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## **New home approvals fall to 5-year low**

“New home approvals fell by 9.1 per cent in November last year to reach their lowest level since August 2013,” commented Diwa Hopkins, HIA Economist.

ABS data released today shows that a total of 15,465 homes (seasonally adjusted) were approved for construction in the month of November 2018.

“The monthly decline in total approvals was driven by multi-unit homes, which fell by 18.4 per cent, while detached house approvals declined by a more modest 2.3 per cent,” added Ms Hopkins.

“This weak result shows just how much the current credit squeeze is weighing on the home building sector.

“The credit squeeze is happening at the behest of the banks’ own lending practices which have been tightened above and beyond APRA’s requirements.

“HIA research has found that 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.

“APRA’s decision late last year to lift its 30 per cent cap on banks’ interest-only lending is a welcome development, but more needs to be done to mitigate the growing risks of a hard-landing in the housing market.

“Policy makers and lenders alike need to be cognisant that ordinary home buyers are now facing blow-outs in loan processing times and also much greater rates of flat-out 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.

“In particular policy makers and lenders will need to respond judiciously to the pending release of the Banking Royal Commission’s recommendations,” said Ms Hopkins.

Total seasonally adjusted dwelling approvals in November 2018 fell in Victoria (-14.6 per cent), New South Wales (-9.3 per cent), Western Australia (-7.3 per cent), South Australia (-4.6 per cent) and Queensland (-4.3 per cent). Tasmania was the only state to record an increase in approvals (30.6 per cent). In trend terms, total dwelling approvals in November fell by 9.5 per cent in the Australian Capital Territory and were unchanged in the Northern Territory.

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