

Thursday 3rd December, 2020

VALUE OF HOME LOANS HIT PRE-GFC HIGH DESPITE COVID-19

The ABS October Lending and Business Figures have today revealed the value of new loan commitments for housing grew for the fifth consecutive month and the value of owner occupier home loan commitments have reached record highs.

Real Estate Institute of Australia (REIA) President, Adrian Kelly said the sustained recovery in lending is encouraging and can be expected to be a major contributor to GDP in the December quarter for investors, owner occupiers and first home buyers.

“The seasonally adjusted value of new loan commitments for owner occupier housing rose 0.7 per cent in October September and 23.3 per cent for the year, with rises seen in all states and territories, except Victoria and the Australian Capital Territory.

“The increase in loan commitments reflects low interest rates, improved consumer sentiment about purchasing a home particularly amongst first home buyers and response to HomeBuilder.

“Commitments for the construction of new dwellings rising 10.9 per cent and was the largest contributor to the rise in the month’s owner occupier housing loan commitments,” he said.

Mr Kelly said that Victorian owner occupier home loan commitments were a reflection of the severe impacts on Stage 4 lock down on property activity.

“Home loans for owner occupiers fell 9.3 per cent reflecting decreased housing market activity in August and September due to the COVID-19 Stage 4 Lockdown in Melbourne and restrictions in regional Victoria and is consistent with our feedback from agents on the ground,” he said.

REIA said the October Figures also show promising signs for first home buyers and investors alike with growth in both categories.

According to Mr Kelly, the number of owner occupier first home buyer loan commitments increased by 3.4 per cent for the month. This is a level more than 30 percent higher than any month since 2009.”

“That was when the then Commonwealth Government’s increased to the first home-owner grant which was temporarily tripled as part of the in response to the Global Financial Crisis.

“This is the fifth consecutive monthly increase for first home buyers.

“For investors, the value of loan commitments has increased by 0.3 per cent for the month and 2.8 per cent for the year.

“On the back of yesterday’s GDP growth figures, this reflects the market response to the current conditions and improved borrowing conditions points towards a stable property outlook for 2021,” Mr Kelly concluded.

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