (down 293) in April 2006 compared with March 2006, following a rise of 0.8% in January 2006. The number of loans refinanced fell by 1.5 per cent, while the number of loans for construction declined by 1.6 per cent. Loans for the purchase of a new dwelling were flat while loans for established dwelling (net of refinancing) were up by 0.1 per cent. The trend in the number of owner occupied housing commitments rose by 0.3% in April 2006.

Increases in the number of owner occupied housing commitments (seasonally adjusted) in April 2006 compared with March 2006 were recorded in Tasmania (up 82, 6.6%), Western Australia (up 371, 24%), New South Wales (up 340, 2%), and Queensland (up 79, 0.6%). Decreases were recorded in Victoria (down 12, -0.1%) and the Australian Capital Territory (down 114, -14.7%). The number of loans held largely steady at 4,855 in South Australia. The trend increased in all states and territories except Victoria.

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**Further Information**

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