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HIGHER RATES SUBDUE HOUSING FINANCE

The reaction to the three increases in official interest rates this year continues to show up in updates on the housing sector.

Figures released today show that housing finance for owner occupiers was effectively flat in October and lending has been trending down since mid year.

Housing Finance for October showed total home lending fell by the barest of margins, 0.1 per cent, to 61,819 loans. Loans for the construction of a dwelling rose by 0.5 per cent to 4,549 while loans for the purchase of a recently completed home eased by 0.5 per cent to 2,719. In the established home market, loans ticked down by 0.1 per cent to 54,551.

Australia's peak housing body, HIA, said that higher interest rates, high land costs, and an excessive regulatory burden were being reflected in lower levels of new home building.

HIA's Chief Economist, Mr Harley Dale, said that while new housing was not in danger of a crippling fall, the leading housing indicators – new home sales, building approvals, and housing finance – all pointed to a recovery in the short term being very unlikely.

"Home buyers are struggling to bridge the deposit gap and that fact, together with supply constraints, suggests a subdued year ahead for new housing activity," Mr Dale said.

The proportion of first home buyers increased from 17.4 per cent in September to 17.7 per cent in October.

"The marginal improvement in the first home buyer market in October is a positive update but there is no evidence of a sustained recovery given the current climate of low housing affordability," Mr Dale said.

On a state by state basis, the total number of seasonally adjusted owner occupied housing commitments fell by 8 per cent in Tasmania, by 5.1 per cent in Western Australia, by 4.4 per cent in South Australia, by 1.2 per cent in Victoria, and by 0.7 per cent in the Northern Territory. Increases were recorded in Queensland, up 0.8 per cent, New South Wales, up 1.1 per cent, and the Australian Capital Territory, up 4.2 per cent.

Further Information

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