

KEY POINTS

Owner occupied housing commitments

- The number of owner occupied housing commitments increased by 2.3% in December 2011 (seasonally adjusted), while the value of owner occupied housing commitments rose by 2.0%.
- On an annual basis, the number of housing finance commitments increased by 5.6% in December, up from a 4.7% annual rate of increase in November 2011.
- The value of owner occupied housing commitments was 3.6% higher than at the same time last year as compared with 1.8% annual growth in November.
- In trend terms, the number of commitments for owner occupied housing finance rose by 1.1% in December to be 9.8% higher over the year.
- The seasonally adjusted estimates rose in New South Wales (up 6.1%), Queensland (up 6.9%), Victoria (up 1.3%), Western Australia (up 1.3%), while falls were recorded in South Australia (down 2.8%) and Tasmania (down 4.3%).

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 20.9% in December 2011 from 20.0% in November 2011.

Construction of new dwellings

- The seasonally adjusted number of finance commitments for the construction of new dwellings increased by 2.0%, the first increase in four months. Over the year to December, loans for construction were down by 6.3%, broadly unchanged on the annual rate of contraction in November 2011.

Implications

- Housing finance is continuing to show signs of recovery with the successive interest rate reductions in November and December last year appearing to have further assisted the improvement in home lending.
- A rise in first home buyer numbers is also adding to overall demand. The percentage of first home buyers as a proportion of all dwellings financed rose to 20.9% in December from 20.0% in November, the highest level since January 2010.
- A further encouraging development in December was the rise in finance for the construction of new dwellings. Earlier weakness puts loans for new construction down by 6.2% over the year, although this compares to annual declines of more than 20% in the first half of last year.
- Despite the overall improvement in housing finance, soft consumer confidence, stretched housing affordability and concerns about the global economic outlook are likely to cap the strength of overall housing finance growth in coming months.

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

