

3 October 2023

Australian housing finance: up-tick Total value approvals (ex refi): 2.2%^{mth}, -9.4%^{yr} WA and SA lead gains. Average loan sizes converge.

- The total value of new housing finance approvals rose 2.2%^{mth}, coming in above the consensus forecast of a flat result but a touch below Westpac's top of the range forecast of +3%. The mix showed gains led by owner occupier loans for the purchase of existing dwellings with other segments a touch softer. The picture continues to be one of a gradual up-trend coming from a weak starting point, the total value of finance approvals still 27% below the peak at the start of last year.
- The total value of loans to owner occupiers excl. refi rose 2.6% with the number of loans up 2.5%, implying the average value of loans was unchanged. The detail showed a smaller 1.4% gain in owner-occupier construction loans and a 1% dip in owner-loans for the purchase of newly built dwellings (which includes loans for 'off the plan' unit purchases). This contrasts with the more positive signal coming from today's dwelling approvals update (see [here](#)) and from other indicators such as HIA new home sales. The August report again had no breakdown of first home buyer lending, the data here still suspended due to reporting issues.
- The value of investor loans rose 1.6%^{mth}, a slightly milder gain than for owner occupier loans but a milder decline on a year ago (-3%^{yr} vs -12.5%^{yr} for owner occupier loans).
- The state breakdown showed much stronger monthly gains in the total value of loans for WA (+7.7%), SA (+10.3%) and Tas (+11.3%) with a more moderate rise in NSW (+1.8%^{mth}) and Vic (+2.8%^{mth}). Note that state readings to not aggregate to the national move due to seasonal adjustment and rounding differences. Owner occupier loans saw similar gains across the major states, WA (+4.9%) and SA (12.9%) the out-performers in the month but the pace of underlying up-trends still unclear. WA and SA were also notable out-performers or investor loans, with gains of 14.1%^{mth} and 5.2%^{mth} respectively. These states have also been notable out-performers price-wise through the latest cycle with prices in Adelaide and Perth barely dipping through the most recent correction (see [here](#) for more).
- Notably, the average value of loans across different loan types has converged with borrowers taking out similar sized loans for the purchase of existing, for construction and for the purchase of newly built dwellings. The surge in construction costs looks to be another factor adding to recent gains in dwelling prices, particularly in sub-markets where prices are benchmarked to newly built dwellings (e.g. on suburban fringes).
- Overall the finance approvals remain consistent with housing credit growth bottom out at around 4.5%^{yr}.

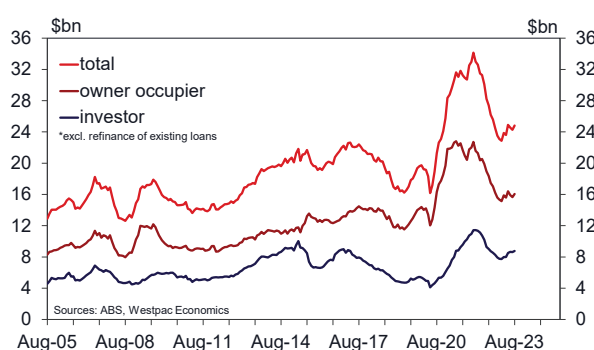
Matthew Hassan, Senior Economist

Housing finance: August 2023

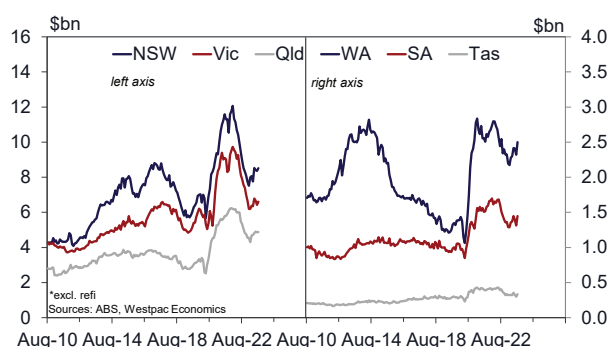
	latest	%chg mth		%chg yr	
		Jul	Aug	Jul	Aug
Owner-occupiers ('000s)	25.4	-2.2	2.5	-15.8	-12.3
Owner-occupiers (\$bn)	16.1	-1.6	2.6	-17.3	-12.5
Investors (\$bn)	8.8	-0.3	1.6	-7.2	-3.0
Total housing finance (\$bn)	24.8	-1.1	2.2	-14.0	-9.4
Refinance (\$bn)	20.6	5.4	-3.9	21.6	12.4
Total incl. refinance (\$bn)	45.4	1.8	-0.6	-0.3	-0.6
Other indicators[^]	avg[^]	Jun	Jul	Aug	Sep
Auction clearance rate %	64.5	67.1	68.4	64.7	64.7

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

New finance approvals by segment

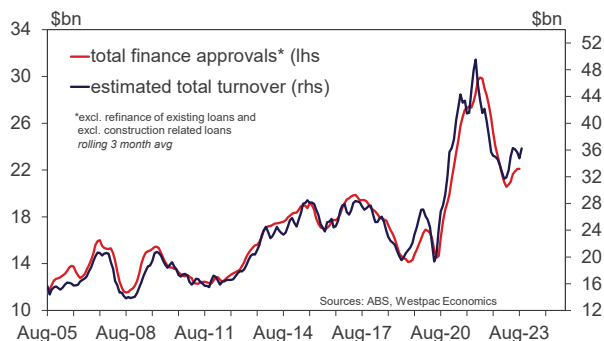


Housing finance by state: total value

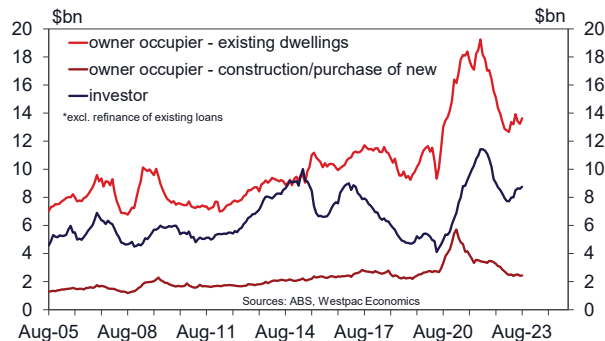


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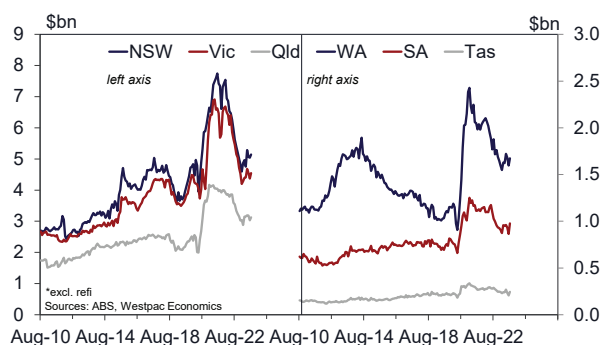
New finance approvals vs value of sales



New finance approvals by detailed segment



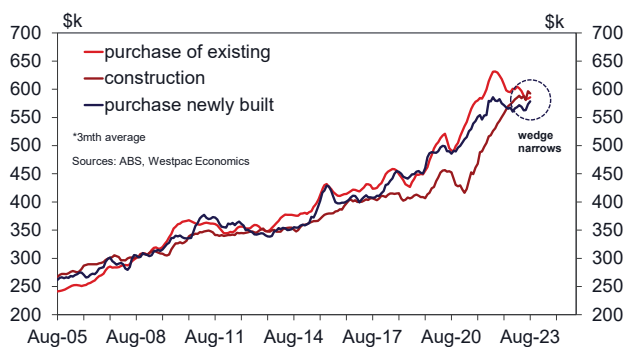
Housing finance by state: owner occupier



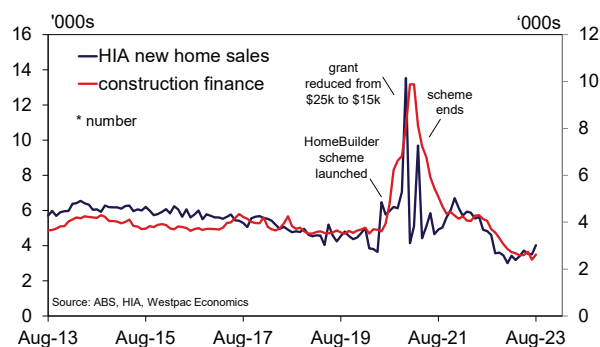
Housing finance by state: investor



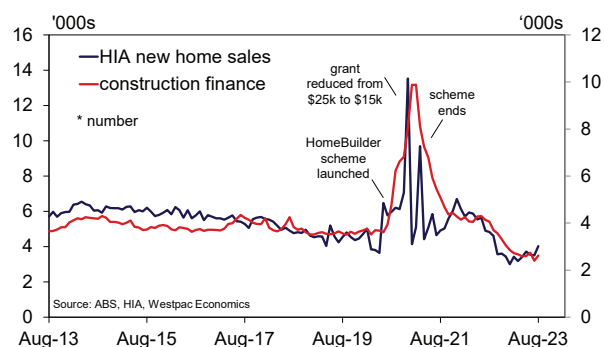
Owner occupier finance approvals: avg value



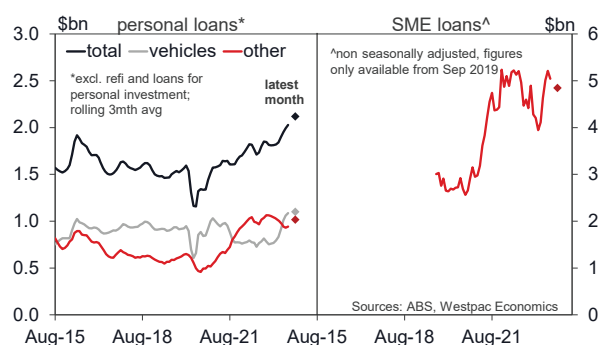
HIA new home sales vs finance approvals



HIA new home sales vs finance approvals



Other lending: personal finance and SME loans



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