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## Credit Squeeze Weighs on New Home Sales

“The credit squeeze continues to slow new home building” said Geordan Murray, HIA Acting Principal Economist.

The HIA New Home Sales report – a monthly survey of the largest volume home builders in the five largest states – provides an early indication of trends in the residential building industry.

“New home sales have been falling steadily throughout the year and constraints on access to finance are further impairing sales in recent months,” added Mr Murray.

“The number of sales during the three months to October this year are down by 10 per cent compared with the same time last year.

“In the market for established homes the credit squeeze has been reflected in a material drop in transaction volumes and falling prices. In the new home market we are seeing fewer new builds going ahead.

“When APRA imposed tighter rules on mortgage lenders at the height of the cycle they were aiming to head off any growth in risky lending before it became a problem. To that extent, the added oversight has done its job but the tighter lending environment is now stifling residential building activity.

“The September quarter GDP result is due next week and it is likely to show that the downturn in home building activity has become a drag on economic growth.

“With the Hayne Royal Commission scheduled to release its findings early next year there is a risk that there will be further disruption to the lending environment in 2019. Any further tightening in home lending risks becoming a destabilising force in the housing market,” concluded Geordan Murray.

Private detached house sales in October increased in two states: by 4.9 per cent in Victoria and by 2.5 per cent in Queensland. New house sales declined in all other mainland states, with sales down by 4.9 per cent in New South Wales, 5.6 per cent in South Australia, and 10.7 per cent in Western Australia.

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