

3 February 2023

Australian housing finance slide continues Owner-occ. 4.2%¹mo, -29.8%²yr; Investors: -4.4%¹mo, -28.3%²yr Total value approvals: -4.3%¹mo, -25.4%²yr (all ex refi)

- The housing finance data was another sea of red in Dec, the total value of approvals down 4.3% in the final month of the 2022 to be 25.4% lower for the year. All major segments and states recorded declines. The fall was slightly bigger than the Westpac and consensus forecast of a 3% decline but the story is much the same.
- By segment, there were similar sized falls for the value of owner occupier and the value of investor loans, down 4.2%¹mo and 4.4%¹mo respectively.
- Within the owner occupier segment, the value of construction loans was down 5.7%¹mo, loans for the purchase of newly built (including 'off the plan' purchases of units) was down 1.1%¹mo, and finance for the purchase of established dwellings down 1.5%¹mo. Notably, the average value of loans is showing some divergence, building costs still rising strong rises for construction loans (+14.6%²yr) but average loans in other segments showing clear declines in line with the correction in prices.
- All major states recorded declines in the month, NSW down 4.9%¹mo, Vic down 4.4%¹mo and Qld down 4.9%¹mo - all three now on annual declines in the 28-35% range. Falls continue to be much milder in SA and WA where price corrections have also been mild to date.
- Overall, the housing finance data was unambiguous with broad-based weakness showing no signs of letting up. Notably, while the total value of new finance approvals may still be well above pre-COVID levels, it is at record 46yr lows when measured against the total value of the dwelling stock (the latter reflecting both valuations and additions to the total number of dwellings). In other words, the extent to which households are borrowing against existing property values is at extreme lows.

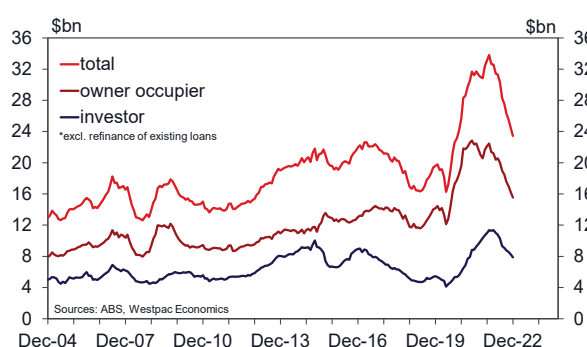
Matthew Hassan, Senior Economist

Housing finance: December 2022

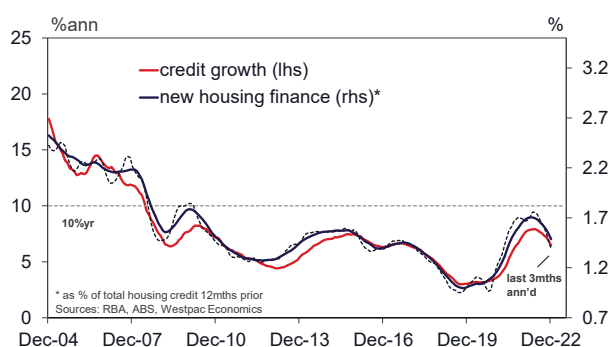
	latest	%chg mth		% chg yr	
		Nov	Dec	Nov	Dec
Owner-occupiers ('000s)	24.2	-3.0	-5.7	-25.2	-30.2
Owner-occupiers (\$bn)	15.6	-4.5	-4.2	-25.2	-29.8
Investors (\$bn)	7.9	-3.5	-4.4	-23.1	-28.3
Total housing finance (\$bn)	23.4	-4.2	-4.3	-24.8	-25.4
Refinance (\$bn)	19.1	7.3	-1.5	20.3	18.0
Total incl. refinance (\$bn)	42.6	0.6	-3.0	-9.6	-13.8
Other indicators[^]	avg[^]	Sep	Oct	Nov	Dec
Auction clearance rate %	64.5	59.4	59.3	58.1	57.7

^{*} unless specified, all figures exclude refinance. Where specified, refinance is 'external' only, i.e. with a new lender; [^] seasonally adjusted by Westpac; avg is last 10yrs
Sources: ABS, CoreLogic, APM, Westpac Economics

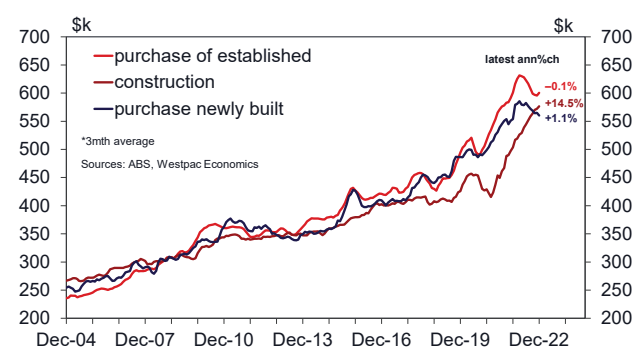
New finance approvals by segment



Housing credit vs new finance approvals

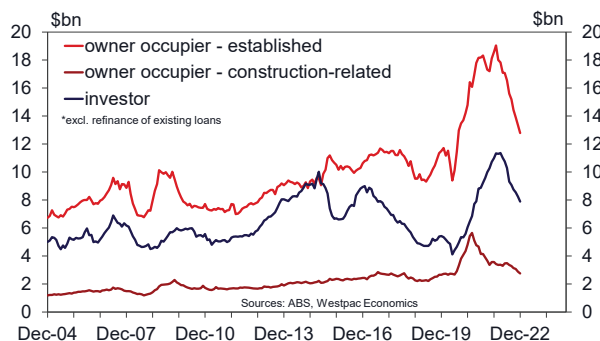


Owner occupier finance approvals: avg value

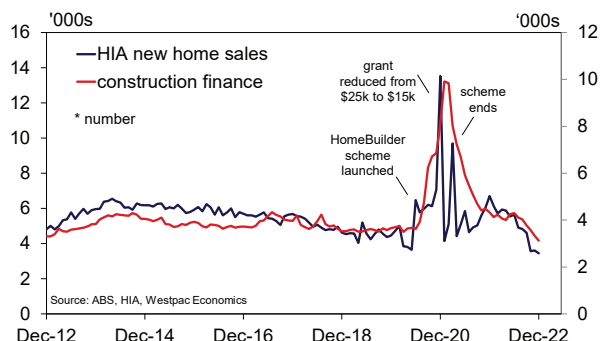


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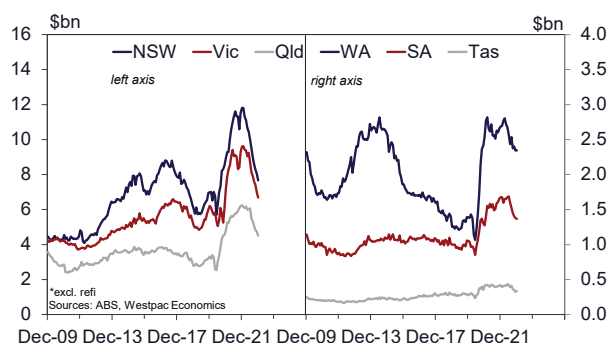
New finance approvals by detailed segment



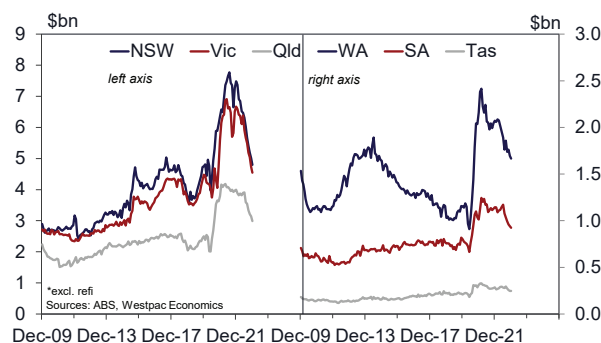
HIA new home sales vs finance approvals



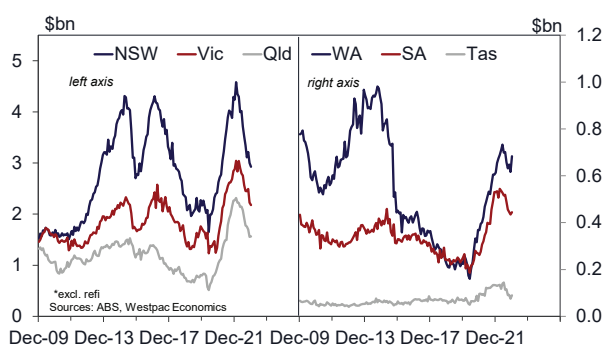
Housing finance by state: total value



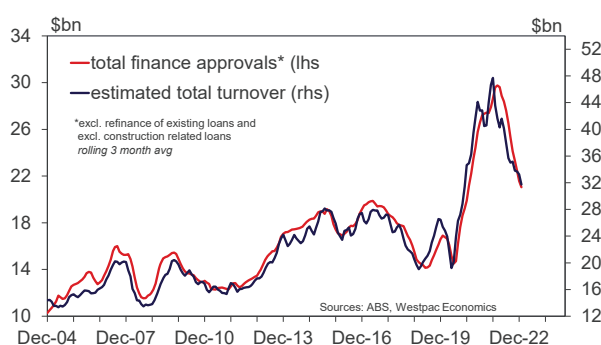
Housing finance by state: owner occupier



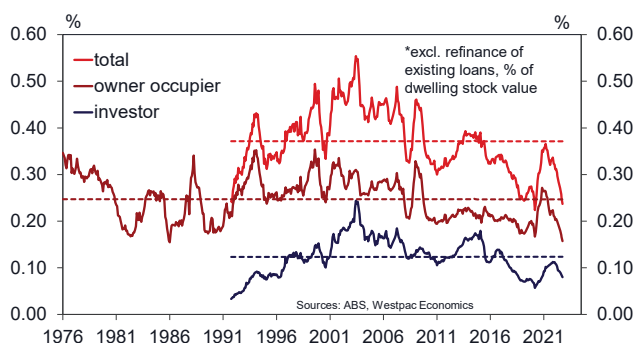
Housing finance by state: investor



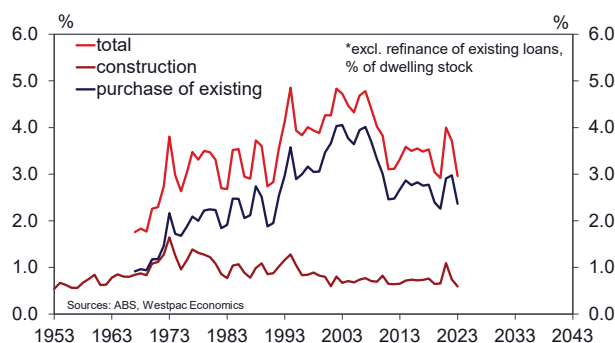
New finance approvals vs value of sales



New finance approvals: long history



New finance approvals: annual, long history



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