

Home Lending Figures Remain Healthy

Despite a slight fall in lending for established homes, loans for the construction or purchase of new dwellings edged up in May.

Figures released today from the Australian Bureau of Statistics show that 55,732 housing loans were issued in May, down 0.4 per cent overall on the month. Within this however, loans for the construction of a new home reached 4,658, up 2.3 per cent while loans for the purchase of a newly built home edged up by 1.7 per cent to 2,270.

Australia's peak building industry body, HIA, said that the figures reflect a cooling in the established real estate market and an ongoing steady level of demand for new housing.

HIA's Chief Economist Simon Tennent said that with house prices stagnating, sales volumes are down by as much as 30 per cent in some cities, as the urgent speculative buyers of previous years have been replaced by those who are far more cautious and patient.

"For the nation's home builders however, the steady demand for new housing has continued in May and will translate to solid activity through to the end of the year," Mr Tennent said.

"It has been another month of "steady-as-she goes" for the housing industry and with a benign outlook for rates and a solid labour market, it is highly likely that this moderation in new home building has not got much longer to run before pent up demand for new housing kick starts activity next year," Mr Tennent said.

"Today's figures have also taken more pressure of interest rates, in particular the sharp fall in investment lending which was down for the 4th consecutive month."

"Further falls in this series combined with further falls in retail sales could well make the case for cutting interest rates more compelling," Mr Tennent said.

FURTHER INFORMATION:

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