

2 February 2024

Australian housing finance: soft finish Total value approvals (ex refi): -4.1%¹mo, 11.7%²yr Signs rate hike and affordability constraints impacting.

- The total value of housing finance approvals posted a surprise 4.1% fall in Dec, reversing about a third of the strong surge seen over the four months. Weakness in the month centred on owner occupiers. The RBA's Nov rate hike likely had some impact in the month. While we should always be careful when interpreting housing data over the Dec-Jan period, the update adds to evidence from the latest figures on [prices and turnover](#) that housing market momentum has slowed and that affordability pressures are starting to bite. That said the total value of housing finance approvals is still up solidly over the year, +11.7%²yr.
- The total value of loans to owner-occupiers excl. refi fell 5.6% in Dec, with the number of loans down 6.7% – reversing over half of the gains seen over the previous four months. The mix implies a continued rise in average loan sizes.
- The detail shows weakness centred on purchase of existing dwellings, down 6.6%¹mo compared to a milder 1.2% dip in the value of construction-related owner occupier loans. That follows a much stronger year however, loans for the purchase of existing dwellings up 9.1%²yr vs 1.2% for construction-related loans.
- First home buyer and upgrader loans showed similar weakness, down 5.5% and 5.7% in the month respectively in value terms, albeit with the volume of first home buyer loans somewhat weaker (-8.4%¹mo). The state detail shows no impact from the recent increase in first home buyer assistance from the Qld state government, which is likely to only appear in early 2024 Queensland (+17.1%) following a doubling of the State Government's FHB Grant for new builds, any effects likely to show through in early 2024. More generally, the state detail showed the Dec decline was broadly based, suggesting a common element – Nov's interest rate rise – is behind the dip.
- The value of investor loans recorded a milder 1.3% decline in Dec, only unwinding 10-15% of the previous surge. The state detail is a little more varied here with a slightly bigger decline in Qld and a strong 5.6% rise in WA, which has seen a very strong 48% surge in investor loans over 2023 to near previous peaks.

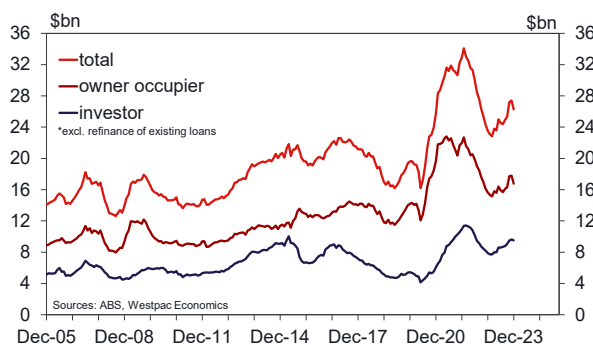
Matthew Hassan, Senior Economist

Housing finance: December 2023

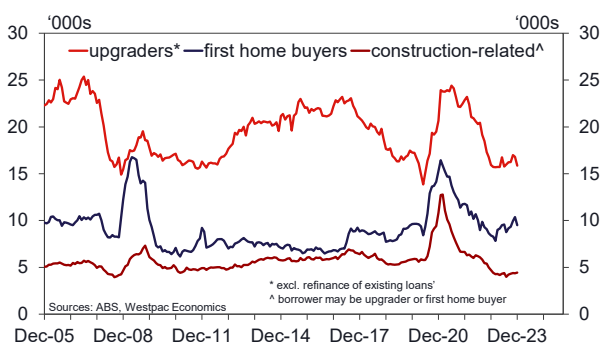
	latest	%chg mth		%chg yr	
		Nov	Dec	Nov	Dec
Owner-occupiers ('000s)	25.4	0.8	-6.7	6.9	4.2
Owner-occupiers (\$bn)	16.8	0.3	-5.6	10.2	7.4
Investors (\$bn)	9.5	1.4	-1.3	17.4	20.4
Total housing finance (\$bn)	26.3	0.7	-4.1	12.7	11.7
Refinance (\$bn)	17.1	0.3	-1.6	-11.8	-12.1
Total incl. refinance (\$bn)	43.4	0.5	-3.1	1.7	0.9
Other indicators[^]	avg[^]	Sep	Oct	Nov	Dec
Auction clearance rate %	64.4	64.0	64.2	57.0	64.8

* 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

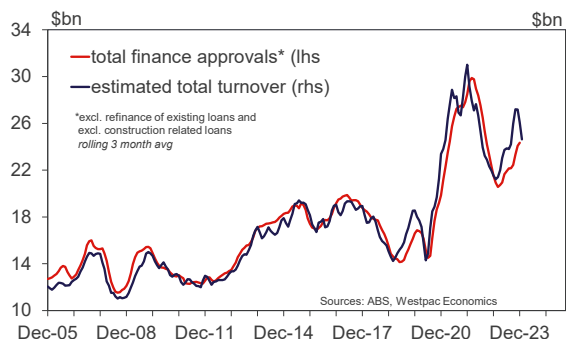


Owner occupier finance approvals (number)



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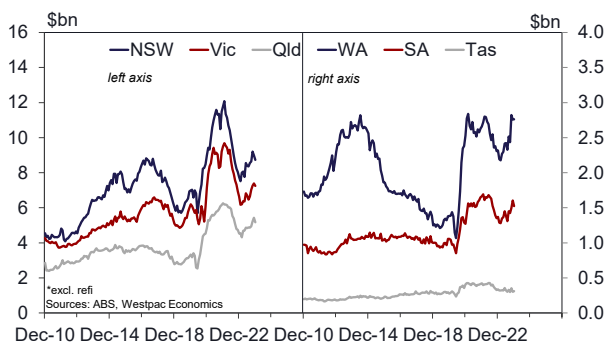
New finance approvals vs value of sales



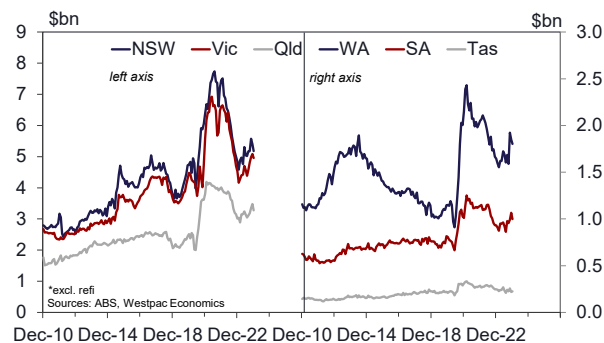
New finance approvals by detailed segment



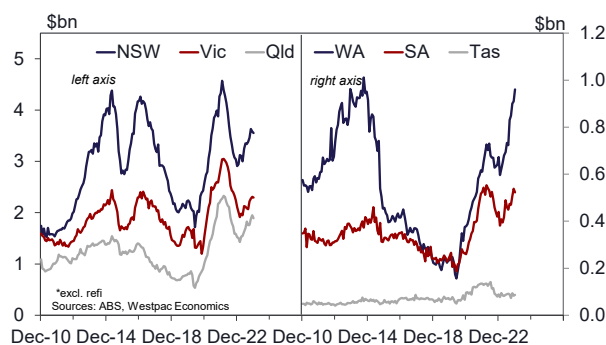
Housing finance by state: total value



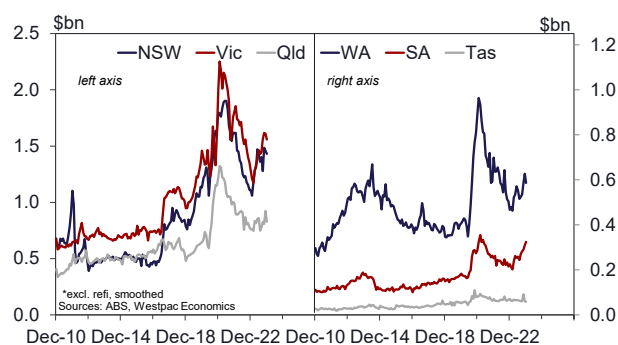
Housing finance by state: owner occupier



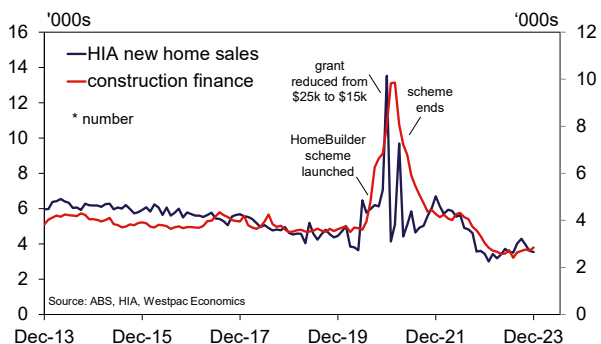
Housing finance by state: investor



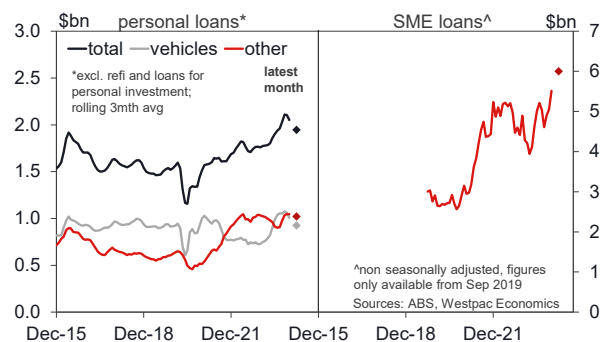
First home buyers: by state



HIA new home sales vs finance approvals



Other lending: personal finance and SME loans



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