



the voice of the industry

FOR IMMEDIATE RELEASE

12 March 2019

MEDIA RELEASE

Credit Squeeze Continues to Hit Home Finance

“Lending for the purchase of a new home slowed rapidly in the last quarter of 2018 and data released today shows that the speed of this decline accelerated in January 2019,” said Tim Reardon, HIA’s Chief Economist.

The ABS has released Lending to Households and Businesses for January 2019. This publication presents statistics on housing finance commitments including for the purchase or construction of new dwellings.

“Housing finance commitments for construction and purchase of new homes declined by 3.0 per cent in January 2019 to be 19.2 per cent lower than at the same time in 2018,” added Mr Reardon.

“After five years of a sustained building boom, market confidence fell away in the later part of 2018 as dwelling prices corrected, adversely impacting all segments of the market. Investors and owner occupiers are delaying purchase decisions and foreign investment has also fallen dramatically for numerous reasons.

“The pipeline of building work which had expanded over recent years is now shrinking as less work enters the pipeline.

“The credit squeeze of 2018 exacerbated an expected downturn in the home building market and it will flow through to the level of activity on the ground throughout 2019.

“We expect that this credit squeeze will ease toward the middle of 2019. If the leading indicators do not improve by mid-year, then the pipeline of building work will be exhausted rapidly.

“The home building industry has driven economic growth in Australia since the end of the resources boom. As the housing boom cools the industry will be reliant on a strong national economy to ensure that this is a relatively shallow downturn.

Looking around the country: Lending to owner-occupiers building and purchasing new homes in the three months to January 2019 compared with the previous quarter were down in all states: NSW down by 11.5 per, Victorian down by 15.4 per cent, Queensland down by 29.0 per cent, South Australia down by 8.0 per cent, Western Australia down by 7.4 per cent and Tasmania down by 1.7 per cent.

AUST New Home Lending - Number of Loans

Source: ABS Housing Finance



For further information please contact:

Tim Reardon, Chief Economist
Geordan Murray, Senior Economist

0423 141 031
0438 103 651

