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MEDIA RELEASE

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# Housing Finance Continues to Fall

“ABS data released today reinforces the trend of a market continuing to ease back from record highs,” said Tim Reardon, HIA’s Principal Economist.

The ABS has released Housing Finance figures for November 2018. This publication presents statistics on housing finance commitments including for the purchase or construction of a new dwelling, made by significant lenders.

“The number of loans by banks for the construction of a new home fell by 2 per cent in the month of November to be 9 per cent lower than the previous year,” added Mr Reardon.

“Housing finance figures are one of the leading indicators of activity in the housing market and shows the level of building activity likely to take place in the second half of 2019.

“The fall in lending in November is consistent with the decline over the course of 2018 and tells us that the volume of work builders have in their pipeline is continuing to fall.

“The fall is in a large part due to the credit squeeze imposed by the banks.

“The credit squeeze started in 2017 when APRA imposed a range of restrictions on the market. It is now occurring at the behest of the banks, which have tightened lending above and beyond APRA’s requirements.

“HIA research has found the time taken to gain approval for a loan to build a new home has blown out from around two weeks to more than two months.

“Policy makers and lenders alike need to be cognisant that ordinary home buyers are now facing excessive loan processing times and also much greater rates of loan rejection. Today’s results show how this is weighing substantially on the new home building sector.

“We’ve long been anticipating the current downturn in new home building, but there is a risk it could develop more quickly and strongly than expected if additional restrictions are imposed on the market,” Mr Reardon concluded.

Looking around the country: Lending to owner-occupiers building and purchasing new homes in the three months to November 2018 was down by 8.7 per cent on the year ago level in New South Wales, down by 12.2 per cent in Victoria, down by 22.1 per cent in Queensland, down by 4.4 per cent in South Australia and down by 11.4 per cent in Western Australia. Tasmania was the only state where lending in the three months to November 2018 is higher than the previous year, with an increase of 6.0 per cent.

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