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MEDIA RELEASE

Housing Finance Continues to Fall

“Lending for the purchase of a new home has continued to slow causing the building market to cool,” said Tim Reardon, HIA’s Principal Economist.

The ABS has released Lending to Households and Businesses for December 2018. 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 3.4 per cent in December 2018 to be 13.4 per cent lower than at the same time in 2017,” added Mr Reardon.

“The slowdown in the market began with restrictions imposed by APRA on investors several years ago and has been exacerbated with tighter lending conditions imposed by banks during 2018.

“Lending to investors is now 47.8 per cent lower than at its peak in April 2015.

“This decline in investor activity will turn around quickly when home prices stabilise.

“The banks have tightened lending requirements throughout 2018 and this is impacting on investors and owner occupiers.

“This downturn has long been forecast but there are ongoing risks regarding its length and depth.

“The longer term outlook for the market remains solid while ever the unemployment rate and population growth remain at current levels,” concluded Mr Reardon.

Looking around the country: Lending to owner-occupiers building and purchasing new homes in the December 2018 quarter was down by 6.7 per cent on the year ago level in New South Wales, down by 12.6 per cent in Victoria, down by 22.8 per cent in Queensland, down by 4.4 per cent in South Australia, down by 8.4 per cent in Western Australia and down by 14.0 per cent in the Northern Territory. Tasmania and the ACT were the only jurisdictions to post higher levels of new home lending in the December 2018 quarter compared with a year earlier, with Tasmania up by 4.2 per cent and the ACT up by 4.4 per cent.

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