

3 April 2023

Australian housing finance: declines slow Owner-occ. -1.2%*mt*, -30%*yr*; Investors: -0.5%*mt*, -32.6%*yr* Total value approvals: -0.9%*mt*, -30.9%*yr* (all ex refi)

- The value of housing finance approvals declined 0.9% in Feb, in line with Westpac's forecast of a 1% fall but better than the consensus expectation of -1.8%. The update was broadly in line with the stabilisation starting to show through in prices and sales volumes (see [here](#) for more).

- By borrower type, owner occupier activity was a touch softer, the value of loans to this segment down 1.2%*mt* compared to a 0.5%*mt* decline in investor loans. Much of that reflects more pronounced weakness in construction-related loans, down 4.4%*mt* on a combined basis vs a 0.5% decline in owner occupier loans to those purchasing existing dwellings.

- First homebuyers (FHBs) were a little more active, the value of loans to this particular sub-segment up 0.9%*mt*, led by a 9.8% bounce in NSW where state government measures rolled out in mid-Jan significantly reduced stamp duty for new buyers.

- By state, the FHB lift and stabilising wider market produced a 6.7%*mt* rise in NSW. Vic was broadly steady, posting a slight 0.3%*mt* rise. However, Qld continued to weaken, approvals down 4%*mt*, while WA was soft with a 0.9%*mt* decline.

- Overall, new finance approvals are pointing to a further significant slowing in housing credit growth back towards 4%*yr*, from 5.8%*yr* currently.

- Note that while the current level of total and owner occupier lending remains at or above pre-COVID highs, both in number and dollar value terms, activity is near historical lows when viewed relative to the total dwelling stock. Charts overleaf show the number of new owner occupier finance approvals in annualised terms as a proportion of the total number of dwellings. Current figures are consistent with new loans running at just over 2.5% of all dwellings annually, which compares to a long run average of 3.7% and is close to the lows seen during COVID and, prior to that, the recession in the early 1990s and major downturns in the 1980s. The number of construction-related owner-occupier loans relative to the dwelling stock is at record lows going back to 1976.

- The housing finance data contains some other interesting 'nuggets' as well. Loan sizes for example reflect the big rise in construction costs with the avg value of construction-related loans just 4% below the average value of loans for the purchase of existing dwellings - a wedge averaged 14% over the previous five years. In areas and segments where new and existing dwellings price off each other, this may be a source of upward pressure for existing dwellings in an otherwise weak market.

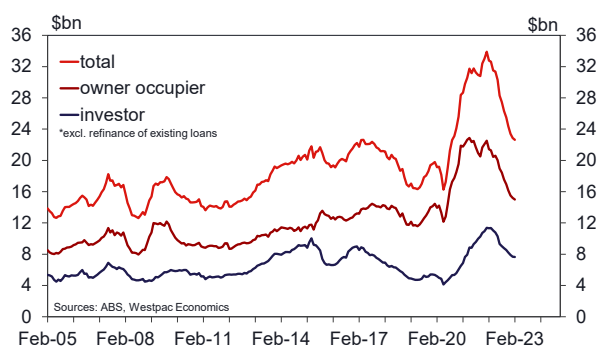
- Another point of interest is refinance. Most of the above excludes refi as the focus is on new lending, credit growth and building activity. However, refi is of some interest now as it is booming (+2.7%*mt*, +22.6%*yr*) and may partly reflect borrowers, including those coming off fixed rate terms, looking to reduce their exposure to high and rising interest rates. The current boom has now seen \$185bn in loans re-financed since May last year, accounting for 8.7% of all housing loans outstanding.

Housing finance: February 2023

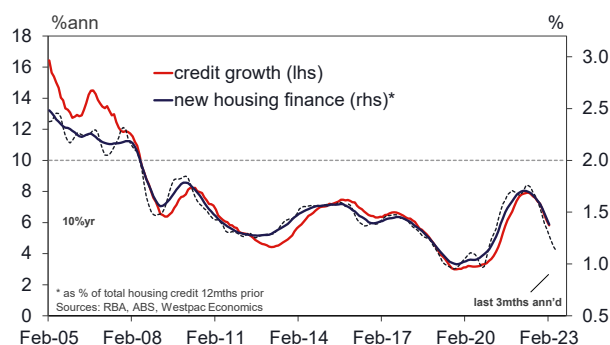
	latest	%chg mth		% chg yr	
		Jan	Feb	Jan	Feb
Owner-occupiers ('000s)	23.2	-2.0	-1.6	-31.1	-28.9
Owner-occupiers (\$bn)	15.0	-2.1	-1.2	-32.6	-30.0
Investors (\$bn)	7.6	-3.0	-0.5	-32.6	-32.6
Total housing finance (\$bn)	22.6	-2.4	-0.9	-32.6	-30.9
Refinance (\$bn)	19.9	1.1	2.7	27.9	22.6
Total incl. refinance (\$bn)	42.5	-0.8	0.7	-13.9	-13.2
Other indicators [^]	avg [^]	Dec	Jan	Feb	Mar
Auction clearance rate %	64.4	58.3	58.3	60.4	61.7

* 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



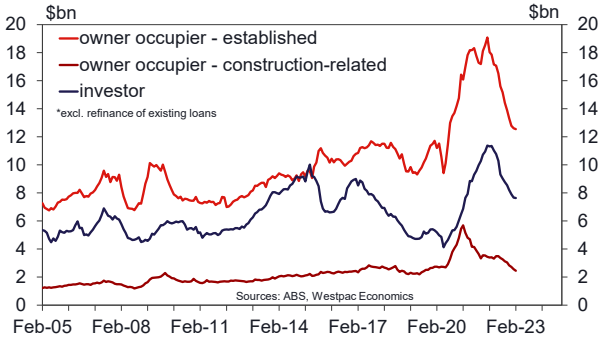
Housing credit vs new finance approvals



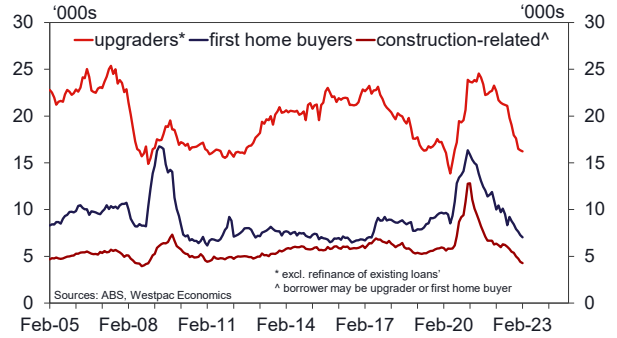
Matthew Hassan, Senior Economist

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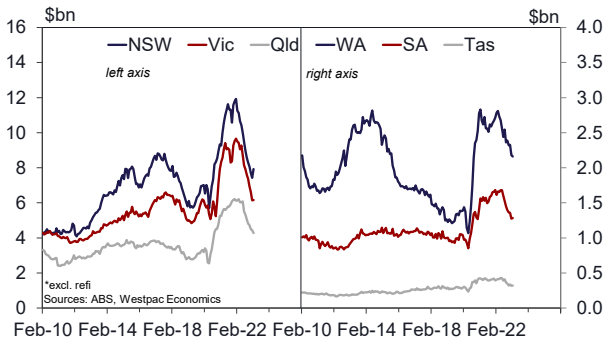
New finance approvals by detailed segment



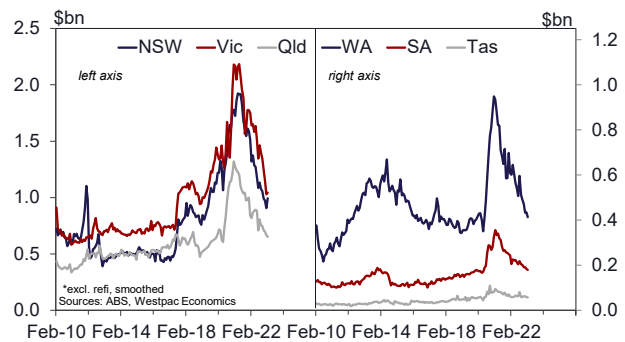
Owner occupier finance approvals (number)



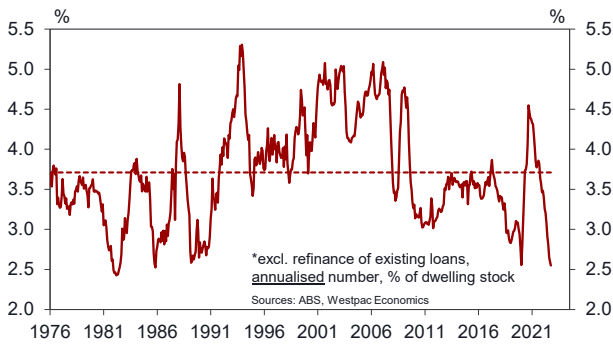
Housing finance by state: total value



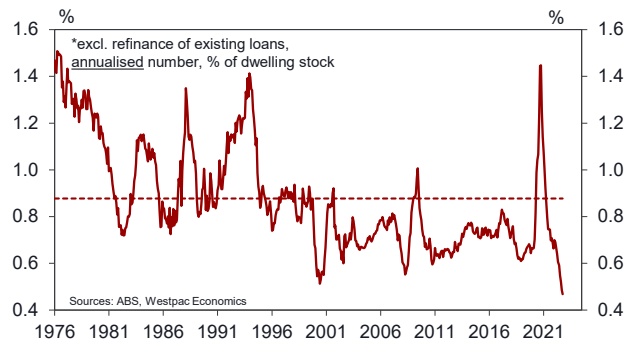
First home buyers: by state



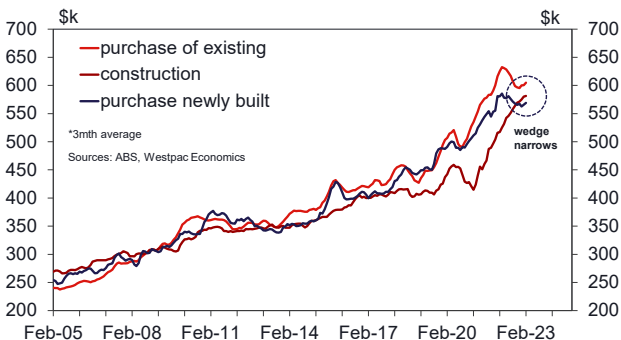
New finance approvals: owner occupier



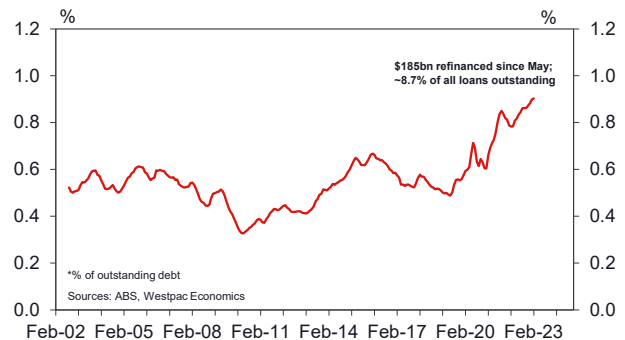
New finance approvals: construction-related



Owner occupier finance approvals: avg value



Refinance approvals



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