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MEDIA RELEASE

Interest Rate Cuts Starting to Support Home Building

"We could be seeing the early signs of the positive impacts from recent policy stimulus with lending for both new and existing homes up for the month and the quarter," stated HIA Economist, Tom Devitt.

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

"The decline in lending, which has been evident since late 2017, has started to reverse since the RBA started to cut interest rates in June," added Mr Devitt.

"Lending to households building and purchasing new homes expanded by 1.1 per cent in the month of August and 0.4 per cent for the quarter. Lending for establishing dwellings also climbed by 0.6 per cent in the month and 4.4 per cent for the quarter.

"First home buyers are continuing to take advantage of the improvement in affordability with lending to this group expanding by 5.2 per cent in the month and 7.6 per cent in the quarter. This is the highest number of first home buyer loans since November 2017.

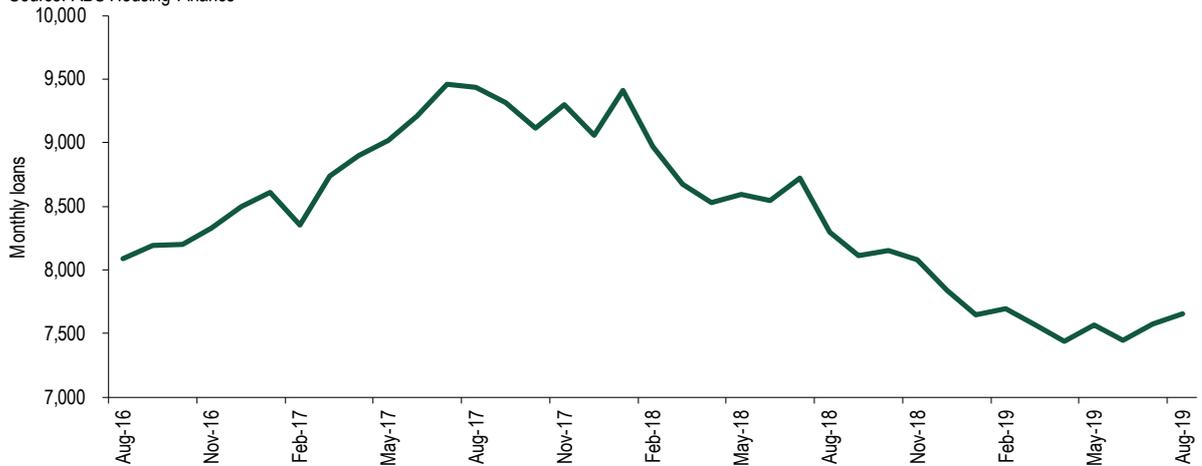
"First home buyers now account for 30.1 per cent of the total market, the highest share since the start of 2012, so continued growth in this segment is important for the broader housing market.

"The first two RBA interest rate cuts, along with income tax cuts and APRA's loosening of lending restrictions appear to have started supporting the housing market with market confidence slowly returning.

"Given the lag between loan applications and final approval, it is likely that the full effects of recent stimulus is yet to play out in the data and will provide further support to the market as the year progresses," concluded Mr Devitt.

New Home Lending - Number of Loans

Source: ABS Housing Finance



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