

Housing Finance – January 2010

ECONOMIC ALERT

10 March 2010

KEY POINTS

Owner occupied housing commitments

- The value of owner occupied housing commitments fell by 5.0% in January (seasonally adjusted), while the number of owner occupied housing commitments declined by 7.9%.
- The January number of commitments fell significantly short of expectations (a 2.0% increase was anticipated by the markets), marking the sixth fall in the past seven months and the heaviest monthly decrease in almost a decade.
- Reflecting the recent softening in housing commitments, annual growth in the number of owner occupied dwelling became negative in January, falling from 0.2% in December 2009 to -12.0% (a 12-month low).
- The value of owner occupied housing commitments was 0.4% lower than at the same time last year (also a 12-month low).
- In trend terms, the number of commitments for owner occupied housing finance fell for a seventh consecutive month (declining by 3.6% in January).
- The seasonally adjusted number of owner occupied housing commitments fell in all states in January, with the rates of decline ranging from -11.1% in Western Australia; -9.6% in Queensland; -8.0% in Tasmania; -7.3% in New South Wales; -5.5% in South Australia; and -3.7% in Victoria.

First home buyer commitments

- The number of first home buyer commitments for owner occupied housing finance fell by 31.0% in January (in original terms), to be 33.6% lower than at the same time in the previous year.
- The number of first home buyer commitments as a percentage of total owner occupied housing finance commitments decreased from 21.0% in December to 20.5% (a 15-month low).

Investment housing finance commitments

- The total value of dwelling finance commitments for investment housing rose by 0.9% in January, to be 21.8% above values 12 months ago.

Construction of new dwellings

- The seasonally adjusted number of finance commitments for construction of new dwellings fell by 3.9% in January, although they are 43.0% higher than at the same time last year.

Policy implications

- Commitments for owner occupied housing finance softened further in January, with rising mortgage rates and the reduction in the value of the First Home Buyer Grant significantly puncturing housing demand.
- The 25 basis points lift in the official interest rate last week, coupled with the prospect of further rate rises, will place additional downward pressure on housing finance commitments over the coming months.

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

