

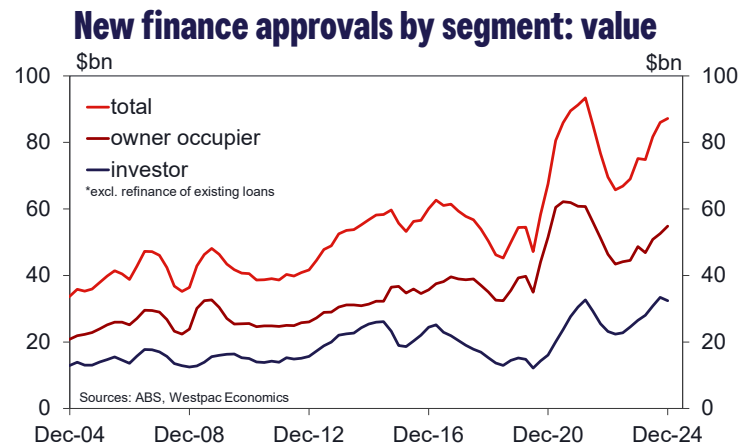
12 February 2025

AUSTRALIAN DWELLING FINANCE BULLETIN

Values up; volumes down

Key points

- The total value of dwelling finance approvals rose 1.4%qtr in Q4, though annual growth slowed to 16%yr. The number of loans dipped -0.4%qtr.
- The gain in the value of new loans was centred on a 4.2%qtr rise in owner occupier loans, led by a solid 5.4%qtr lift in construction loans.
- The value of investor loans declined for the first time in almost two years, slipping -2.9%qtr. The fall was most pronounced for lending for new dwelling purchases, and in WA. The softening here came as something of a surprise given affordability strains on owner occupiers.
- Overall, loan demand in 2024 remained solid despite headwinds from high house prices and interest rates. Our Westpac-MI Consumer Sentiment survey shows buyer sentiment is improving, and with a potential rate cut on the table at next week's RBA meeting, the up-trend in loan demand should continue.



Q4 new dwelling finance:
+1.4%qtr,
+16.0%yr

Owner occupiers drive loans higher in Q4



Neha Sharma
Economist

In Q4, the value of new dwelling finance approvals, excluding refinancing, rose 1.4%qtr, easing from 5.3%qtr in Q3. Annual growth also lost steam, slowing from 24.7%yr to 16.0%yr.

The total number of new dwelling finance loans, excluding refinancing, dipped -0.4%qtr, annual growth slowing to 7.2%yr. This suggests that about 8.8ppts (or around 55%) of the annual growth in the value of loans is coming from higher average loan sizes, marking the largest share since Q2 2022.

Note that the ABS lending statistics update has shifted to a quarterly release cycle, with slight definitional changes. Unless otherwise specified, figures in the tables, charts and commentary are approvals for dwelling finance (covering construction of new dwellings, purchase of new dwellings and purchase of existing dwellings) excluding refinance.

The details

The quarterly gain was primarily driven by loans to owner-occupiers, which climbed 4.2%qtr and 12.7%yr (in value terms). Most of the increase stemmed from stronger construction loans (+5.4%qtr) and purchase of existing dwellings (+4.4%qtr), while purchase of new dwellings slipped -2.0%qtr. State details show that NSW was the only jurisdiction to see a fall in the quarter (-1.0%qtr), while loans in Qld, SA and WA are still growing strongly over the year, at around 20%yr. The number of loans rose 2.2%qtr in Q4 to be 4.0%yr higher.

In contrast, the value of investor loans dropped -2.9%qtr, the first fall since Q1 2023. However, annual growth remained strong, running at 22.2%yr. Investor loans have driven over half of total growth over the past year, despite accounting for a little over a-third of the total loans. Once again, construction loans fuelled the gains (+2.3%qtr) but was not enough to offset the declines for loans of new (-9.9%qtr) and existing (-2.9%qtr) dwellings. Nearly all major states saw a fall in investor loans in the quarter, SA the exception, where loans rose +1.5%qtr. The decline was most pronounced in WA, down -9.3%qtr after a solid 12.9%qtr rise in Q3. Despite the quarterly fall, WA is still seeing investor loan grow at above 30%yr, as is SA.

Overall, demand for new loans (volumes) rose a solid 11.2% in 2024. This is despite robust house price growth and still-high interest rates weighing on affordability. Looking ahead, with home buyer sentiment improving over the last six months (more details [here](#)) and a potential rate cut at next week's RBA meeting, it's highly likely that the up-turn that's been in place since early-2023 stays in motion.

Dwelling finance: Q4 2024

	%chg qtr			% chg yr	
	latest	Q3	Q4	Q3	Q4
Number ('000s)					
Owner-occupiers	83.2	0.5	2.2	9.1	4.0
Investors	48.9	4.9	-4.5	27.5	13.2
Total dwelling finance[^]	132.1	2.1	-0.4	15.5	7.2
Value (\$bn)					
Owner-occupiers	54.8	3.5	4.2	18.2	12.7
Investors	32.4	8.3	-2.9	36.5	22.2
Total dwelling finance	87.2	5.3	-1.4	24.7	16.0
Land and additions & alt.	5.4	3.3	1.3	13.5	4.1
Refinance	58.1	7.2	11.1	-14.5	15.0
Total housing incl. refinance	150.8	5.9	4.9	6.5	15.2

Other indicators:

	avg	Oct	Nov	Dec	Jan
Auction clearance rate [^] %	64.3	59.9	58.5	64.0	53.8
Dwelling prices, ann%chg	5.2	5.9	5.3	4.7	4.1

* unless specified, all figures exclude land, additions and alterations, and refinance. Where specified, refinance is 'external' only, i.e. with a new lender. [^] seasonally adjusted by Westpac.

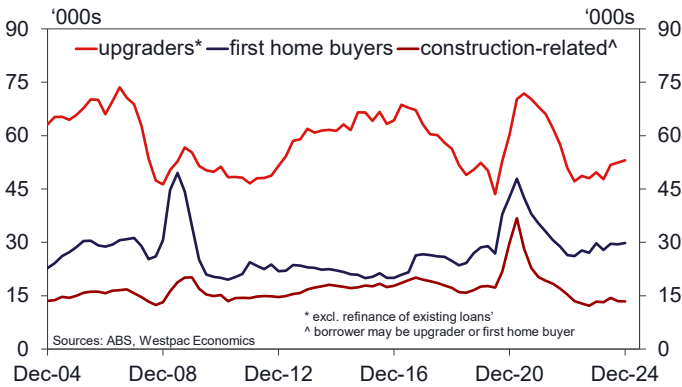
Sources: ABS, CoreLogic, APM, Westpac Economics

New finance approvals by detailed segment

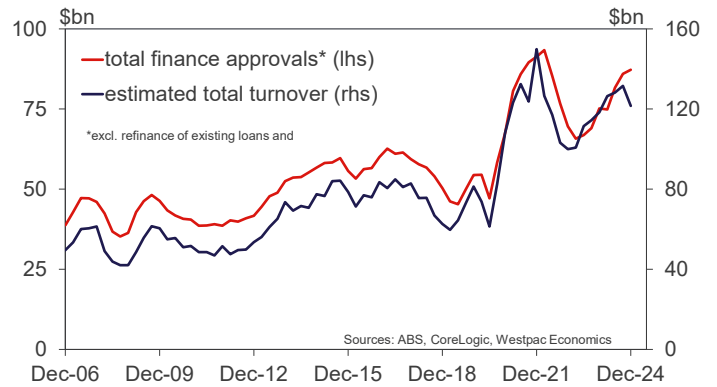


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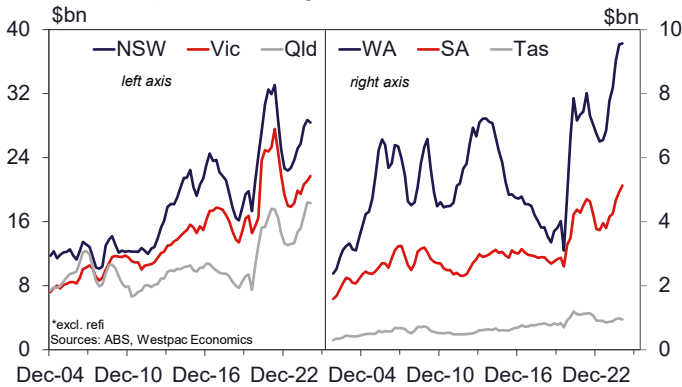
Owner occupier finance approvals (number)



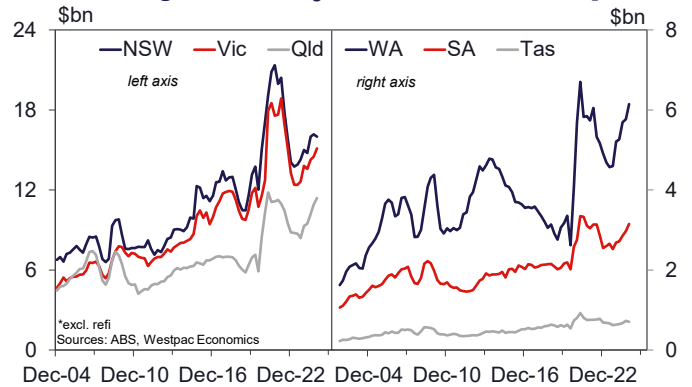
New finance approvals vs value of sales



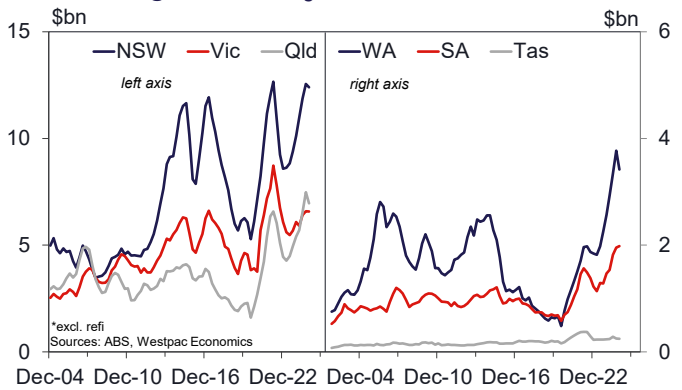
Dwelling finance by state: total value



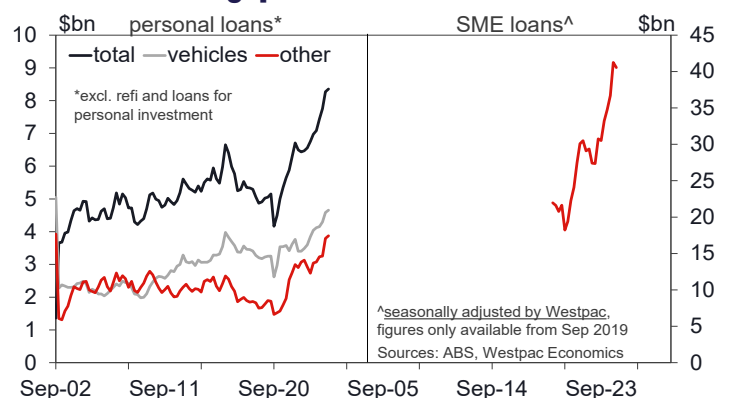
Dwelling finance by state: owner occupier



Dwelling finance by state: investor



Other lending: personal finance and SME loans



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Authors

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au



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