Building a Liveable Future for all Australians

Urban Development Institute of Australia NATIONAL

Now is the time for housing credit to flow again to improve investor confidence

On the back of slower than expected GDP growth, Treasury yesterday warned that we can expect further declines in buyer confidence, lending and building activities unless credit begins to flow again and sentiment improves in Australia.

The strong lending measures put in place by the Australian Prudential Regulatory Authority (APRA) has reset the lending market, but unintentionally has also had a stronger than anticipated adverse effect on the housing market, including investor sentiment.

UDIA National President Darren Cooper said, “the APRA-led tighter lending credit criteria for owner occupiers and investors has certainly been a significant factor leading to the decline in the housing activity- this now needs to be reversed, credit needs to flow again.”

“Sales right across the country have plummeted and the positive contribution the housing industry provides to Australia’s GDP is at risk. In effect, also at risk are the 1.4 million jobs of people in the property sector.”

Mr Cooper said, “With the significant cooling of the housing market due to lower credit availability and reduced borrowing capacity, investor and home occupier confidence needs to be restored so purchasers can re-enter the housing market and stem the decline in housing sales.”

Australian Bureau of Statistics (ABS) figures released this week, starkly reflects the decline in activity and buyer confidence with lending to owner occupied households, excluding refinancing, now in its seventeenth month of decline.

“February 2019 figures show, in trend terms, that the number of owner-occupied finance commitments, excluding refinancing, decreased by 1.4 percent - the lowest in six years,” Mr Cooper said.

“Compounding lending conditions, there are several other factors influencing buyer sentiment, including uncertainty due to the election, and possible proposed changes to taxation measures, and more importantly changes to negative gearing and capital gains tax, to which we remain firmly opposed.

“Foreign investors too are withdrawing amid stricter lending conditions and concerns regarding further investor tax changes, on top of pressures from other global economic factors. Surrey Road Finance Director Arin Di Camillo said, “lending in Perth’s non-permanent resident space has all but disappeared.”

Maxwell Shifman, Chief Operating Officer, Intrapac Property agrees, “Significant restrictions on credit and lending will lead to huge reductions in the supply of new housing. Short-term opportunities for well-placed buyers in today’s market will turn into enormous price and rental pressures in the medium and long-term should this continue.”

“A robust property industry is key to the economic prosperity of Australia. We are currently contributing $200 billion to GDP and providing 14% direct employment. Restoring more credit availability and capacity is crucial to keeping the industry healthy and Australia’s economic outlook strong.”

UDIA continues to provide measured and practical advice to all levels of government and industry. To find out more about our campaign visit “Building a liveable future for all Australians.”

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