

1 August 2024

AUSTRALIAN HOUSING FINANCE BULLETIN

Upturn consolidates

Key points

- The total value of housing finance approvals posted a slightly better than expected 1.3% gain in June but has broadly consolidated over the last two months.
- Most recent gains have been coming through larger average loan size with the number of loans approved declining about 4% in May-June.
- Investor lending is becoming a more prominent driver.
- Annual loan growth remains much stronger in WA, and to a lesser extent Qld and SA, with Vic still seeing markedly slower rise. Most of the difference relates to differences in average loan size growth.
- Approvals are consistent with housing credit growth of 5.5%yr.

New finance approvals by segment: value



**June total
value new
housing finance
approvals:
+1.3%*mth*, 19.1%*yr***

Housing upturn continues to evolve



Matthew Hassan
Head of Australian Macro-forecasting

The value of new housing finance approvals, excluding refinancing, rose 1.3% in June, reversing most of May's 1.7% decline to leave approvals up 19.1%yr. The result was slightly better than expectations, the consensus looking for a flat month and Westpac forecasting a 0.5% gain. The big picture still looks to be a minor consolidation rather than the beginning of a shift in trend.

Note that, unless specified, figures in the tables, charts and commentary are approvals excluding refinance.

The consolidation is a little more pronounced in terms of loan numbers which declined by an estimated 2.3%^{mth} overall after a 1.5% fall in May, annual growth slowing to 6.5%^{yr}. As implied, the average loan size posted a strong 3.7% rise. Note that as well as dwelling price growth, this will also reflect the mix of loans by segment and state.

Investors & WA leading the upturn

The detail continues to show similar themes to previous months, gains in new lending being increasingly led by investors and WA the stand-out state in terms of strength.

By value, investor loans rose 2.7%^{mth} to be up 30.2%^{yr}. That compares to a 0.5%^{mth}, 13.2%^{yr} rise for owner occupier loans. It should be noted that investor lending was relatively subdued through the previous cycle during COVID. Also, our estimates suggest the number of loans to investors showed more of a pull-back in the month in seasonally adjusted terms (again implying that average loan values to the segment rose significantly).

Within owner occupiers, loans for construction posted a robust 2.9%^{mth} gain, led by volumes, while loans for the purchase of existing dwelling were about flat (down in volume terms).

The state detail shows loans still up strongly in WA, +34.3%^{yr} to record highs in value terms, although more most of the gain is coming through higher average loan sizes. Investor loan growth has been particularly strong. Annual growth in total housing finance approvals is in the 20-25%^{yr} range for Qld and SA, but more line with the national pace in NSW and fairly subdued at 11.5%^{yr} in Vic. That said, NSW and Vic led the gain in the June month.

Overall, the June update shows the housing upturn is becoming more varied, and more price and investor-led but is still carrying solid momentum. The latest figures are consistent with housing credit growth of 5.5%^{yr}.

Housing finance: June 2024

	%chg mth			% chg yr	
	latest	May	Jun	May	Jun
number ('000s)					
Owner-occupiers	26.5	-2.0	-0.5	3.1	4.0
Investors [^]	17.8	-0.8	-4.9	23.5	10.5
Total housing finance[^]	44.3	-1.5	-2.3	10.7	6.5
value (\$bn)					
Owner-occupiers	18.2	-1.9	0.5	12.2	13.2
Investors	11.0	-1.3	2.7	29.3	30.2
Total housing finance	29.2	-1.7	1.3	18.0	19.1
Refinance (\$bn)	15.8	-1.3	-1.9	-22.3	-20.9
Total incl. refinance (\$bn)	45.0	-1.5	0.2	-0.5	1.1
Other indicators:	avg[^]	Apr	May	Jun	Jul
Auction clearance rate %	64.4	65.4	65.0	65.6	65.9

* 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

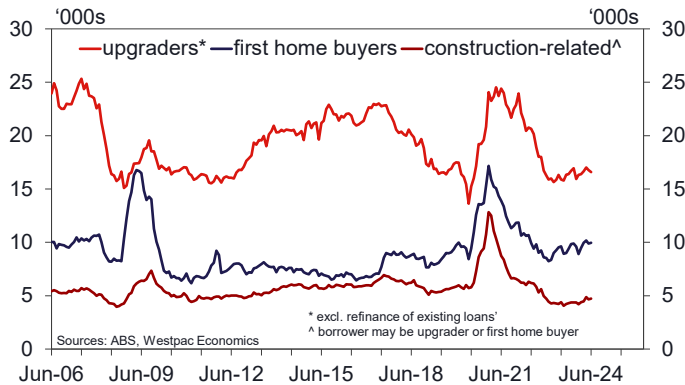
New finance approvals by detailed segment



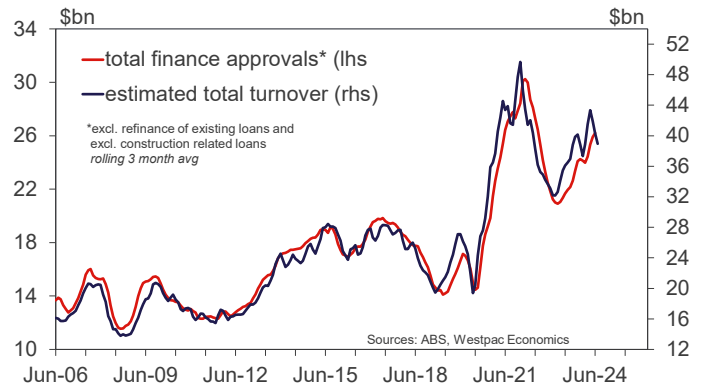
New finance approvals by segment: number



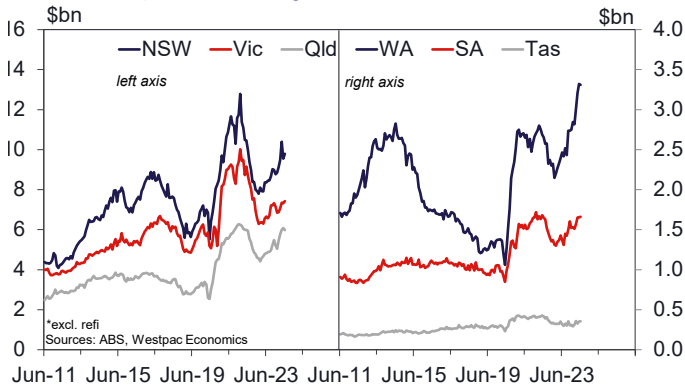
Owner occupier finance approvals (number)



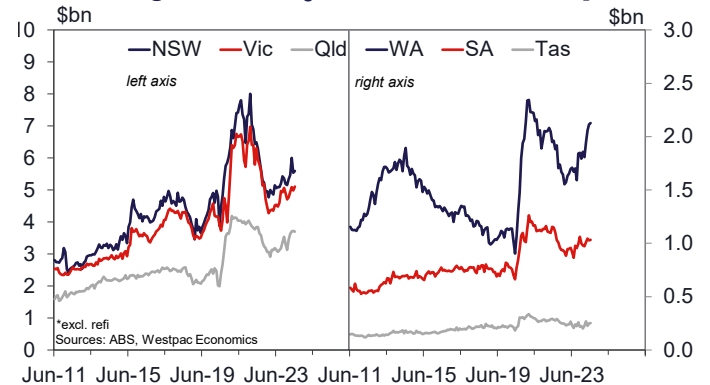
New finance approvals vs value of sales



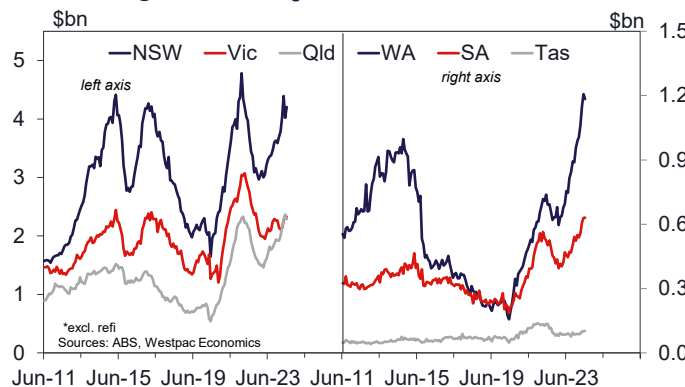
Housing finance by state: total value



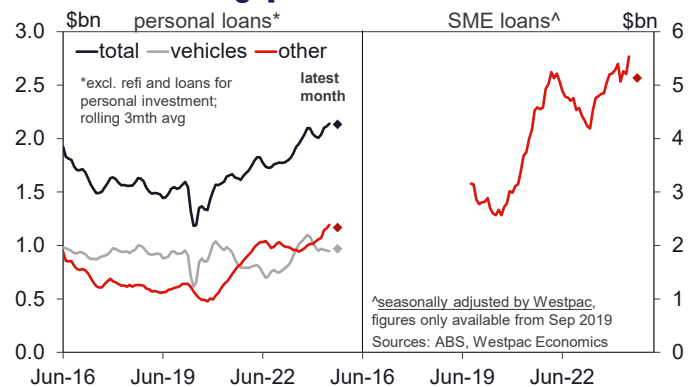
Housing finance by state: owner occupied



Housing finance by state: investor



Other lending: personal finance and SME loans





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