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Stimulus Measures Yet to Expand Lending for New Homes

“Lending to households building and purchasing new homes fell again in June to be 12.8 per cent lower in 2018/19 than in the previous year,” stated HIA’s Senior Economist, Geordan Murray.

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

“The fall of 2.0 per cent in lending for new homes in June 2019 occurred before the effects of recent monetary and fiscal stimulus could take hold.

“The first of the two interest rate cuts was announced on the first Tuesday of June. Given the lag between a loan applications and final approval it is unlikely that the rate cut had a material impact on the figures released today.

“In early July the RBA cut rate for a second time, APRA finalised the changes to rules for assessing loan serviceability and the government passed cuts to personal income tax rates.

“These developments should lead to more positive data as the year progresses.

“Overall lending to home buyers (excluding refinancing) posted a modest lift in June but remains considerably below earlier levels. This result was driven by lending to households purchasing established homes which was up by 1.2 per cent against the previous month, but was still 13.7 per cent down compared the same time in 2018.

“Lending to households buying or building new homes was not so positive. Construction lending was down by 2.3 per cent in the month while lending to households purchasing newly built homes fell by 1.2 per cent. These falls in lending to households purchasing new homes to the lowest level since 2013.

“Lending to investors posted a modest 0.5 per cent increase in June – the first monthly increase in nearly a year. Despite the monthly improvement lending to investors remained soft and is 18.7 per cent below the level recorded in early 2017.

“The absence of investors has provided first home buyers with a less competitive environment and more are taking advantage of this. The number of loans to first home buyers in June was up by 2.1 per cent in the month,” concluded Geordan Murray.

For further information please contact:

Geordan Murray, Senior Economist
Angela Lillicrap, Economist

0438 103 651
0404 406 567

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