



Rate cut not the only way to curb housing downturn

“The contraction in the housing market over the past six months has occurred faster and is larger in scale than the contraction experienced after the GFC,” said Geordan Murray, HIA Senior Economist.

“This decline in industry activity has occurred in an environment when lending rates have remained relatively stable. Had the RBA lowered rates today it may have eased some of the pressures in the housing market, but the acceleration in the downturn in building activity during 2018 was largely due to regulatory imposts from state and Federal governments.

“Governments should be looking at measures to make home ownership more accessible to households, both as owner-occupiers and investors.

“Removing the counter cyclical measures introduced at the peak of the housing cycle would be a good place to start.

“This includes reviewing the appropriateness of assessing loan serviceability against an interest rate of 7%, almost double the current market rate. Reversal of the punitive rates of stamp duty on foreign investors is also overdue.

“These measures would assist in restoring the confidence in the housing market that was lost in 2018.

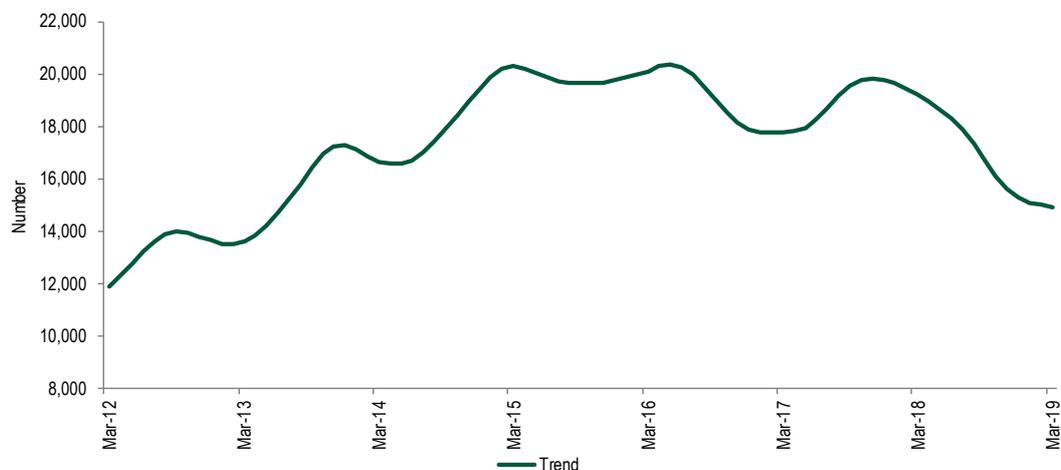
“The industry continues to complete work on existing projects but there are now fewer new projects getting underway. Approvals for the construction of new homes for the first three months of 2019 equates to an annualised level of home building of around 180,000 starts. This compares to 220,000 starts in 2018.

“Unless there is an improvement in housing activity, employment conditions in the building sector will continue to ease during 2019.

“Any measures that increase the tax burden on homes, such as an increase in Capital Gains Tax, would cause a further contraction in the market and exacerbate employment losses,” concluded Mr Murray.

Monthly Building Approvals - Australia

Source: ABS 8731



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