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MODEST IMPROVEMENT IN NEW HOME LENDING

The flat outlook for new home construction continued in August with lending for new homes improving only modestly.

Figures released today from the Australian Bureau of Statistics show that 4,321 loans were issued for the construction of a dwelling, up 0.7 per cent on the previous month. Loans for the purchase of a newly finished home also rose over the month, up 5.1 per cent to 2,275.

Overall however, loans for all dwellings (including established homes) fell by a very modest 0.2 per cent.

Australia's peak building industry body, HIA, said that after the sharp fall in dwelling approvals last week, today's update is better news given that home loan activity is traditionally the most leading indicator of activity.

HIA's Chief Economist Simon Tennent said that this stabilisation in the new construction market is welcome news for the nation's builders as these loans will translate into activity in the first half of next year.

"Again it appears that cashed up repeat buyers continue to be the most active players in the market as the proportion of first-home buyers is still disappointing, despite edging up over the month to 17.3 per cent of all buyers," Mr Tennent said.

"Along with a disappointing first home buyer sector, today's figures have also highlighted another worrying trend in the level of investment in rental properties," he added.

"Today we have seen another fall in the value of loans for rental properties, down a further 4.3 per cent following a similar fall in the previous month," Mr Tennent said.

"For some cities, continued falls of this magnitude at a time when rental supply is so tight could well lead to zero vacancy rates by the end of next year, putting further upward pressure on rents which are already increasing at a faster pace than incomes."

"Just as higher petrol prices will be a thorn in the side for economic growth over the next year, rent increases will have an equivalent dampening effect."

"It is crucial that the supply of new properties for investment purposes are not held up at the cumbersome approval stage, while at the same time ensuring that additional regulatory costs on high-rise projects are curtailed," Mr Tennent said.

On a state by state basis, the total number of home loans rose in NT, up 7.3%, followed by WA, up 4.2%, SA, up 3.6%, the ACT up 3.5% and QLD, up 0.1 per cent. Falls were recorded in Tasmania, down 5.1%, Victoria, down 2.2% and NSW, down 1.1%.

FURTHER INFORMATION:

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