

## HOUSING FINANCE LOSING MOMENTUM

Total lending continued to recover modestly at the start of 2005, but the pace of recovery is slowing even before the March interest rate rise begins to have an impact.

Figures released today for the month of January showed that a total of 53,007 home loans were issued over the month, 0.5 per cent higher than the December 2004 level. This compares to growth of 3.2 per cent last November and 1.2 per cent last December.

Australia's peak building industry body, HIA, said that signs of a modest return of confidence to the established housing market since mid last year looked to be losing some shine.

HIA's Senior Economist, Mr Harley Dale said that the other side of the ledger showed lending for construction increasing by 2.4 per cent, but the level remained down by over 9 per cent on the beginning of last year.

"Any signs of a mild improvement for leading indicators such as total housing finance will certainly have been snuffed out by the increase in interest rates and the general concern over the prospect of more to come," Mr Dale said.

"The proportion of first home buyers failed to achieve any further improvement in January, remaining at the December rate of 16.4 per cent. While there was some recovery in the second half of 2004, you're simply not going to get sustained improvement without addressing the structural issues concerning constraints on land supply and the unnecessary cost imposts placed on first home buyers," Mr Dale added.

Total owner occupier lending increased by 14.4 per cent in Tasmania and was up by 7.4 per cent in the Northern Territory, by 2.7 per cent in Queensland, and by 2.6 per cent in Victoria. Total lending fell by 0.3 per cent in Western Australia, by 1.3 per cent in South Australia, by 3.2 per cent in the Australian Capital Territory, and by 3.5 per cent in New South Wales.

"The recovery in investment lending stalled in January, although the fall was only a modest 1.5 per cent," Mr Dale said.

**FURTHER INFORMATION:** Please contact:  
Harley Dale, HIA Senior Economist on 0414 994 186  
Website: <http://economics.hia.asn.au>