

# Housing Finance

ECONOMIC ALERT

JANUARY 2009

## KEY POINTS

### Owner occupied housing commitments

- The value of owner occupied housing commitments rose by 2.3% in January (seasonally adjusted), while the number of owner occupied housing commitments also lifted, increasing by 3.5%.
- Both the value and the number of owner occupied housing commitments have now risen for four consecutive months.
- Despite the recent improvement, the number of owner occupied dwelling finance approvals is 15.8% lower than at the same time last year, while the value of owner occupied housing commitments is 9.3% lower than in January 2008.
- The seasonally adjusted estimates of the number of owner occupied housing commitments increased in all states and territories, except in New South Wales and the Australian Capital Territory which recorded decreases.

### First home buyer commitments

- In original terms, the number of first home buyer commitments for owner occupied housing finance fell by 13.2% in January, following solid rises of 22.4% and 18.8% in December and November respectively.
- The number of first home buyer commitments as a percentage of total owner occupied housing finance commitments increased from 25.7% in December 2008 to 26.5% in January 2009. This is the highest level recorded since the series commenced in 1991.

### Investment housing finance commitments

- The total value of dwelling finance commitments for investment housing fell by 3.8% in January, to be 31.1% lower than at the same time last year.

## Policy implications

- The ongoing rise in the number of owner occupied housing commitments provides some positive evidence that lower interest rates and an increase in the first home buyers grant are boosting demand for owner occupied housing. A key risk for a sustained lift in housing demand is the likelihood that unemployment will rise over coming months which may deter both owner occupiers and investors.
- A modest fall in the value of lending for investment housing is disappointing particularly in light of the sustained deficit in housing rental stock and may reflect ongoing difficulties in terms of access to finance.
- Given further weakness in the global economy and the poor domestic growth, investment, and employment outlooks, the Reserve Bank has leeway to further reduce interest rates over coming months.

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**Chart: Annual growth in owner occupied housing commitments (value and number)**

