

KEY POINTS

Owner occupied housing commitments

- The value of owner occupied housing commitments fell by 1.7% in October (seasonally adjusted), while the number of owner occupied housing commitments declined by 1.4%.
- The 1.4% fall in the number of commitments was slightly less than the market expectation of a 2% decline, but marks the third fall in four months.
- Reflecting the recent softening in housing commitments, annual growth in the number of owner occupied dwelling approvals moderated from 32.2% in September to 25.5%.
- The value of owner occupied housing commitments is 32.4% higher than at the same time last year.
- In trend terms, the number of commitments for owner occupied housing finance remained flat for a third consecutive month.
- The seasonally adjusted number of owner occupied housing commitments fell in New South Wales (-5.0%); South Australia (-3.8%); Queensland (-0.7%); and Victoria (-0.4%); increasing in Tasmania (6.2%); and Western Australia (0.8%).

First home buyer commitments

- The number of first home buyer commitments for owner occupied housing finance fell by 3.2% in October (in original terms), remaining 64.6% higher than at the same time last year.
- The number of first home buyer commitments as a percentage of total owner occupied housing finance commitments eased slightly from 26.1% in September to 26.0%.

Investment housing finance commitments

- The total value of dwelling finance commitments for investment housing fell for a fourth time in five months, dropping by 0.6% in October to be 14.7% above levels of the same time last year.

Construction of new dwellings

- In a positive sign for the construction sector, the seasonally adjusted number of finance commitments for construction of new dwellings rose by 9.2% in September, to be 103% higher than the level at the same time last year.

Policy implications

- Owner occupied housing finance commitments have eased in the second half of 2009. They remain at strong levels, however, reflecting the lagged impact of low interest rates and the boost to the First Home Buyer Grant.
- The October housing finance figures indicate a further easing in demand from first homebuyers, with first home buyer commitments for owner occupied finance having fallen by 14.4% in since May 2009.
- An ongoing deficit in housing stock growth relative to demand is likely to provide long-term underpinnings for housing construction. Nevertheless, the three consecutive monthly increases in the official cash rate, and the likelihood of further rises in the early months of 2010, are likely to constrain the improvement in construction.

Housing Finance – October: 2009

ECONOMIC ALERT

9 December 2009

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

