

6 June 2024

Australian housing finance: stepping up a gear

Total value approvals (ex refi): 4.8%^{mth}, 24.6%^{yr}

Investor lending hits record highs in Qld, SA and WA

- The value of new housing finance approvals, excluding refinancing, lifted for a third consecutive month in April, extending a well entrenched upswing in lending activity since early 2023.
- The punchy 4.8% monthly gain was the strongest since January 2022, registering well above consensus expectations (+1.5%) and outpacing our own forecast for a 3.0% increase. Over the year to April, new finance approvals were 24.6% higher - the biggest annual increase since December 2021.
- Investor (+5.6%) and owner-occupier (+4.3%) lending were both higher in the month with the investor segment continuing to outperform. Since troughing in early 2023, new investor financing has rebounded over 40%, compared to a just over 20% gain in owner-occupier borrowing. Strong capital gains are luring in investors, supported by strong rental growth which is keeping yields attractive.
- Within the owner-occupier segment, financing activity lifted in every category in April. Of particular interest were the strong increases in lending for construction (+6.0%) and to purchase newly built dwellings (+10.8%). The rise in financing for new dwelling construction built upon another solid lift in March, providing some optimism that an underlying upturn may be emerging. Lending for new construction has lagged the broader rise in housing finance activity as the residential construction industry continues to grapple with weak approvals, elevated costs and significant capacity constraints.
- Across the country, new housing finance was higher in every state and territory for both owner-occupiers and investors in April, the exception being Tasmania where an outsized 16.5% fall in owner occupier activity more than offset a solid lift in investor lending. The value of investor lending hit fresh record highs in Queensland, South Australia and Western Australia, the three states with the hottest housing markets.
- Both the number (+3.0%) and value (+3.4%) of first home buyer loans rose in April with the latter hitting its highest level since January 2022. Reflecting strong dwelling price growth across most markets, the average loan size for first home buyers ticked up to a record high of \$525k. However, this is still trailing the broader average for owner-occupiers which clocked in at \$675k in April - also a record high.
- Refinancing activity rose in April (+1.7%), but this reflected month to month volatility rather than a shift in the underlying cooling in refinance activity.
- A broad upswing in dwelling prices nationally remains a structural tailwind for housing finance activity. Stage 3 tax cuts may provide a boost to activity as borrowing capacity expands. However, stretched affordability will remain a drag and is likely to limit the potential upside, noting the high inflation will also be impacting benchmarks used to assess loan serviceability.

Jameson Coombs, Economist
Antoinette Ayoub, Graduate

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Housing finance: April 2024

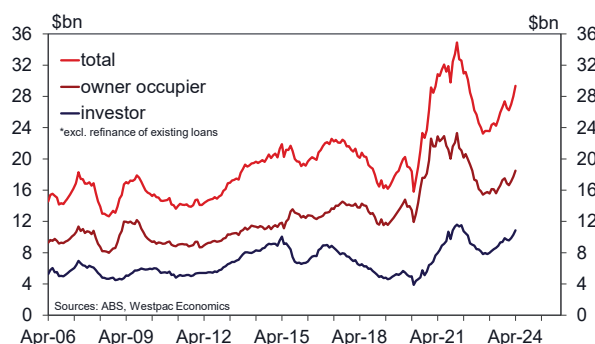
		%chg mth		%chg yr	
	latest	Mar	Apr	Mar	Apr
number ('000s)					
Owner-occupiers	27.4	3.1	3.0	7.3	9.3
Investors [^]	19.6	-8.7	22.9	10.9	44.5
Total housing finance[^]	47.0	-1.7	10.5	8.7	21.7

value (\$bn)					
Owner-occupiers	18.5	3.5	4.3	12.5	18.7
Investors	10.9	4.4	5.6	31.8	36.1
Total housing finance	29.4	3.8	4.8	18.9	24.6
Refinance (\$bn)	16.3	-2.2	1.7	-24.8	-16.3
Total incl. refinance (\$bn)	45.7	1.5	3.7	-1.9	6.1

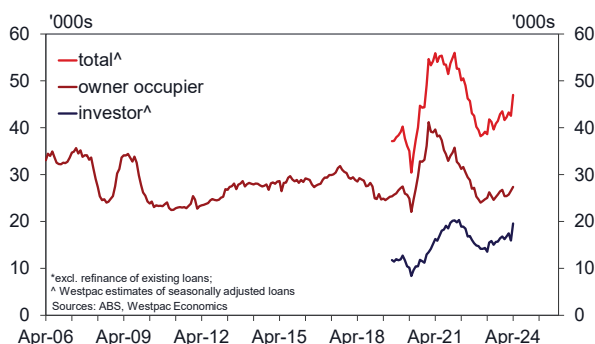
Other indicators [^]	avg [^]	Feb	Mar	Apr	May [^]
Auction clearance rate %	64.2	66.5	63.8	62.2	60.9

^{*} 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

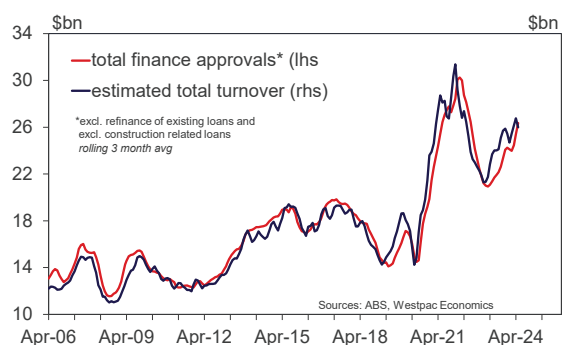
New finance approvals by segment: value



New finance approvals by segment: number



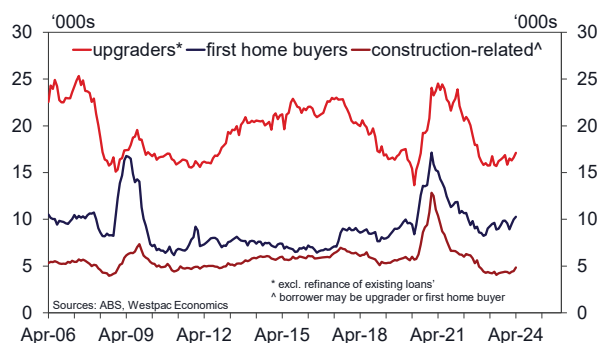
New finance approvals vs value of sales



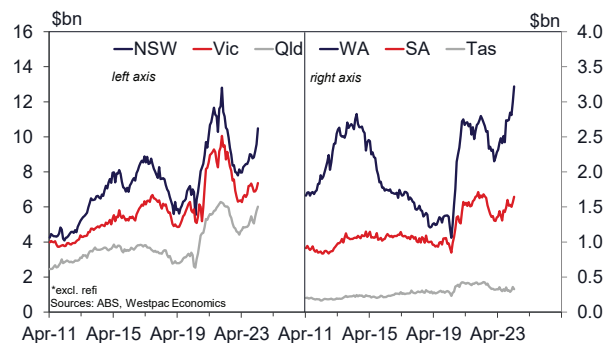
New finance approvals by detailed segment



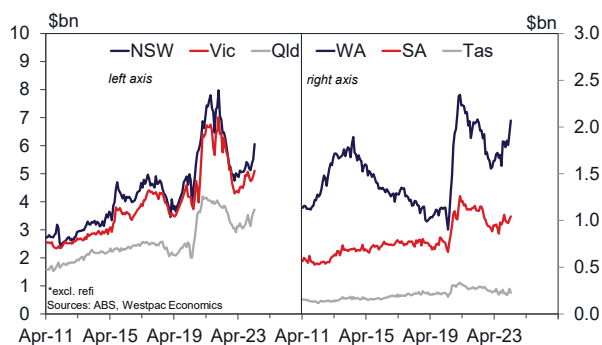
Owner occupier finance approvals (number)



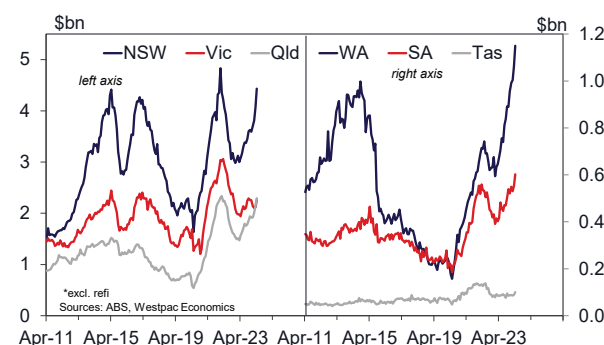
Housing finance by state: total value



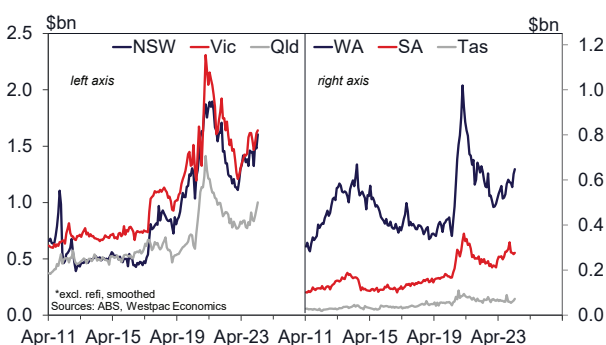
Housing finance by state: owner occupier



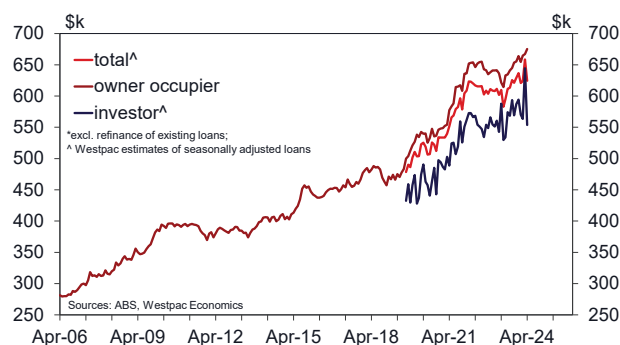
Housing finance by state: investor



First home buyers: by state



New finance approvals by segment: avg value



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