

KEY POINTS

Owner occupied housing commitments

- The number of owner occupied housing commitments increased by 0.7% in October 2011 (seasonally adjusted), while the value of owner occupied housing commitments fell by 1.2%.
- On an annual basis, the number of housing finance commitments increased by 6.3% in October, down from a 7.3% annual rate of increase in September 2011.
- The value of owner occupied housing commitments was 3.5% higher than at the same time last year as compared with 6.7% annual growth in September.
- In trend terms, the number of commitments for owner occupied housing finance rose by 0.7% in October, the slowest pace of growth in four months.
- The seasonally adjusted estimates rose in New South Wales (1.3%), Western Australia (1.3%) and the Northern Territory (4.3%), while falls were recorded in Victoria (-1.6%), Queensland (-1.6%), South Australia (-1.3%), the Australian Capital Territory (-4.2%) and Tasmania (-0.9%).

First home buyer commitments

- In original terms, the number of first home buyer commitments as a percentage of total owner occupied housing finance commitments rose to 17.9% in October 2011 from 16.4% in September 2011.

Construction of new dwellings

- The seasonally adjusted number of finance commitments for the construction of new dwellings fell by 1.7% in October to be 3.8% lower than at the same time last year.

Implications

- The overall trend in housing finance for owner occupied housing in November remained soft and at a low level historically. Notably, housing finance is currently 20.2% down on the level prevailing in mid 2009.
- The number of finance commitments for the purchase of new dwellings rose by a subdued 0.1% in October while finance for the construction of new dwellings (a leading indicator of dwelling approvals) fell by 1.7%, indicating a further crimping of housing supply.
- Investor interest in the housing market also remains subdued with finance to investors falling by 5.5% in October, following growth of just 0.4% in the previous month.
- The weakness in housing finance is consistent with a number of indicators pointing to subdued conditions in the housing sector, including Ai Group's Australian Performance of Construction Index (Australian PCI®) which showed that the house building sub-index declined for an 18th consecutive month in November 2011. Falling house prices, soft consumer confidence and households' desire to pay down debt are likely to continue to weigh on housing finance growth in the near term.

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

