

KEY POINTS

Owner occupied housing commitments

- The value of owner occupied housing commitments fell by 1.0% in June (seasonally adjusted), while the number of owner occupied housing commitments fell by 3.9%.
- The decline in the number of commitments in June follows a 3.0% increase in the previous month, and exceeded the median market forecast of a 2.0% decline.
- Reflecting the unwinding of policy stimulus, the number of owner occupied dwelling commitments in June 2010 was 28.6% lower than at the same time last year.
- The value of owner occupied housing commitments was 22.4% lower than at the same time last year.
- In trend terms, the number of commitments for owner occupied housing finance fell for a twelfth consecutive month, declining by 0.8% in June.
- The seasonally adjusted estimates of the number of owner occupied housing commitments fell in all states and territories except Victoria where commitments were stable.

First home buyer commitments

- The number of first homebuyer commitments for owner occupied housing finance fell by 2.8% in June (in original terms), to be down 57.3% on the same month last year.
- In original terms, the number of first homebuyer commitments as a percentage of total owner occupied housing finance commitments fell from 16.2% in May 2010 to 16.0% in June 2010.

Investment housing finance commitments

- The total value of dwelling finance commitments for investment housing fell by 3.6% in June, to be 11.0% above the value of 12 months ago.

Construction of new dwellings

- The seasonally adjusted number of finance commitments for the construction of new dwellings decreased by 5.0% in June, to be 23.6% lower than at the same time last year.

Policy implications

- Housing finance demand weakened in June, reflecting higher mortgage rates, low levels of demand from first homebuyers, stretched affordability and a pull back in investor activity.
- The decline in finance for new construction is consistent with other recently released indicators of housing activity, including the 2.5% decline in house building approvals in June and Ai Group's Australian Performance of Construction Index (Australian PCI®) which showed that the house building sub-index declined for a second consecutive month in July 2010.
- Despite the sustained under-supply of housing stock, the continued decline in first home buyers and uncertainties around their near-term path of interest rates will likely see continued weakness in housing finance commitments over the coming months.

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

