

KEY POINTS

Owner occupied housing commitments

- The value of owner occupied housing commitments increased by 2.3% in July (seasonally adjusted), while the number of owner occupied housing commitments increased by 1.7%.
- The increase in the number of commitments in July follows a fall of 0.7% in the previous month, and exceeded the median market forecast of a 1.0% rise.
- However, the number of owner occupied dwelling commitments in July 2010 was 25.0% lower than at the same time last year, reflecting the unwinding of fiscal stimulus.
- The value of owner occupied housing commitments was 18.5% lower than at the same time last year.
- In trend terms, the number of commitments for owner occupied housing finance was flat in July following twelve consecutive months of decline, providing evidence that the downward trend may have bottomed.
- The seasonally adjusted estimates of the number of owner occupied housing commitments increased in all states and territories except Western Australia and the Northern Territory.

First home buyer commitments

- The number of first homebuyer commitments for owner occupied housing finance fell by 0.4% in July (in original terms), to be down 53.8% 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 16.0% in June 2010 to 16.1% in July 2010.

Investment housing finance commitments

- The total value of dwelling finance commitments for investment housing fell by 2.3% in June, to be 10.7% 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 0.7% in July, to be 23.7% lower than at the same time last year.

Policy implications

- Housing finance demand improved in July, reflecting increases in finance for the purchase of new dwellings and established dwellings.
- However, finance for new construction continued to decline consistent with other recently released indicators of housing activity, including the 0.1% decline in private sector housing approvals in July and Ai Group's Australian Performance of Construction Index (Australian PCI®) which showed that the house building sub-index declined for a third consecutive month in August 2010.
- Despite the sustained under-supply of housing stock, the end of the Federal Government's housing stimulus and uncertainty around the near-term path of interest rates will likely see a continuation of subdued housing construction over the coming months.

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

