

9 August, 2006

**FIRST HOME BUYERS STRUGGLE WITH HIGHER RATES**

Home lending for owner occupiers eked out a modest gain in June, but the construction segment of the market continued to struggle and first home buyers slipped back further, even before the effects of higher mortgage rates fully impact the housing sector.

Housing Finance for June, released today, showed a 1.3 per cent increase in total lending for owner occupation to 63,623 loans. Loans for the construction of a dwelling rose by 1.8 per cent to 4,585 loans, while loans for a recently completed home rose 1.1 per cent to 2,947. In the established home market, loans rose by 1.3 per cent to 56,064.

Australia's peak housing body, the Housing Industry Association (HIA), said that while much had been made in recent months of the recovery in housing finance, the established home lending market had driven the recovery, in itself a very positive development.

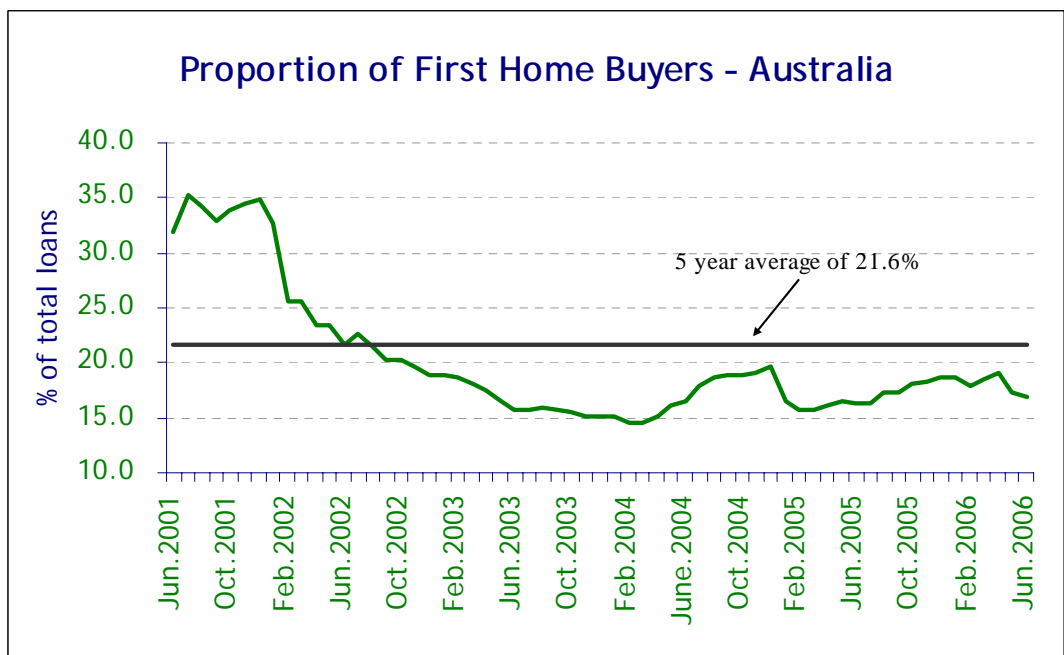
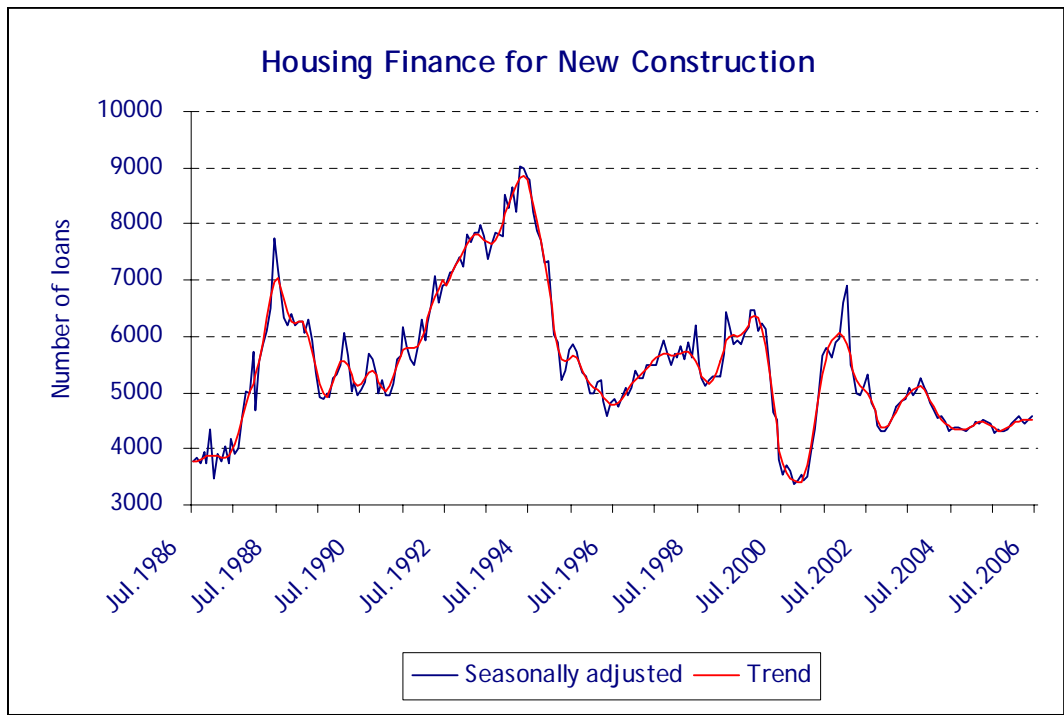
However, loans for new construction have mounted only a very weak recovery and first home buyers continue to struggle.

HIA's Chief Economist, Mr Harley Dale, said that the lack of a strong recovery in loans for construction was a concern given the full effect of the May rate rise was yet to be felt and the second hit earlier this month hadn't even begun to bite.

"Lending for construction has been well off the boil for nearly three years now. Higher interest rates may extend this situation, risking a delay in a much needed recovery in residential building," Mr Dale said.

"Furthermore, first home buyers are continuing to suffer under the weight of unacceptably low levels of housing affordability, a situation exacerbated this year by higher mortgage rates running into steeper fuel costs. The proportion of first home buyers dropped to 17 per cent in June, from 17.4 per cent in May, and the proportion has been below the crucial 20 per cent mark since early 2002," Mr Dale added.

In June 2006 the number of seasonally adjusted owner occupied housing commitments increased by 7.4% in the Australian Capital Territory and rises were also recorded in Tasmania (up 2.8%), Western Australia (up 2.2%), New South Wales (up 1.7%), Queensland (up 0.9%), and South Australia (up 0.2%). Decreases were recorded in Victoria (down 3.1%) and the Northern Territory (down 0.2%).



**Further Information**

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<http://economics.hia.asn.au>