

14 May 2025

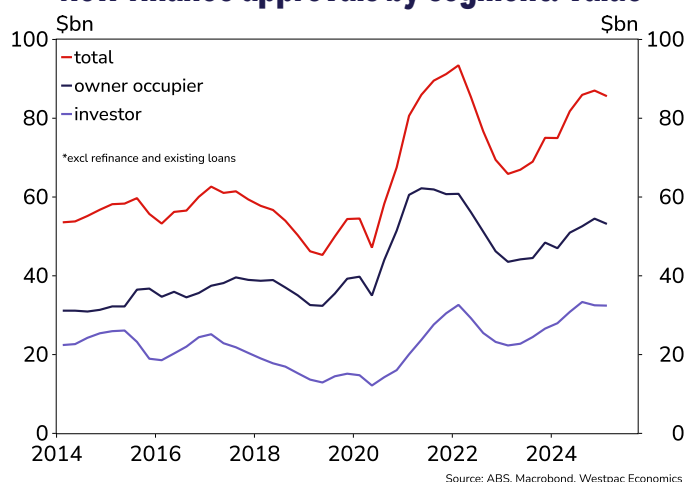
AUSTRALIAN DWELLING FINANCE BULLETIN

New lending declines

Key points

- The total value of dwelling finance approvals declined 1.6% in Q1, the first material quarterly decline in two years. Annual growth moderated to 14.2%yr but is set to drop back to a single-digit pace next quarter. The number of loans fell 3.5%qtr, annual growth moderating to 6%yr.
- The decline in the value of new loans was led by 2.5%qtr drop in owner occupier loans with a steeper 4.5%qtr fall in construction-related loans.
- The value of investor loans posted a milder 0.3%qtr but was coming off a 2.5%qtr decline in Q4. Construction-related loans were again notably weaker, down 2.5%qtr.
- By state, weakness was more pronounced in Vic and WA where moderating turnover appears to be the key driver.
- Overall momentum is slowing with markets lacking a little direction.

New finance approvals by segment: value



Q1 new dwelling finance:
-1.6%qtr,
+14.2%yr

Housing finance shows broad softening in Q1



Matthew Hassan
Head of Australian Macro-Forecasting

The value of new dwelling finance approvals, excluding refinancing, declined 1.6%qtr in Q1, in line with Westpac's forecast of a 1.5%qtr fall. Approvals have been essentially flat over the last two quarters after a 14.6% surge over Q2 and Q3 last year. Annual growth slowed to 14.2%yr from a peak of 24.6%yr in Q3 last year and is likely to slow to a single-digit pace in Q2.

The total number of new dwelling finance loans, excluding refinancing, fell 3.5%qtr, annual growth slowing to 6%yr. This implies that rising average loan sizes contributed 8.2ppts to annual growth in the value of loans.

Note that the ABS lending statistics are now produced on a quarterly basis. 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 decline was led by loans to owner-occupiers, which were down 3.4%qtr in number terms and 2.5%qtr in value terms. The value of construction-related loans posted a particularly sharp 4.5%qtr decline centred on a 7.8%qtr drop in loans for the purchase of newly built dwellings (which includes 'off the plan' apartments). For owner occupier loans, the state detail shows rises in SA (+1.9%qtr) and NSW (+1.5%qtr), a flat result in Qld (0.0%qtr) but a more material decline in Vic (noting that all quarterly moves were milder than the national decline, which can be a sign that there are seasonal adjustment issues).

The value of investor loans recorded a milder 0.3%qtr decline but was coming off a 2.5%qtr fall in Q4. NSW and WA were the weak states for investor loans although annual growth remains comfortably above 10%yr in all jurisdictions except ACT.

Overall, the picture in early 2025 is of a housing upturn that has lost considerable momentum. While the RBA's February rate cut generated some positive response, particularly in the softer Sydney and Melbourne markets, turnover has been soft with moderating price growth in the previously strong 'middle-sized' capital cities of Brisbane, Adelaide and Perth also a prominent feature. The weakness in construction-related loans is also of note, suggesting the lift in dwelling approvals in recent months is likely to fade. All up, the picture is of a housing upturn that has lost much of its momentum and a sector that may continue to lack direction near term.

Dwelling finance: Q1 2025

	%chg qtr			% chg yr	
	latest	Q3	Q4	Q3	Q4
Number ('000s)					
Owner-occupiers	79.9	1.8	-3.4	3.9	4.4
Investors	47.2	-4.2	-3.7	13.3	8.8
Total dwelling finance^	127.1	-0.5	-3.5	7.2	6.0
Value (\$bn)					
Owner-occupiers	53.2	3.7	-2.5	12.6	13.1
Investors	32.4	-2.5	-0.3	22.3	16.0
Total dwelling finance	85.6	1.3	-1.6	16.0	14.2
Land and renovations	5.5	2.6	0.4	4.3	15.1
Refinance	54.6	12.6	3.4	16.4	28.8
Total housing incl. refinance	145.7	5.2	0.3	15.7	19.3

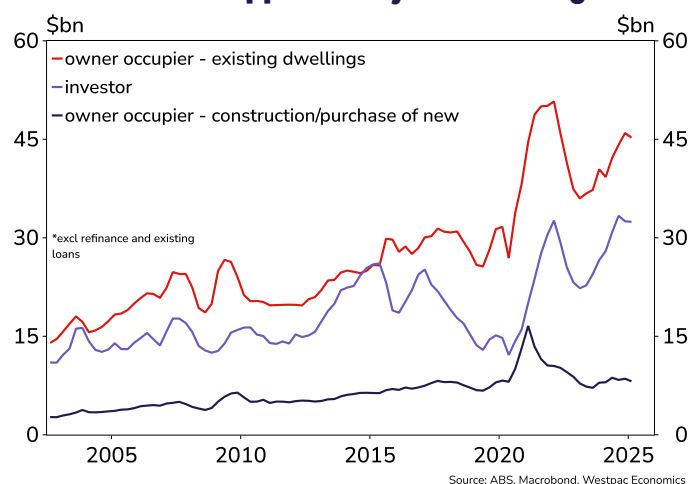
Other indicators:

	avg^	Feb	Mar	Apr	May^
Auction clearance rate^ %	64.1	60.3	60.5	53.2	57.8
Dwelling prices, ann%chg	4.8	3.5	3.1	2.8	2.2

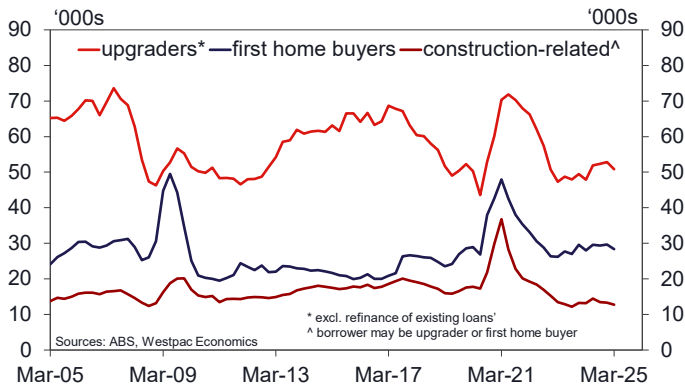
* unless specified, all figures exclude land, additions and alterations, and refinance. Where specified, refinance is 'external' only, i.e. with a new lender. ^ seasonally adjusted by Westpac.

Sources: ABS, CoreLogic, APM, Westpac Economics

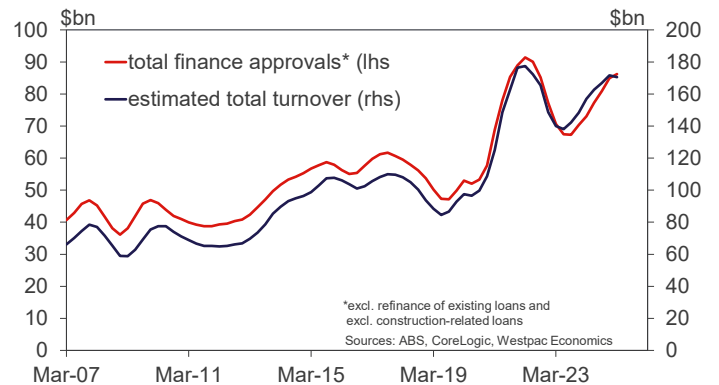
New finance approvals by detailed segment



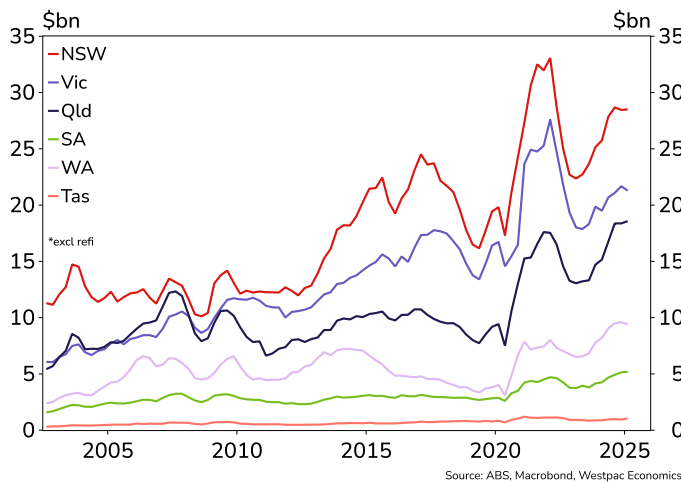
Owner occupier finance approvals (number)



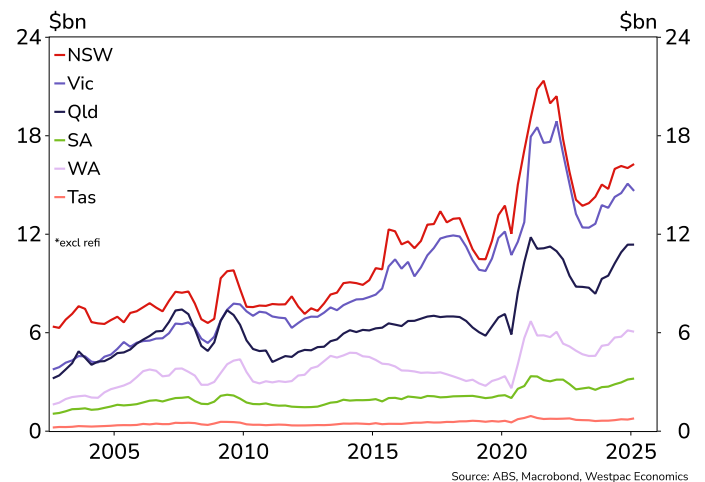
New finance approvals vs value of sales



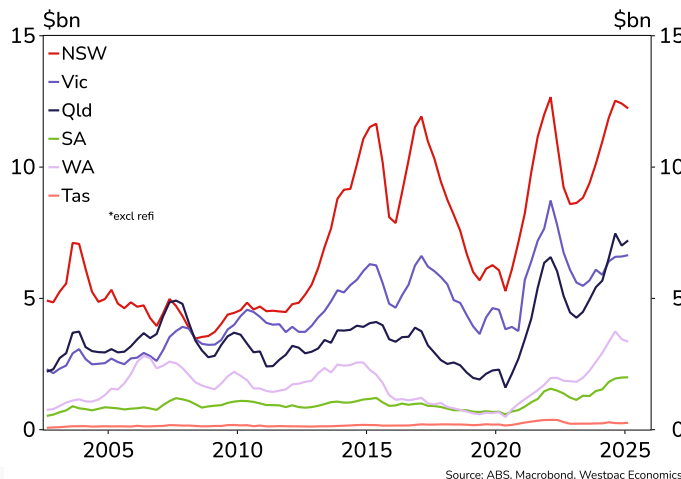
Dwelling finance by state: total value



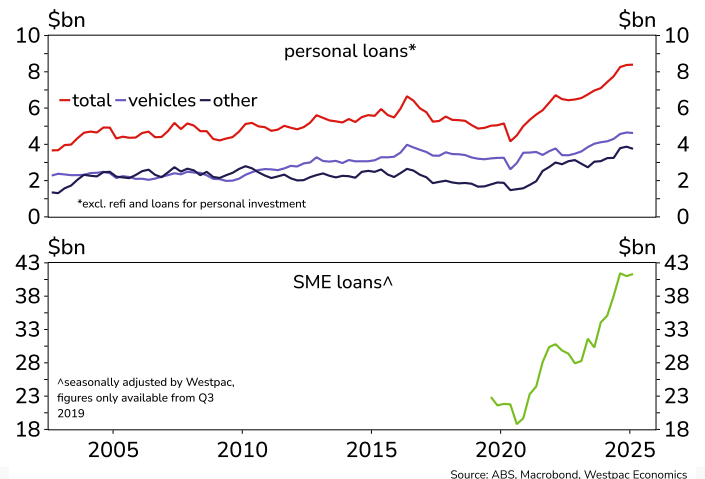
Dwelling finance by state: owner occupier



Dwelling finance by state: investor



Other lending: personal finance and SME loans



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