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MEDIA RELEASE

Home Starts Continuing to Slow

“Contrary to reports in today’s media, constraints on lending to investors are compounding a slowdown in building activity and could lead to worsening affordability,” stated HIA Senior Economist, Shane Garrett.

The ABS released Housing Finance data today and Building Activity data yesterday showing investor lending and housing starts are cooling.

“New dwellings starts are now 8.0 per cent lower than this time last year.

“This slowdown is further highlighted in finance data which show that the volume of loans for new dwellings fell by 1.2 per cent in August.

“Construction of new dwellings has been in decline for more than a year and it is the apartment side of the market that is leading the downturn.

“Apartment building has been impacted by a number of foreign investor penalties that have spread across the states. Today’s housing finance data show that APRA restrictions on domestic investors are starting to bite - housing investor lending was down 0.4 per cent over the three months to August 2017.

“Our worry is that rental markets could end up being starved of the supply they need, resulting in accommodation shortages locally.

“Activity in the sector remains high despite the slowdown.

“Governments should be cautious in considering further constraints on the sector,” cautioned Mr Garrett.

Housing Finance data indicate that the number of owner-occupier for new housing fell by 1.2 per cent during August 2017. This was driven by a 2.4 per cent reduction in loans for the construction of new dwellings. The number of loans for the purchase of new dwellings by owner occupiers actually rose by 1.5 per cent during August 2017.

During the June 2017 quarter, the changes in new dwelling starts by state (seasonally adjusted) were:

- New South Wales: down 0.3 per cent
- Victoria: down 5.4 per cent
- Queensland: down 16.5 per cent
- South Australia: up 3.8 per cent
- Western Australia: down 21.4 per cent
- Tasmania: up 7.6 per cent
- Northern Territory: down 28.3 per cent
- ACT: down 22.4 per cent

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