

7 April, 2006

LENDING JUMP NOT A TRIGGER FOR RATE RISES

Today's solid jump in lending for housing is welcome news for Australia's home builders and renovators but should not be a trigger for hiking interest rates.

Housing Finance for February, released today, showed total lending rose by 1.1 per cent to 59,050 loans compared to 58,702 loans last month.

Australia's peak housing body, Housing Industry Association (HIA), said that the mix of lending in the first few months of this year spells good news for the building industry, with solid, sustainable increases in lending for new homes, alterations and additions and the construction of investment properties

HIA's Executive Director of Housing and Economics, Mr Simon Tennent, said that the residential construction industry has been a drag on growth for some time so this result is encouraging news for the second half of 2006.

"Importantly however, this slow but steady return in new building activity and real estate transactions is a return to normality – not a re-ignition of property fever," Mr Tennent said.

"Looking closer at the figures, there is still weakness," Mr Tennent added.

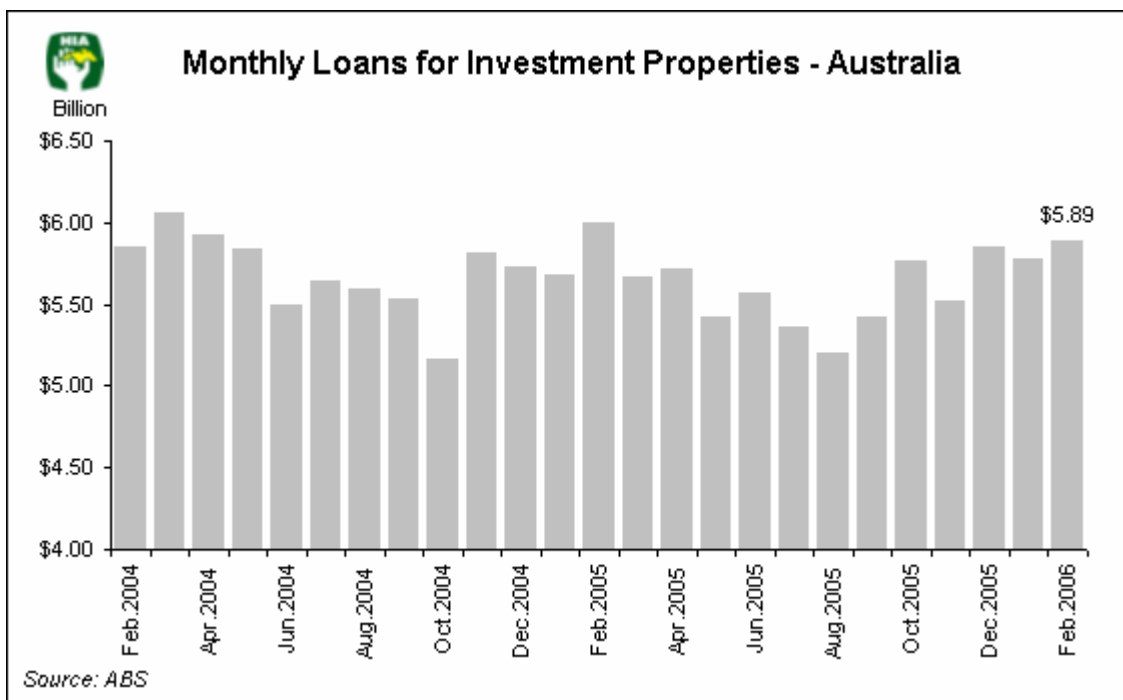
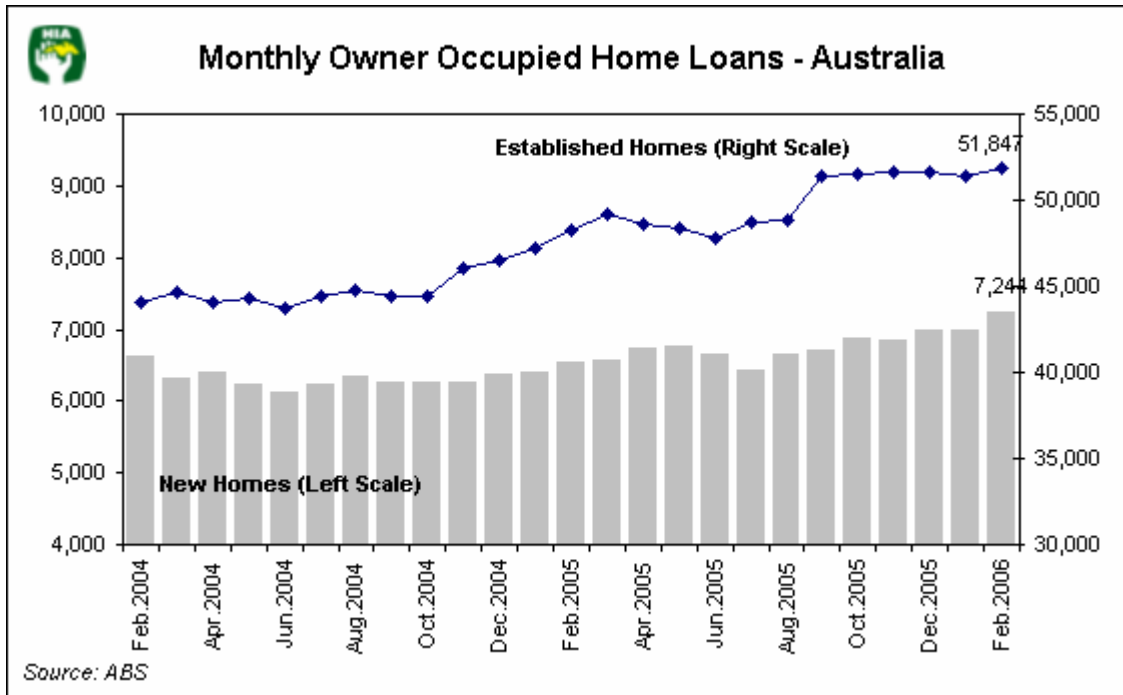
"After an encouraging rise, the proportion of first home buyers fell over the month, down from 18.6 per cent in January to 17.9 per cent in February, underlining the structural affordability problems that will keep a lid on a housing recovery for some time to come."

"Furthermore, the weakness continues in New South Wales, falling by 1.3 per cent over the month and underlining the importance of HIA's release yesterday of a blueprint a recovery in the new housing industry."

The number of owner occupied housing commitments (seasonally adjusted) rose by 1.1% (up 660) in February 2006 compared with January 2006, following a fall of 0.4% in January 2006. Increases were recorded in purchase of established dwellings excluding refinancing (up 249, 0.7%), purchase of new dwellings (up 176, 7.1%), refinancing of established dwellings (up 151, 0.9%) and construction of dwellings (up 84, 1.9%). The number of owner occupied housing commitments (trend) rose by 0.2% in February 2006.

Increases in the number of owner occupied housing commitments (seasonally adjusted) in February 2006 compared with January 2006 were recorded in South Australia (up 395, 8.7%), Queensland (up 342, 2.7%), Western Australia (up 335, 3.8%), Victoria (up 98, 0.7%), Tasmania (up 55, 4.8%) and Northern Territory (up 37, 5.5%). Decreases were recorded in New South Wales (down 216, -1.3%) and Australian Capital Territory (down 20, -3.2%). The trend increased in all states and territories except New South Wales, Northern Territory and Australian Capital Territory.

.../2



Further Information

Simon Tennent, Executive Director Housing and Economics on 0419 445 557 or (02) 6245 1355
<http://economics.hia.asn.au>