

8 July 2024

Australian housing finance dips Total value approvals (ex refi): -1.7%^{mth}, 18%^{yr} Boom continues in WA but upturns slowing in the eastern states.

- The value of new housing finance approvals, excluding refinancing, declined 1.7% in May, breaking a run of three consecutive monthly gains. The decline was in line with Westpac's bottom of the range forecast of a 2% fall but below the consensus forecast of a 1.8% rise. Despite this, the result looks more like a minor consolidation rather than the beginning of a sustained down-trend.
- Note that, unless specified, figures in the tables, charts and commentary are approvals excluding refinance.
- The May month detail shows the decline in the value of finance approvals reflected a larger decline in approval numbers (we estimate down 3.3%^{mth}), implying a slight offset from higher average loan sizes (up 1.6%^{mth}). Over the year to May, the value of new finance approvals rose 18%^{yr}, with the number of loans up 11.3%^{yr}.
- The softening was spread across all buyer groups, a little more pronounced for owner occupiers, the value of new loans to this segment down 2%^{mth} compared to a 1.3% decline for the value of loans to investors. That said, loan volumes showed more of a pull-back for the investor segment (-5.5%^{mth}, noting that this is a Westpac estimate of the seasonally adjusted figure).
- Within the owner-occupier space, construction loans showed a milder 0.7% dip in value terms, while loans for the purchase of newly built dwellings recorded a sharper 5.6% fall, the latter coming off a strong 11.6% jump in April. Some of that earlier rise likely relates to a pull-forward in activity associated with changes to building regulations in Qld and Vic.
- The state detail shows the May decline in the total value of housing finance approvals centred on NSW, which saw an 8.4% drop in the month. Approvals posted a milder 0.4% dip in Vic, were about flat in SA and posted solid gains in Qld (+2.1%^{mth}) and WA (+3.6%^{mth}). The WA market remains much stronger than other states with total housing finance approvals in the state up 55% from the levels at the start of last year and pushing record highs. Investor lending has been particularly strong, monthly approvals in this segment up nearly 80% over the same period. Upturns in other states are proceeding more slowly and unevenly.
- Overall, the May update checks some of the strength seen over the last few months but does not alter the wider narrative of a price-led upswing. That said, moderating price gains and flattening turnover does appear to be taking some of the pace out of the upswing in the major eastern states. Even with this, current finance approvals suggest growth in total housing credit (i.e. the stock of outstanding debt) should firm a little from around 4.5%^{yr} currently to something in the 5-5.5%^{yr} range as we head into 2025.

Matthew Hassan, Senior Economist

Housing finance: May 2024

		%chg mth		% chg yr	
	latest	Apr	May	Apr	May
number ('000s)					
Owner-occupiers	26.9	2.6	-1.6	8.9	3.3
Investors [^]	19.5	29.1	-5.5	44.1	24.4
Total housing finance[^]	46.4	12.5	-3.3	21.7	11.3

value (\$bn)					
Owner-occupiers	18.1	4.5	-2.0	19.1	12.2
Investors	10.7	5.3	-1.3	36.3	29.5
Total housing finance	28.8	4.8	-1.7	24.9	18.0
Refinance (\$bn)	16.2	1.4	-0.7	-16.2	-22.2
Total incl. refinance (\$bn)	45.0	3.6	-1.4	6.3	-0.5

Other indicators [^]	avg [^]	Feb	Mar	Apr	May
Auction clearance rate %	64.4	67.1	65.1	65.5	64.9

^{*} 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

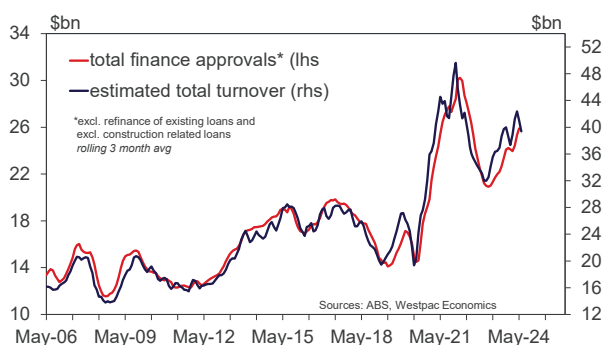


New finance approvals by segment: number



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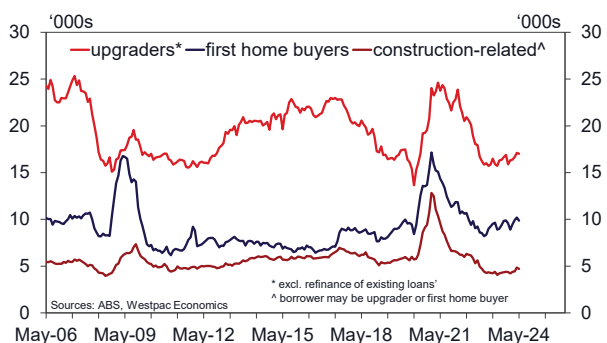
New finance approvals vs value of sales



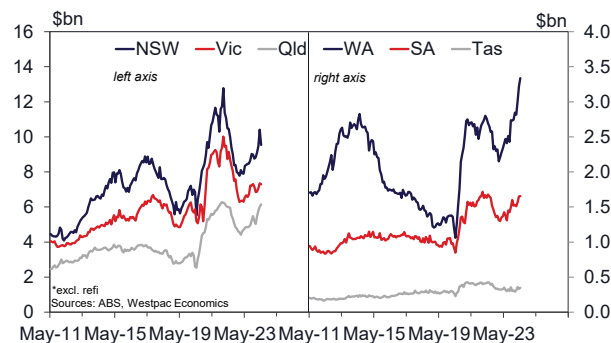
New finance approvals by detailed segment



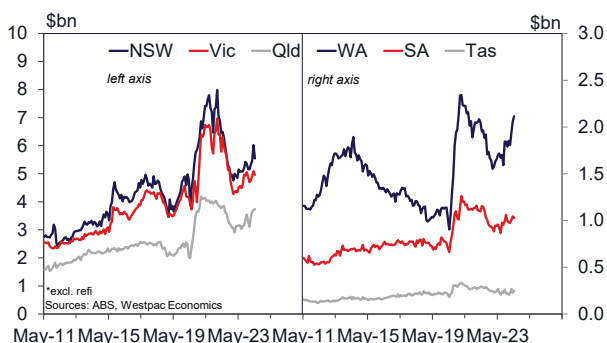
Owner occupier finance approvals (number)



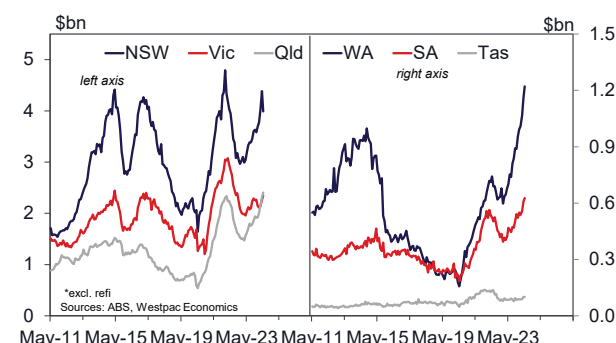
Housing finance by state: total value



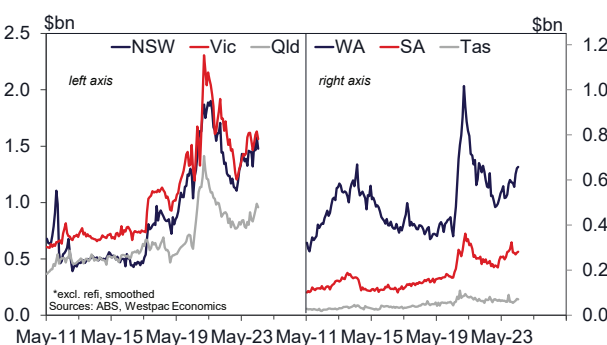
Housing finance by state: owner occupier



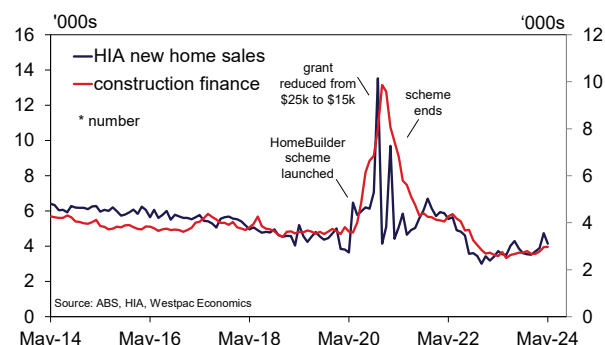
Housing finance by state: investor



First home buyers: by state



HIA new home sales vs finance approvals



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