

HOUSING FINANCE INCREASES IN FEBRUARY

Total lending for owner occupier housing rose for the fourth consecutive month in February.

Figures released today showed that a total of 55,466 home loans were issued over the month, up 3.7 per cent on January. Loans for construction increased by 2.3 per cent, but remained down by 4.6 per cent on February 2004, a result in line with an easing in residential construction activity.

Australia's peak building industry body, HIA, said that an on-going recovery in total housing finance was encouraging.

HIA's Senior Economist, Mr Harley Dale said that in an environment where housing activity was softening and would continue to do so, a partial recovery in the number of housing loans was a good sign.

"A modest lift in the number of loans since mid last year, rather than ongoing falls, supports the prospect of the housing industry undergoing a moderate slowdown rather than something more savage," Mr Dale said.

"The flipside is that the recovery likely stalled in March as a result of the lift in interest rates and the heightened uncertainty brought about by concerns over the prospect of another hike," Mr Dale added.

The news on first home buyers deteriorated in February.

"First home buyer numbers dropped and that is before the negative impact that the March interest rate rise will have had. The proportion of first home buyers did increase to a reasonable extent in the second half of last year, but the proportion dropped to 15.7 per cent in February from 16.5 per cent in January," Mr Dale said.

"The actual number of loans for first home buyers also continues to be less than the average number over the last ten years and the end of the current house price cycle is not going to be enough on its own to bring significant numbers of first home buyers back into the fray," Mr Dale added.

Total owner occupier lending increased by 6.5 per cent in New South Wales and was up by 5.8 per cent in Queensland, by 5.6 per cent in South Australia, by 2.7 per cent in Western Australia, and by 1.9 per cent in Victoria. Total lending fell by 5.2 per cent in Tasmania, by 5.7 per cent in the Australian Capital Territory, and by 6.7 per cent in the Northern Territory.

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