

4 December 2023

Australian housing finance surges Total value approvals (ex refi): 5.4%^{mth}, 4.9%^{yr} Price-led upturn seeing avg loan sizes driving gains.

- The total value of housing finance approvals surged 5.4% in October, coming in well above the consensus forecast of a 1.1% gain and above Westpac's top-of-the-range forecast of 3.2%. That said, the complexion was as we expected with a strong rise in construction loans seeing owner occupier loans outperform investors slightly. Gains look to be fairly broad across the states. Note that the Oct rise mostly brings finance more in line with the price-led rise in the value of turnover that was already apparent in other data.
- The total value of loans to owner occupiers excl. refi increased by 5.6%^{mth}, with the number of loans up 2.8%^{mth}. Annual growth rates show the extent to which rising prices (and average loan sizes) are driving the upturn, the value of owner occupier loans up 12.1%^{yr} but the number of loans still down slightly, by 0.6%^{yr}.
- Construction-related lending also showed a significant impact from rising average loan sizes with a 9.1%^{mth} rise in the value of new loans but the number of loans up just 2%^{mth}. The value of owner-occupier construction loans increased by 10.4%^{mth} to be up 1.1% on a quarterly basis. The number of loans for purchases of newly built dwellings, which includes 'off the plan' apartment purchases, rose 1.5%^{mth} but is still down 10.8% on an annual basis.
- Owner occupier loans for the purchase of existing dwellings posted solid gains. The value of loans were up 4.6%^{mth} and the number of loans up 3%^{mth}.
- October's estimates of first home buyer (FHB) activity depicted a 6.2% gain in the value of loans, boosting annual growth (+11.8%^{yr}). FHB activity showed a notable rise in NSW (14.7%^{mth}) in terms of total value. The NSW state government increased stamp duty concessions for FHBs from July 1 (albeit replacing previous arrangements that allowed many FHBs to 'opt-in' for an annual property tax payment instead of paying a lump sum stamp-duty upfront). The total value of non-FHB loans increased by 5.4%^{mth} but was still down 2.4%^{yr}.
- The value of investor loans decreased by 5%^{mth} to be up 12.1%^{yr}. All major states recorded gains, but investor lending has risen particularly strongly in WA where it is up 42%^{yr}.
- Notably, refinance activity fell 7%^{mth}, bringing the 2021-23 boom to a decisive end - the boom saw loans worth over 10% of the value of outstanding debt approved since mid 2022, much of the activity likely linked to 'fixed rate' mortgage roll-offs.
- In terms of total loans, the state breakdown shows solid gains across the board: NSW (+4.8%^{mth}); Vic (+2.1%); Qld (+4.5%^{mth}); SA (+3.2%^{mth}); and WA (+16.8%^{mth}). Annual growth is now positive in all major jurisdictions except Vic where the value of loans is still down 2.7%^{yr}.

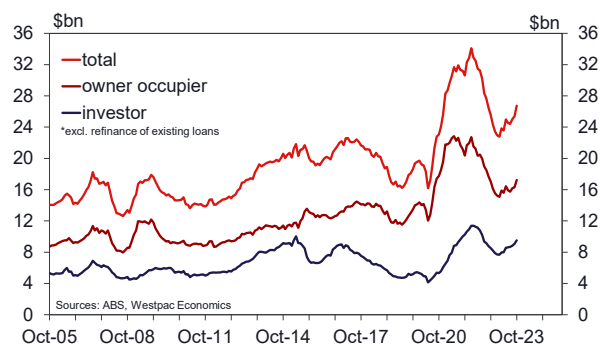
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Housing finance: October 2023

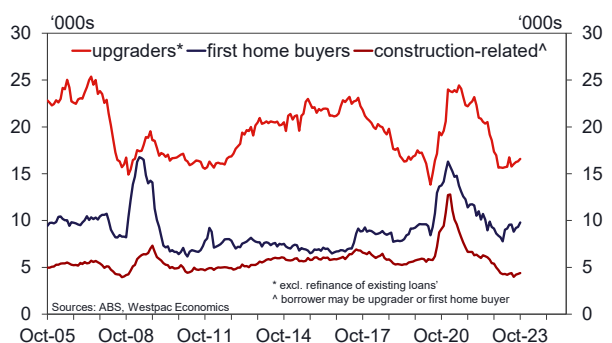
	latest	%chg mth		% chg yr	
		Sep	Oct	Sep	Oct
Owner-occupiers ('000s)	26.4	0.6	2.8	-8.0	-0.6
Owner-occupiers (\$bn)	17.2	0.8	5.6	-7.7	1.4
Investors (\$bn)	9.5	2.8	5.0	3.4	12.1
Total housing finance (\$bn)	26.7	1.5	5.4	-4.0	4.9
Refinance (\$bn)	17.4	-5.9	-7.0	2.2	-5.0
Total incl. refinance (\$bn)	44.1	-1.8	0.1	-1.5	0.8
Other indicators [^]	avg [^]	Aug	Sep	Oct	Nov [^]
Auction clearance rate %	64.4	63.4	63.1	62.5	57.5

* 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

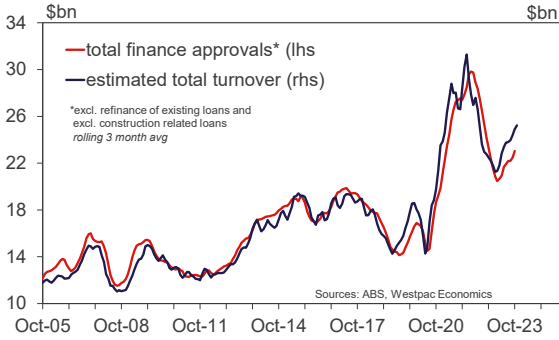


Owner occupier finance approvals (number)

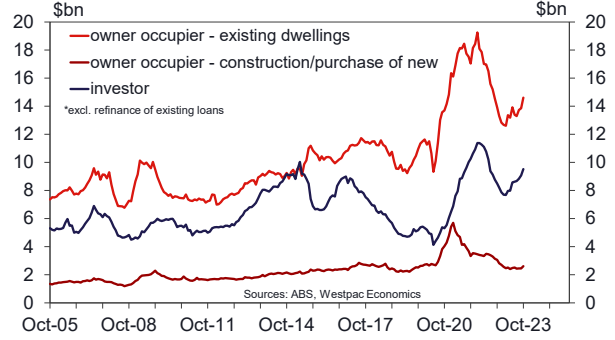


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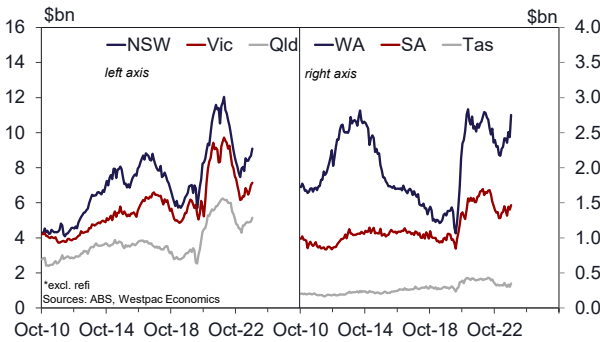
New finance approvals vs value of sales



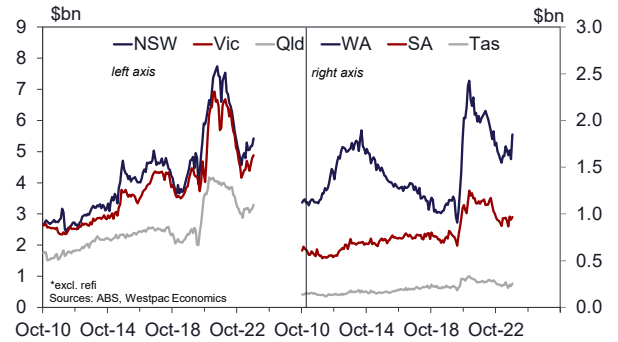
New finance approvals by detailed segment



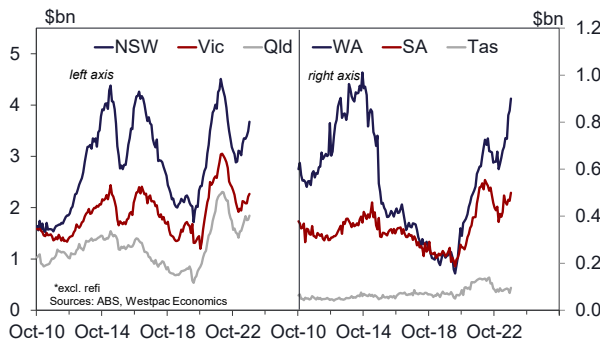
Housing finance by state: total value



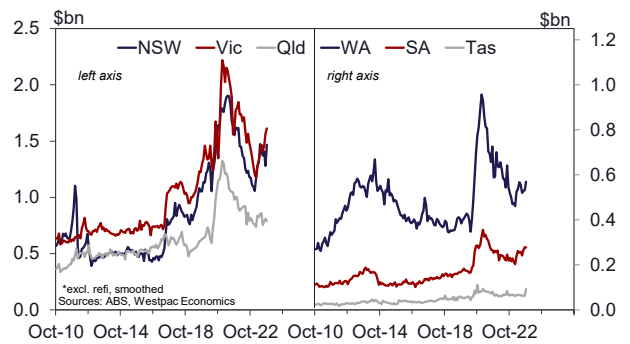
Housing finance by state: owner occupier



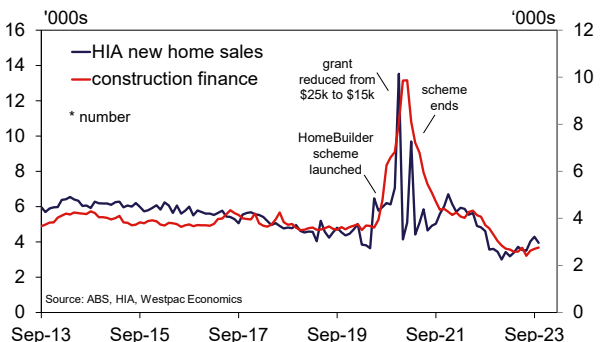
Housing finance by state: investor



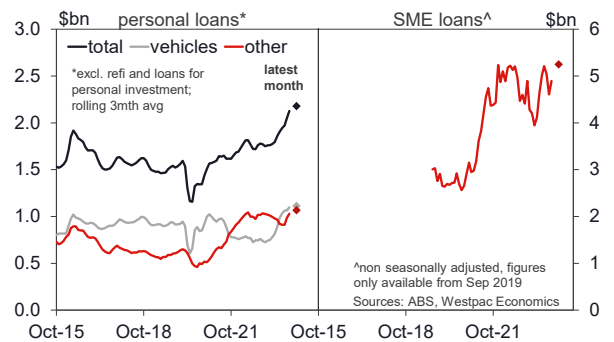
First home buyers: by state



HIA new home sales vs finance approvals



Other lending: personal finance and SME loans



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