14 August 2026

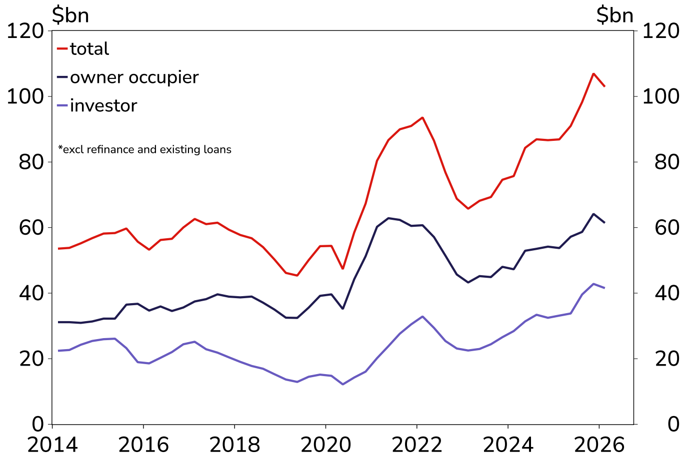
AUSTRALIAN DWELLING FINANCE BULLETIN

Decline gathers pace

Key points

- The value of new dwelling finance approvals excl. refinance fell 5.2%qtr, the largest quarterly drop in three years. Annual growth eased to 7.3%yr.
- The weakness was accounted for mainly by lower lending volumes: loan numbers were down 4.0%qtr (-0.6%yr), while average loan size also contributed negatively.
- Borrowing by investors led total approvals lower. Volumes were down 8.6%qtr, leading to a 10.2%qtr drop in values.
- Borrowing by owner occupiers also dropped, by 1.9%qtr, in value terms suggesting that this segment is also under pressure from high interest rates, weak sentiment and high economic uncertainty.
- We fully expect the weakness in new dwelling approvals to persist into Q3, and eventually show up in the slower housing credit growth.

New finance approvals by segment: value



Source: ABS, Macrobond, Westpac Economics

Q2 new dwelling finance: –5.2%qtr, +7.3%yr

Investors leading new housing finance lower

Mantas Vanagas
Senior Economist

After a weak start to the year, when the value of new dwelling finance approvals, excluding refinancing, dropped 3.4%qtr, the latest figures show that the pace of decline accelerated to 5.2%qtr in Q2, the weakest result since late 2022. The outcome was not a major surprise, coming in close to market consensus (-5.3%qtr) and our expectations (-6.0%qtr). Lower lending volumes, down 4.0%qtr, were the main factor behind the decline, with average loan size also contributing negatively, in line with the recent drop in house prices.

Looking across the major segments, borrowing by investors was the principal source of weakness. Volumes were down 8.6%qtr, leading to a 10.2%qtr drop in values. Weakening of this magnitude in a single quarter has previously only been seen during major correction periods – after the post-pandemic boom and during the tightening of investor lending standards by regulators in 2017-19. The numbers confirmed that investors are reacting negatively to changes to the capital gains tax discount and negative gearing tax changes announced in the Federal Budget in mid-May.

Borrowing by owner occupiers also fell, by 1.9%qtr, following an even steeper 3.5%qtr decline in Q1. While the focus has been on investors, this negative trend suggests that, in the context of high interest rates, weak consumer sentiment and elevated economic uncertainty, the owner-occupier segment is also under significant pressure. Interestingly, first-time buyers in this segment saw new finance approval values stabilise, with 0.2%qtr growth after a 4.8%qtr correction in Q1.

Lending for land purchases and renovations also fell significantly, by 5.1%qtr. Some of this likely reflects higher construction and material costs due to supply disruptions linked to the Middle East conflict. With households also having to divert more spending to cover higher energy costs, the retreat in renovation lending also suggests that households may be delaying non-urgent projects.

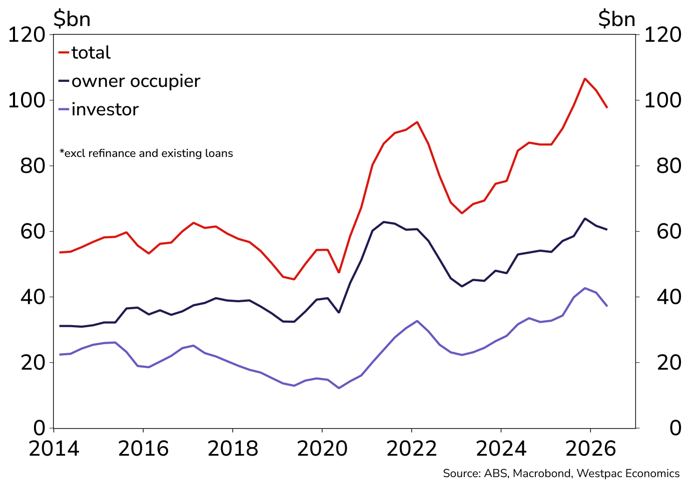
Today's results are broadly consistent with our assessment that a notable housing market correction is underway. We expect the weakness in new dwelling approvals to persist into Q3, particularly on the investor side, as the full impact of the reaction to tax changes comes through. The housing credit data have so far shown little impact from weakness in other major housing market indicators, including new finance approvals, but we think this mostly reflects lags in the system, which should be resolved in the coming months.

Dwelling finance: Q2 2026

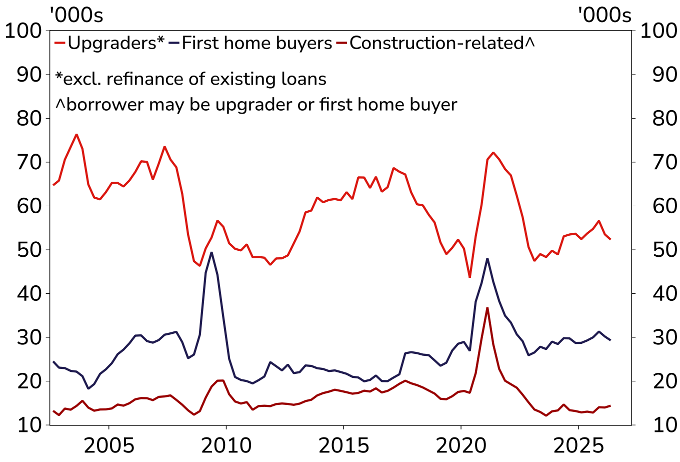
		%chg qtr		% chg yr	
	latest	Mar	Jun	Mar	Jun
Number ('000s)					
Owner–occupiers	81.6	-3.8	-3.3	4.9	-3.0
Investors	52.6	-4.7	-8.6	19.2	3.3
Total dwelling finance^	**134.2**	**-6.2**	**-4.0**	**8.6**	**-0.6**
Value ($bn)					
Owner–occupiers	60.5	-3.5	-1.9	14.8	5.8
Investors	37.1	-3.2	-10.2	24.7	9.8
Total dwelling finance	**97.6**	**-3.4**	**-5.2**	**18.6**	**7.3**
Land and renovations	6.7	-2.2	-5.1	28.7	15.5
Refinance	60.4	0.8	-1.7	10.7	5.4
Total housing incl. refinance	164.7	-1.9	-4.0	16.0	6.9

* 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

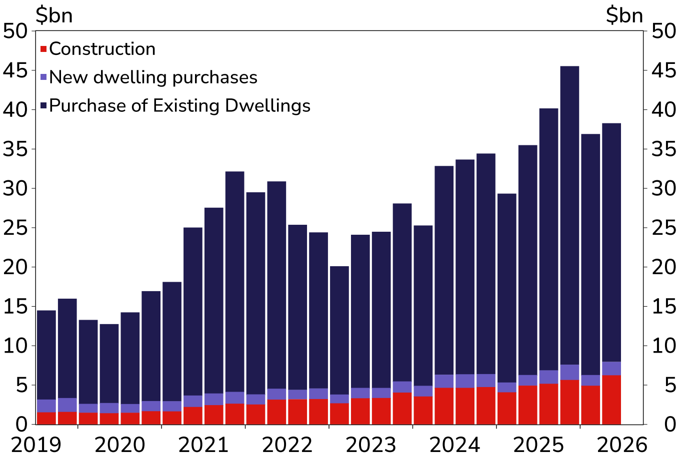


Owner occupier finance approvals (number)



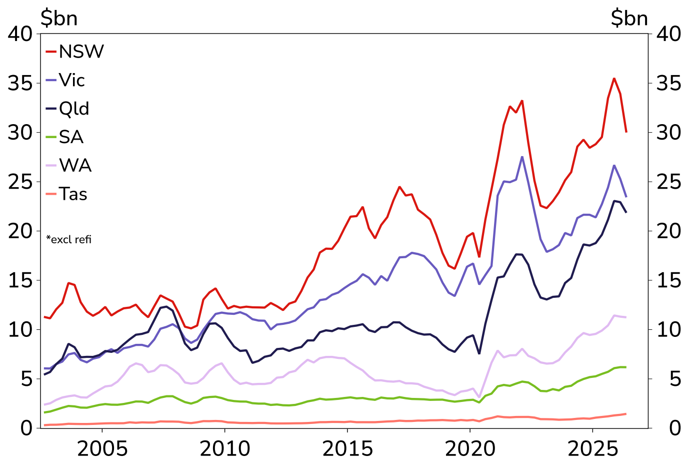
Source: ABS, Macrobond, Westpac Economics

Investor loan by purpose



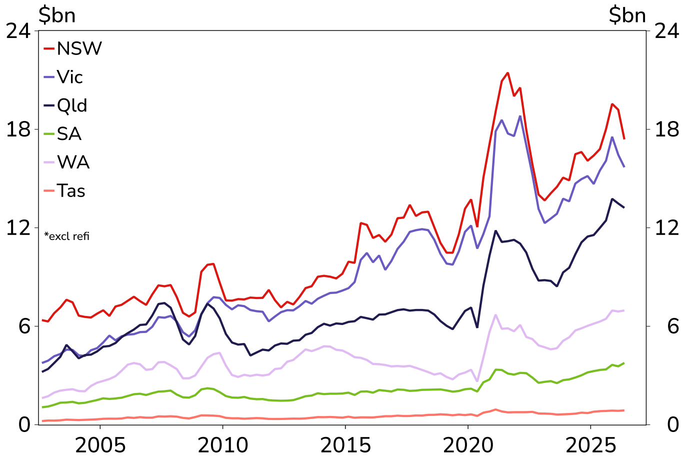
Source: ABS, Macrobond, Westpac Economics

Dwelling finance by state: total value



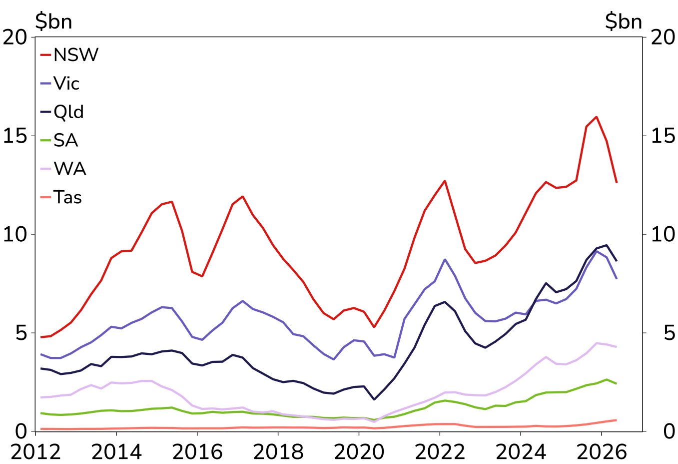
Source: ABS, Macrobond, Westpac Economics

Dwelling finance by state: owner occupier



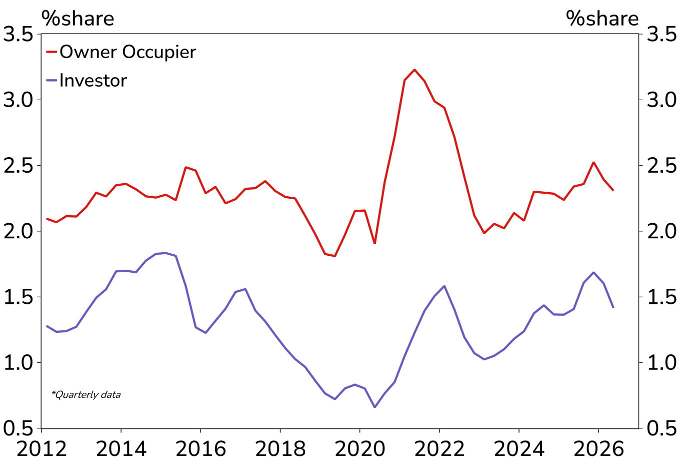
Source: ABS, Macrobond, Westpac Economics

Dwelling finance by state: investor



Source: ABS, Macrobond, Westpac Economics

Dwelling finance as a share of housing credit



Source: ABS, Macrobond, Westpac Economics

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