

11 October 2006

HOUSING REACTS TO HIGHER RATES

The reaction to this year's two increases in official interest rates is starting to show.

Figures released today show that in the month of the second interest rate increase, lending to first home buyers, new home builders and investors all fell.

Housing Finance for August, showed overall home lending fell by 1.0 per cent to 63,217 loans. Loans for the construction of a dwelling fell by 0.3 per cent while there was an encouraging increase in loans for the purchase of a recently completed home, up 2.3 per cent to 2,955. In the established home market, loans fell by 1.2 per cent to 55,646.

Australia's peak housing body, HIA, said that while higher rates are unlikely to trigger meltdown in the housing market, they will keep a lid on the modest revival and keep home building activity well below what is needed to satisfy demand.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent said that if there are any positives to take away from today's number, it is the fact that housing will not be adding to credit or inflationary pressures for the rest of the year.

"This coupled with improvements in oil prices, and mounting concerns over the US economy should lengthen the odds of a rate rise before the end of the year," Mr Tennent said.

"That said however, the home building recovery will need more than steady rates if it is to mount any sort of recovery that will see activity levels back to a level where supply is in line with underlying demand."

"In the meantime our members continue to be squeezed as they face high vacant land costs, a mounting regulatory burden, and a buying public that are still trying to bridge the deposit gap," Mr Tennent said.

On a state by state basis, the total number of seasonally adjusted owner occupied housing commitments decreased by 3.9 per cent in Western Australia, by 1.6 per cent in Queensland and by 0.5 per cent in Victoria. Increases were recorded in South Australia, up 0.6 per cent, New South Wales, up 0.1 per cent, and the Northern Territory, up 3.8 per cent. Tasmania and the ACT remained virtually unchanged.

Further Information

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