

13 May 2026

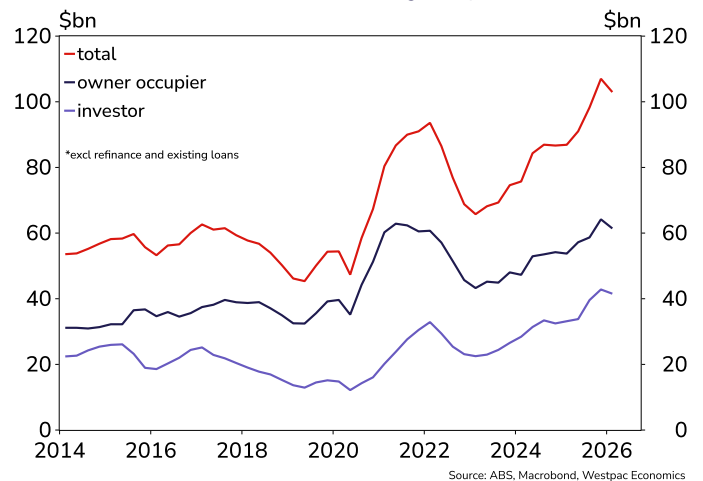
AUSTRALIAN DWELLING FINANCE BULLETIN

A sharp quarterly pullback

Key points

- New dwelling finance approvals fell -3.8% qtr, the largest drop in three years. Annual growth eased to 18.5% yr.
- The fall was volume-led. Loan numbers were down -6.2% qtr ($+8.6\%$ yr), while the average loan size lifted 9.1% yr, broadly tracking home price growth.
- Owner-occupiers drove the decline, with values down -4.3% qtr. First home buyers were the main drag amid some payback after the Q4 scheme boost.
- Investor approvals fell sharply with values down -3.0% qtr and numbers -5.3% qtr. New-build purchase loans slumped -16.1% qtr while construction loans rose for a 12th straight quarter ($+2.9\%$ qtr).
- Given the changes announced in the Budget, there may be a period of adjustment ahead for lending, coinciding with the ongoing drag from higher interest rates and added uncertainty and cost pressures in construction linked to the Middle East conflict.

New finance approvals by segment: value



Q1 new dwelling finance:
 -3.8% qtr,
 $+18.5\%$ yr

Broad-based declines in home lending



Neha Sharma
Economist

The value of new dwelling finance approvals, excluding refinancing, fell –3.8%qtr. This marked the largest drop in three years and saw the annual rate moderate to 18.5%yr. The result was weaker than both Westpac’s (7.0%qtr) and the market’s (0.0%qtr) expectations. The weakness in values was owing to a –6.2%qtr fall in the number of loans, with annual growth easing to 8.6%yr. Average loan size rose 9.1%yr, broadly inline with the 9.3%yr growth in home prices to March.

Declines were centred on owner-occupiers where the number of loans fell –6.9%qtr leading to a –4.3%qtr drop in values. First home buyers (FHBs) in this segment drove the decline where loan values fell –6.7%qtr (numbers, –4.3%qtr) and were the only sub-segment where values fell by more than numbers, suggesting some of the weakness here is due to base effects from the expansion of the FHB guarantee scheme in Q4.

Investor lending recorded its steepest drop since late-2022, with loan values and numbers down –3.0%qtr and –5.3%qtr respectively. The result was in contrast to ongoing strength seen in investor credit growth in Q1 (see [here](#)). The weakness stemmed from a –16.1%qtr drop in loans for the purchase of newly built dwellings, which as a share of total investor loans dropped to 3.6% – the weakest in the quarterly series’ history. Loans for the purchases of established dwellings also fell –9.5%qtr while construction loans marked their 12th straight gain, up 2.9%qtr. The Middle East conflict is, however, adding upside pressures to construction costs, which could temper construction loan demand going forward. Overall investor loans accounted for 39.5% of lending over the past four quarters – the highest since December 2015.

Personal finance approvals rose 3.2%qtr. The rise was driven by a 8.8%qtr rise in ‘other purpose’ loans (e.g. for travel, household and personal goods etc), while vehicle loans rose 0.3%qtr. Loans to SMEs fell –1.3%qtr after recording steady growth through 2025.

Looking ahead, home lending is likely to enter a period of adjustment. Budget measures announced yesterday (see [here](#)) rebalance tax incentives away from leveraged property investment, while new build investments will receive a more concessional tax treatment than established homes. This is expected to see investor lending volumes moderate over time and progressively shift toward loans for construction and new dwelling purchases, which currently comprises around 17% of total investor lending. This adjustment is likely to unfold alongside ongoing pressure from the higher interest rate environment, which has already weighed on home buying sentiment, particularly for owner-occupiers (see [here](#)).

Dwelling finance: Q1 2026

	%chg qtr			% chg yr	
	latest	Dec	Mar	Dec	Mar
Number ('000s)					
Owner-occupiers	82.5	4.9	–6.9	7.3	2.5
Investors	57.3	5.9	–5.3	23.7	18.8
Total dwelling finance[^]	139.8	5.3	–6.2	13.5	8.6
Value (\$bn)					
Owner-occupiers	61.4	9.4	–4.3	18.5	14.3
Investors	41.5	8.2	–3.0	31.8	25.3
Total dwelling finance	103.0	8.9	–3.8	23.5	18.5
Land and renovations	7.1	14.0	–2.2	34.9	28.7
Refinance	61.1	2.3	0.0	15.3	10.2
Total housing incl. refinance	171.1	6.7	–2.4	20.9	15.7

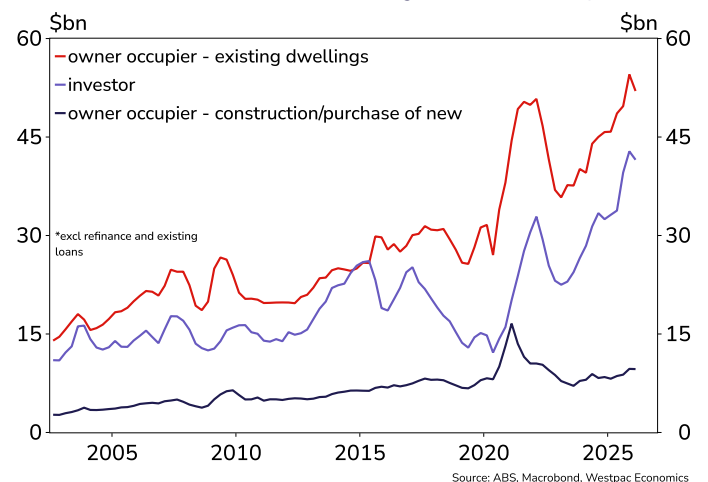
Other indicators:

	avg [^]	Jan	Feb	Mar	Apr [^]
Auction clearance rate [^] %	64.2	63.2	60.7	56.3	42.4
Dwelling prices, ann%chg	5.4	9.4	9.6	9.3	9.2

* 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.

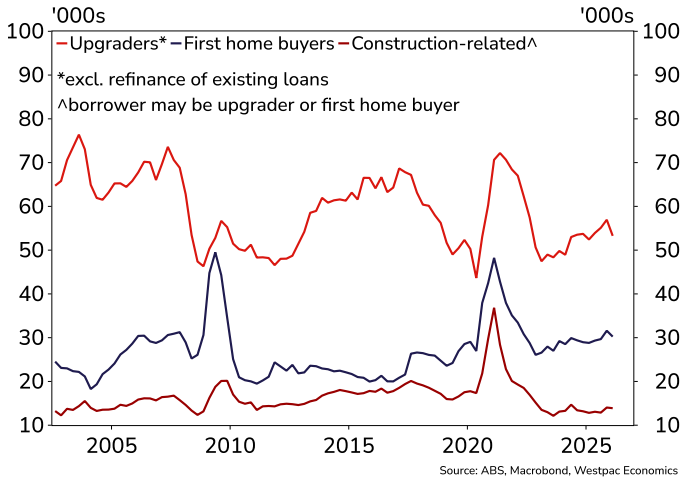
Sources: ABS, Cotality, APM, Westpac Economics

New finance approvals by detailed segment

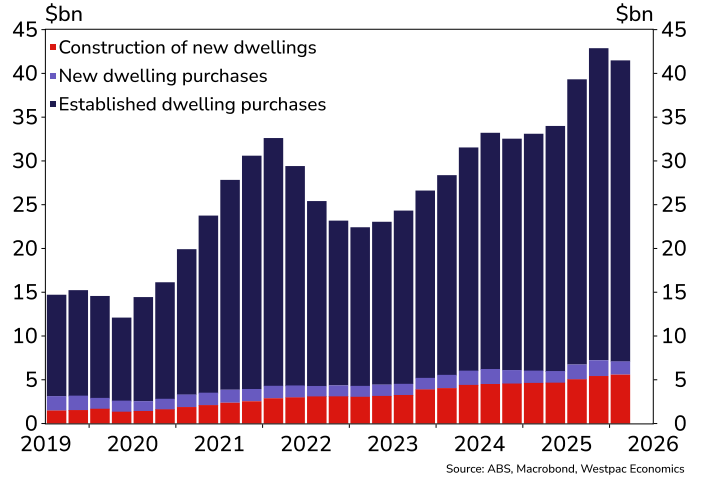


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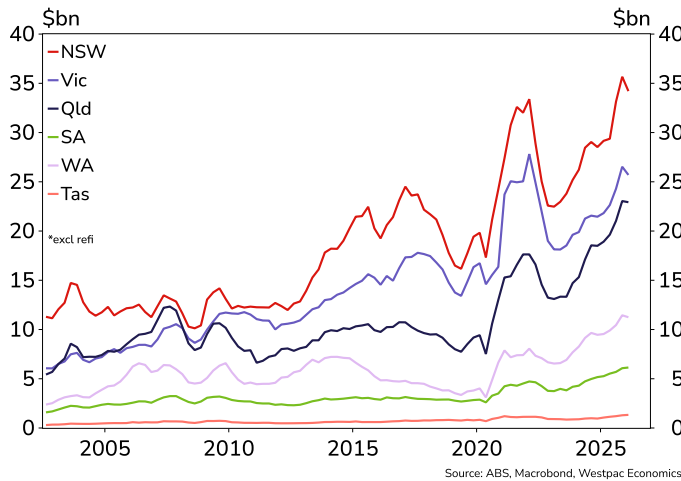
Owner occupier finance approvals (number)



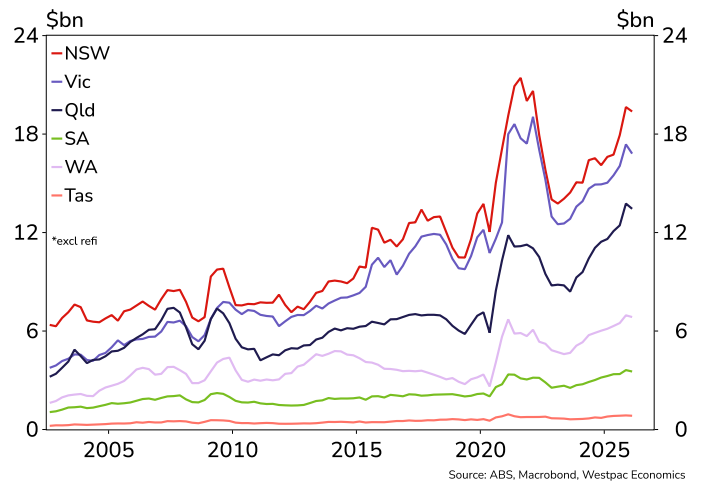
Investor loan by purpose



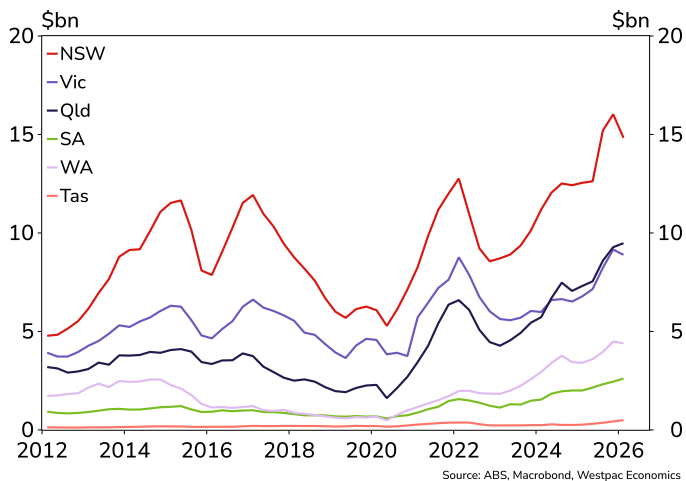
Dwelling finance by state: total value



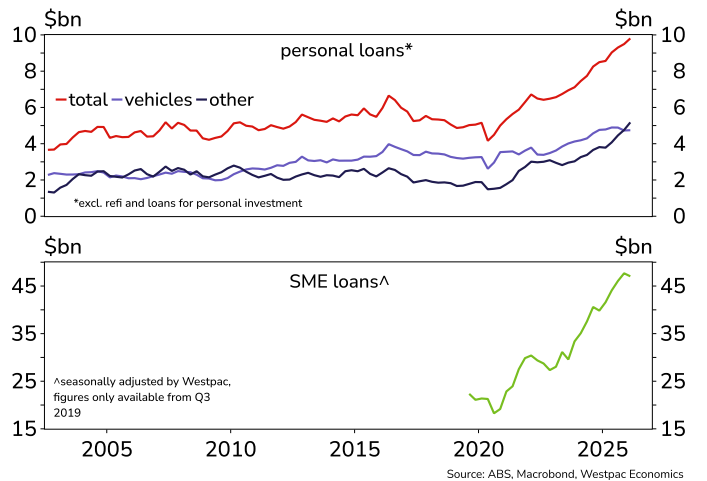
Dwelling finance by state: owner occupier



Dwelling finance by state: investor



Other lending: personal finance and SME loans



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