

7 March 2024

Australian housing finance: off again Total value approvals (ex refi): -3.9%^{mth}, +8.5%^{yr} Upturn checked by rate hike, stretched affordability.

- The total value of housing finance approvals recorded a 3.9% decline in Jan, coming in weaker than expectations of a small rise. The fall follows a similar sized decline in Dec. While the total value of approvals is still up 8.5%^{yr} and 9.1% above its recent low in early 2023, the declines over Dec-Jan have given back about half of the rally that had been seen up to November. The RBA's November rate hike and stretched affordability more generally look to be weighing more heavily on owner occupier activity.
- Note that all figures below are quoted excluding refinance.
- Owner occupier loans have seen a sharper retracement, the total value of housing finance approvals to owner occupiers falling 4.6%^{mth} in Jan following a 5.6% drop in Dec, giving back three quarters of the gains up to Nov. The detail shows the biggest reversal has been in finance for the purchase of existing dwellings where first home buyers have been the biggest mover (the value of loans to this segment down nearly 12% and the number down 15% in two months). Non first home buyer loans and construction-related loans have seen milder declines, the latter only off 2-4% vs Nov.
- The total value of investor loans recorded a milder 2.6%^{mth} decline in Jan following a 1.6%^{mth} dip in Dec, the segment hanging on to more of its 2023 gains to be up 18.5%^{yr}.
- The state detail shows the sharpest decline over the two months has been in Vic (-11.6%) where investor loans have seen a more pronounced weakening (down 8.4%). The other major eastern states have also seen bigger declines, Qld down 8.3% over the two months and NSW down 6.4%. WA is the only state that has recorded a rise over this period, the value of housing finance approvals up 1.7%, led by a 6.8% surge in investor loans - this segment back near historical highs in the state. The state performances very much mirror the performances being seen around prices and turnover (see [here](#) for more).
- Notably, the state detail continues to suggest a fairly muted response to the Qld state government's recent move to increase assistance to first home buyers building or purchasing newly built homes, finance approvals for construction posting a strong rise in Jan but approvals to first home buyers more generally declining over the last two months.
- One other side note is the gap between transactions and finance approvals, pointing to a sizeable injection of 'non debt financed' funding. Residential property transactions totalled \$446bn in 2023. Finance approvals totalled just under \$298bn. The \$148bn 'gap' is about as large as we have seen historically and could reflect a variety of factors including: the use of savings accumulated during the pandemic; a lift in intergenerational transfers ('bank of mum and dad'); more downsizers extracting equity via refinance or using super funds; an increase in foreign buyer activity requiring no local finance.
- Overall, the update suggests Nov's interest rate rise may have had a more material influence on markets. Housing turnover weakened into year-end with price growth also softening. Prospects look a little better in early 2024 although gains in finance are likely to remain sluggish.

Matthew Hassan, Senior Economist

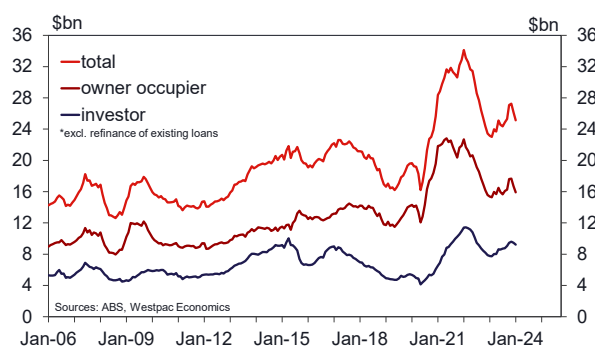
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Housing finance: January 2024

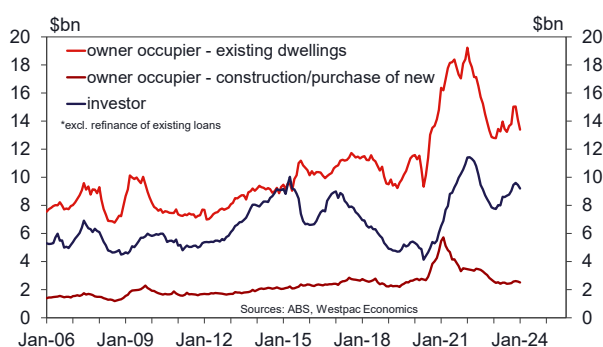
		%chg mth		%chg yr	
	latest	Dec	Jan	Dec	Jan
Owner-occupiers ('000s)	24.6	-6.9	-2.6	3.2	1.7
Owner-occupiers (\$bn)	15.9	-5.6	-4.6	7.0	3.4
Investors (\$bn)	9.2	-1.6	-2.6	20.2	18.5
Total housing finance (\$bn)	25.1	-4.1	-3.9	11.5	8.5
Refinance (\$bn)	16.1	-2.0	-5.0	-12.7	-19.5
Total incl. refinance (\$bn)	41.2	-3.3	-4.3	0.5	-4.4
Other indicators[^]	avg[^]	Nov	Dec	Jan	Feb
Auction clearance rate %	64.2	57.1	65.1	47.6	66.7

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

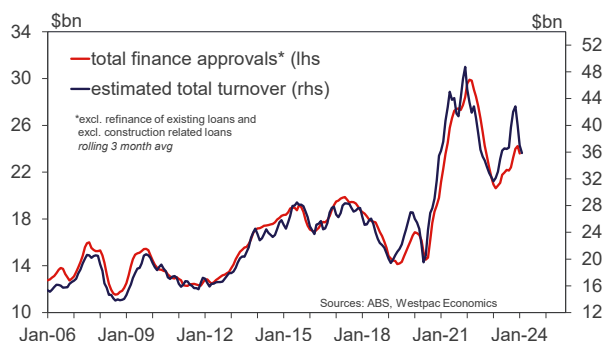
New finance approvals by segment



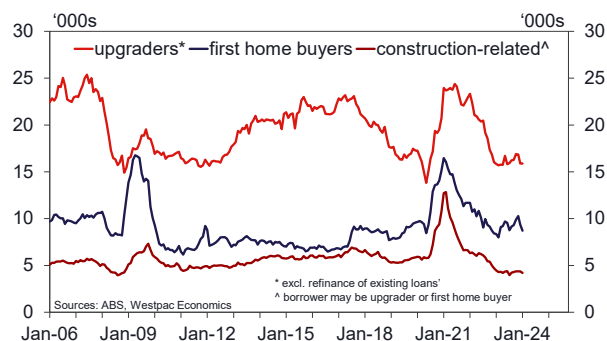
New finance approvals by detailed segment



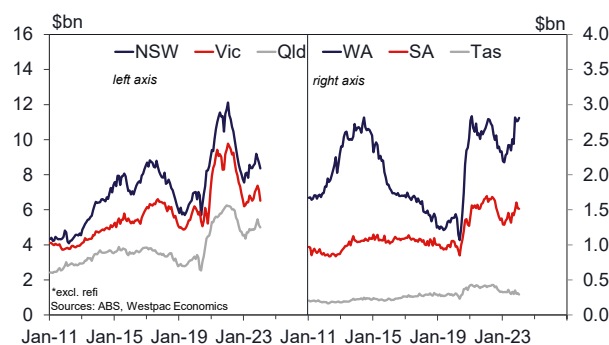
New finance approvals vs value of sales



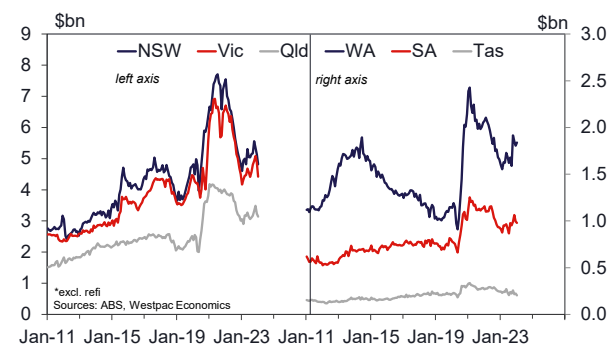
Owner occupier finance approvals (number)



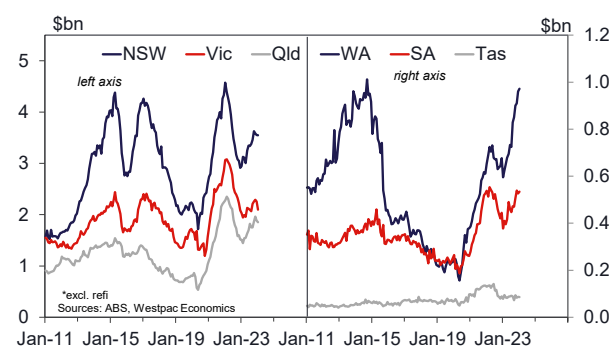
Housing finance by state: total value



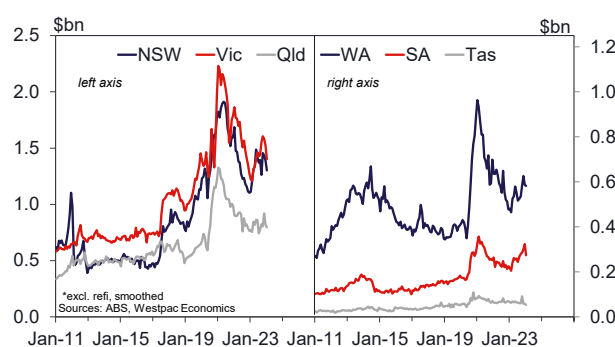
Housing finance by state: owner occupier



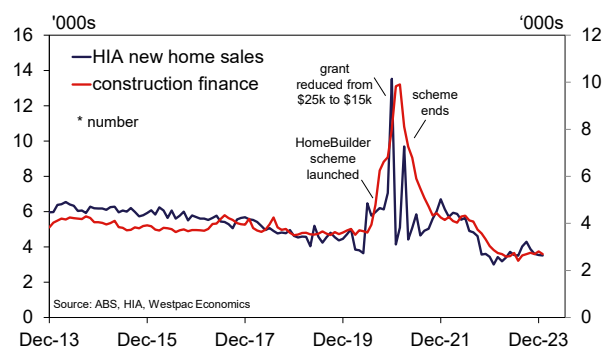
Housing finance by state: investor



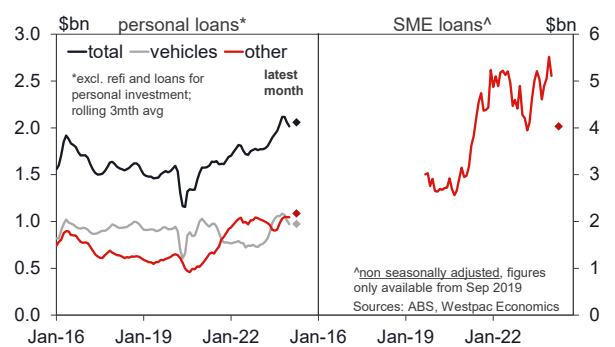
First home buyers: by state



HIA new home sales vs finance approvals



Other lending: personal finance and SME loans



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