

# Prices keep new housing static

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THE shortage of new housing is increasingly acute with the number of loans advanced for home building dropping to its lowest level in more than a year in July.

There has been no growth in the number of new houses being built since 2002, despite more rapid population growth and a strong economy.

“Record low affordability is preventing a recovery in construction,” the Housing Industry Association’s chief economist Harley Dale said yesterday.

Normally, new housing is among the first industries to take off when there is a lift in economic growth.

Mr Dale said that the greater momentum in overall economic growth had buoyed the market for established houses over the past six to nine months, but had entirely passed the new housing market by. The 4481 loans for new homes approved in July was the lowest number in 15 months and extends the downturn in the industry to more than five years, the longest on record.

The latest home loan figures from the Australian Bureau of Statistics show the huge boost to established housing turnover in June caused by people in their mid to late 50s selling property to pump money into superannuation was reversed in July.

But the 7.7 per cent fall in the value of loans to owner-occupiers buying established homes and a 10.9 per cent fall in loans to

investors still left both parts of the housing market with their second-biggest months on record.

Loans for established housing in July were still 11.2 per cent ahead of where they were a year ago, while loans to investors are up by 30.4 per cent.

The ABS survey predates the August interest rate rise; however, auction clearance rates in the major capital cities have held up over the past four weeks so the established home market may remain strong.

Mr Dale said the established home market was driven mainly by people who were already home owners and who had enjoyed large appreciation in the value of their property.

There had also been an increase in renovations.

However, he said buyers of new homes were typically first-home buyers. “The cost of building has risen enormously in recent years. It is not so much the cost of construction, but the land value component and the charges and taxes on top of that which is preventing the new housing sector recovery,” Mr Dale said.

Commonwealth Bank senior economist Michael Workman said population growth meant there was a need for about 175,000 new houses a year, but only about 145,000 were being built. This was placing great pressure on the rental market.

“Residential rents are set to keep rising by 5 to 10 per cent a year as the major cities’ vacancy rates fall towards the 1 per cent level,” Mr Workman said.

He said first-home buyers were securing only 17 per cent of housing loans, compared with the long-term average of about 21 per cent. And the average loan size for first-home buyers has grown 10 per cent to \$246,600 over the past year.

CommSec senior economist Martin Arnold said the prospect of rate rises — which emerged after high inflation numbers were published in late July — pushed the number of people who arranged home loans but then pulled out to a record level. He said people were waiting for the outlook to improve before committing to building new houses.

However, home buyers seem to think the standard variable mortgage rate of 8.05 per cent is close to the peak. The share of home buyers using fixed-rate loans had fallen from 21 per cent last November to 15 per cent in July, ahead of the August rate rise.

## GOING NOWHERE

Approved loans per month for housing construction

