

KEY POINTS

Owner occupied housing commitments

- The number of owner occupied housing commitments increased by 1.3% in September 2010 (seasonally adjusted), while the value of owner occupied housing commitments increased by 0.6%
- The increase in the number of commitments in September follows a rise of 1.1% in the previous month.
- However, the number of owner occupied dwelling commitments in September 2010 was 24.6% lower than at the same time last year, reflecting the unwinding of fiscal stimulus.
- The value of owner occupied housing commitments was 20.8% lower than at the same time last year.
- In trend terms, the number of commitments for owner occupied housing finance increased by 0.7% in September, the fourth straight month of growth following consecutive declines over the 10 month period between July 2009 and April 2010 and stable conditions in May 2010. This suggests that the downward trend in housing finance has passed a low point.
- The seasonally adjusted estimates of the number of owner occupied housing commitments increased in all states and territories except Victoria and Queensland.

First home buyer commitments

- The number of first homebuyer commitments for owner occupied housing finance fell by 3.3% in September (in original terms), to be down 54.2% on the same month last year.
- In original terms, the number of first home buyer commitments as a percentage of total owner occupied housing finance commitments rose from 15.5% in August 2010 to 15.9% in September 2010.

Investment housing finance commitments

- The total value of dwelling finance commitments for investment housing fell by a seasonally adjusted 1.7% in September, to be 3.5% below the value of 12 months ago.

Construction of new dwellings

- The seasonally adjusted number of finance commitments for the construction of new dwellings increased by 0.5% in September, to be 33.5% lower than at the same time last year.

Policy implications

- Housing finance demand increased in September, although overall housing finance activity still appears to be subdued.
- Although finance for the purchase of established dwellings increased by 1.6%, finance for the construction of dwellings increased by just 0.5% while finance for the purchase of new dwellings fell by 3.2%. This weakness is consistent with other recently released indicators of new housing building activity, including the 2.3% decline in the number of private sector housing approvals in September and Ai Group's Australian Performance of Construction Index (Australian PCI®) which showed that the house building sub-index declined for a fifth consecutive month in October 2010.
- Despite the sustained under-supply of housing stock, the end of the Federal Government's First Home Owners Boost (FHOB) and higher interest rates is likely see a continuation of subdued housing construction over the coming months.
- Investor activity, however, has the potential to register stronger growth due to rising rents (as a result of the large undersupply of dwellings) and thereby provide support to the house building sector.

Housing Finance – September 2010

ECONOMIC ALERT

10 November 2010

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

