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10 December 2018

Credit Squeeze Loosens Grip in October

“After a string of soft results, home lending activity rose by 2.3 per cent in October,” said HIA Acting Principal Economist, Geordan Murray.

The ABS has today released Housing Finance figures for the month of October 2018. These show a modest monthly increase in lending, but overall lending remains well below levels recorded a year ago.

“The credit squeeze hit investors in late 2017 and activity in this part of the market has been easing throughout 2018. The slide in lending to owner-occupiers is a more recent development. A pause in the downturn is welcome news.

“Before the credit squeeze took hold banks could grant unconditional loan approval to customers within days of receiving a complete a loan application. The squeeze has meant that this timeframe has blown out by several weeks and in some cases months.

“These delays are having a significant impact on the home building industry. Home buyers and builders are doing all the preliminary work necessary to build a new home only to be held up by delayed loan approvals.

“Households want to see progress on their new homes and builders want to get down to work. Banks must rectify the issues that are causing these substantial delays,” concluded Mr Murray.

Looking around the country: Lending to owner-occupiers building and purchasing new homes in the three months to October 2018 was down by 8.4 per cent on the year ago level in New South Wales, down by 9.8 per cent in Victoria, down by 19.8 per cent in Queensland, down by 0.2 per cent in South Australia and down by 17.2 per cent in Western Australia. Tasmania was the only state where lending in the three months to October 2018 is higher than the previous year, with an increase of 6.0 per cent.

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