

## KEY POINTS

### Owner occupied housing commitments

- The number of owner occupied housing commitments increased by 1.2% in August 2011 (seasonally adjusted), while the value of owner occupied housing commitments increased by 0.6%.
- On an annual basis, the number of housing finance commitments increased by 6.2% in August, down from a 6.9% annual rate of increase in July 2011.
- The value of owner occupied housing commitments was 6.4% higher than at the same time last year.
- In trend terms, the number of commitments for owner occupied housing finance rose by 1.6% in August, the fifth consecutive month of growth.
- The seasonally adjusted estimates rose in all states and territories except the Australian Capital Territory (- 9.6%), South Australia (-2.1%) and Tasmania (- 0.6%).

### 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 15.3% in August 2011 from 14.9% in July 2011.

### Construction of new dwellings

- The seasonally adjusted number of finance commitments for the construction of new dwellings rose by 0.8% in August to be 0.7% lower than at the same time last year.

## Implications

- Housing finance for owner occupied housing increased for a fifth consecutive month in August. Nevertheless, the details remained on the subdued side with the number of loans to owner-occupiers remaining at a low level historically. Notably, housing finance is currently 21.8% down on the level prevailing in mid 2009.
- The growth in housing finance in recent months has been partly boosted by re-financing reflecting lower fixed mortgage rates. Refinancing, which rose by 1.7% in August, has increased by 24.9% over the past five months. Excluding re-financing, the growth in housing finance was slower, rising by 1.0% in August to be just 0.1% higher over the year.
- The number of finance commitments for the purchase of new dwellings has picked up, increasing by a solid 6.0% in August. However, finance for the construction of new dwellings (a lead indicator of dwelling approvals) was more subdued, registering growth of 0.8%, after falling by 1.0% over the previous two months.
- Investor interest in the housing market also remains subdued with finance to investors falling by 1.8% in August, the 13<sup>th</sup> consecutive month of decline.
- Despite the overall growth in housing finance in August, stretched housing affordability, consumer caution and household's desire to pay down debt are likely to continue to weigh on the housing sector in coming months.

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

