

Mortgages approvals for new homes up a “spectacular” 21% in March: Westpac

By Larry Schlesinger
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There was a “spectacular” recovering in home loan approvals to fund new home purchases, including apartments bought off-the-plan in March, says Westpac, quoting ABS figures.

Apart from noting that the upswing in housing finance approvals “clicked back into gear in March” Westpac noted a “spectacular 21% jump in approvals for the purchase of newly built dwellings”.

“With approvals for construction up 4.7% the combined gain in 'construction related' finance approvals is showing a strong upturn with a 10% rise in the March month the strongest reading since early 2009 and up 21% for the year,” said the Westpac economics team, led by Bill Evans.

Westpac also noted that when re-financing is stripped out of mortgage approvals to owner occupiers, the number of 'new' loans posted an even stronger 7.2% gain to be up 13.8% for the year.

“The rest of the detail showed a more modest gain for approvals to first-home buyers - we estimate up 4% for the month in seasonally adjusted terms but coming from a record historical low.

“The value of loans to investors was also more sluggish, rising 2.1% for the month suggesting the March strength was dominated by 'upgraders',” said Westpac Economics.

Master Builders Australia chief economist was less exuberant in his response to the March figures, saying they were a “welcome improvement” and “good news for an industry going through the tenuous signs of recovery”.

“Residential building is at a low ebb and the industry hopes that Reserve Bank’s decision to cut interest rates in again May will give new home buyers the boost in confidence to enter the market.

“The solid improvement in March comes off the back of a positive housing finance figure in February but the industry is not ready to count its chickens before they hatch.

“There needs to be a much longer run of positive figures to confirm a recovery. However, builders may be relieved to see these figures, which suggest that new housing activity may have finally found a trough,” he said