Lending for Construction of New Homes Falls in November

“Lending to households building and purchasing new homes remained soft in November despite the steady improvement in the broader housing market during the latter half of 2019,” said Geordan Murray, HIA Senior Economist.

The ABS today released the monthly data tracking lending for construction and purchases of new homes, lending for home renovations, and purchasing established homes for November 2019.

“Lending to households building a new home dropped considerably during the month. The number of construction loans slid back 8.4 per cent, dropping to the lowest level since 2012,” added Mr Murray.

“The weakness in construction lending in November is largely a legacy of the very soft sales volumes that home builders were experiencing during the first half of the year.

“As conditions in the broader housing market recovered during the second half of 2019 lending to households purchasing established homes improved. Lending to owner-occupiers purchasing established homes held steady in November, recording 0.1 per cent increase.

“Investor activity remains subdued, with the total value of new lending to investors (excluding refinancing) around half the level it reached back in 2015. However, the lending figures provide an early sign that investors may be returning to the market.

“Investor lending increased by 2.2 per cent in November and has risen by around 10 per cent from the low point registered earlier in the year.

“First home buyer lending dipped by 0.9 per cent in November but the overall level of lending to this group of buyers remained strong. The number of first home buyer loans recorded during the three months to November was 7.3 per cent higher than a year ago.

“Stimulus measures, including interest rate cuts, tax cuts and the easing of APRA’s lending restrictions are having a positive impact on the housing market. The government’s First Home Loan Deposit Scheme will also assist eligible first home buyers enter the market from this month.

“If these conditions remain, the market will stabilise during 2020,” concluded Mr Murray.

For further information please contact:
Geordan Murray, Senior Economist 0438 103 651
Angela Lillicrap, Economist 0404 406 567