

MEDIA RELEASE



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Record Housing Finance Data due to COVID-19 Shock

“The number of loans to owner occupiers for established homes fell by 9.1 per cent during May 2020 to the lowest monthly level on record,” commented HIA Chief Economist, Tim Reardon.

“Today’s Housing Finance data does not reflect the impact of HomeBuilder program announced in June. We don’t expect to see the positive impact of HomeBuilder reflected in Housing Finance data for a number of months.

“This month’s data reflects the peak of the COVID-19 related shutdown and likely includes reduced demand for existing homes and the slower processing of applications.

“Due to the lag between submitting a finance application and gaining approval, we anticipate that this is only the beginning of negative finance and construction data from the ABS.

“Data shows that loans for the purchase or construction of a new dwelling held on relatively well. This reflects the longer timeframe between purchasing a new dwelling and gaining access to finance.

“First home buyers fell by 9.3 per cent during May, led by a decline of 18.8 per cent in New South Wales. This is not surprising given the level of risk aversion and lack of equity within this cohort.

“There was a surge in re-financing during the month, to the highest level on record, as households took advantage of record low interest rates.

“It is difficult to draw conclusions from this data other than there has been a material disruption to the housing market.

“HomeBuilder along with other state incentives and an easing of restrictions will assist in bringing consumers who delayed their purchasing decisions back to the market. This will minimise the adverse impact of the COVID-19 shock on employment in the homebuilding sector, but this will not be reflected in ABS data for some months.

“HIA New Home Sales for June, will be the first indicator of the impact of HomeBuilder on the housing market.

Across the states, the value of loans to owner-occupiers (excluding refinancing) during the three months to May 2020 was significantly lower than the previous three months in Western Australia (-14.6 per cent), Queensland (-12.9 per cent), the Northern Territory (-7.4 per cent) and South Australia (-7.0 per cent). Tasmania (-4.8 per cent), Victoria (-3.1 per cent) and the ACT (-3.1 per cent) also recorded declines. New South Wales was relatively flat, declining by 0.5 per cent over the same period.

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