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FOR IMMEDIATE RELEASE

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MEDIA RELEASE

New home lending slips back again in May

ABS Housing Finance figures released today show new home lending slipping back again in May 2012, said the Housing Industry Association, the voice of Australia's residential building industry.

"Following two consecutive increases in March and April, the number of loans for the construction or purchase of new homes fell by 2.4 per cent in May 2012," said HIA Chief Economist, Dr Harley Dale. "That is a disappointing result."

"A modest lift is evident for new home lending over the three months to May this year and that is reflected in increases across all states and territories," said Harley Dale. "That is a more encouraging outcome, but the fact is new home loans have been grinding higher over the last 12 months rather than mounting a sustained and significant recovery."

"It is evident that new home starts will bottom at GFC-equivalent levels this year, which is a very poor outcome for Australian businesses, households, and therefore the wider economy," Harley Dale said.

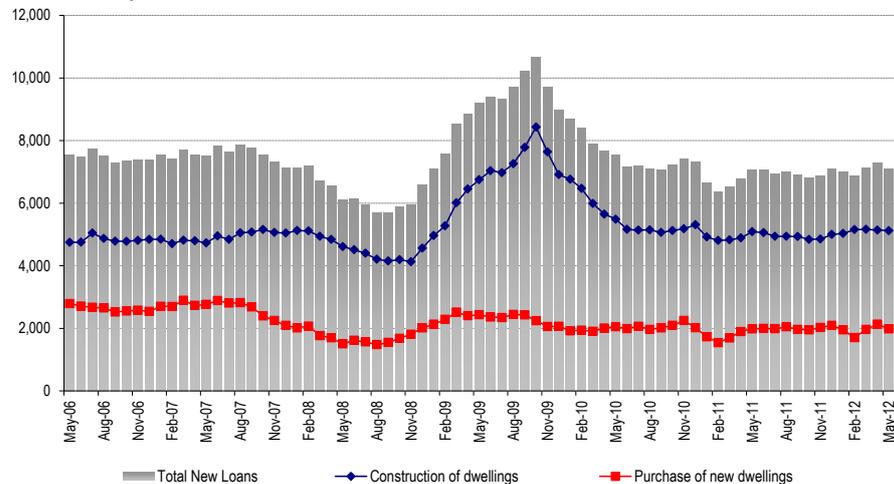
"We needed to be seeing a strong recovery in new home lending coming through in the first half of 2012 to signal a significant turnaround in residential construction from what will historically be a very low trough," said Harley Dale. "That simply isn't the case and government action in addition to lower borrowing costs is the combination required to restore healthy levels of confidence and activity."

In seasonally adjusted terms, the number of loans for construction and purchase of new homes increased in May 2012 in Queensland (up 1.7 per cent), South Australia (up 9.9 per cent), Tasmania (up 0.1 per cent), and the Australian Capital Territory (up 3.1 per cent). Monthly declines were recorded in New South Wales (down 8.0 per cent), Victoria (down 0.8 per cent), Western Australia (down 6.3 per cent), and the Northern Territory (down 23.8 per cent). On a more promising note, seasonally adjusted figures show all states posted an increase over the quarter ending May 2012. New South Wales posted a 5.8 per cent increase, while Victoria was up by 1.4 per cent, Queensland by 2.4 per cent, South Australia by 2.2 per cent, Western Australia by 0.5 per cent, Tasmania by 13.7 per cent, the Northern Territory by 7.3 per cent, and the ACT by 7.6 per cent.

"Across loans for new and existing property there has been a modest increase for both first time buyers and trade-up buyers over the last year, but from a relatively low base," added Harley Dale.

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance; HIA



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