

## Economic Analysis

## Housing Finance May 2024

### Value of New Loans

The value of new home loans (excluding refinancing) fell by 1.7% in May, following three months of solid increases.

The annual rate of growth in new home loans slowed to 18.0%, which is the slowest in three months.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-2.0	12.2
Investor	-1.3	29.5
Total	-1.7	18.0

The May decline was broad-based, with owner occupier loans down 2.0%, while investor loans saw a 1.3% fall. Loans to first home buyer owner occupiers dropped by 2.9% in May.

### Number of New Loans to Owner Occupiers

Number of new home loans declined by 1.6% in May, with construction loans being the only category to see a slight 0.3% gain. Construction loans are also 15.2% up in annual terms, but still very low by historical standards.

The number of loans for established houses, which is by far the largest category, ebbed by 1.2% in May, while newly built homes saw an 8.9% drop.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	0.3	15.2
Newly Built	-8.9	3.8
Established Houses	-1.2	1.9

### Average Loan Size

The average new loan size to owner occupiers (unadjusted) was roughly unchanged at A\$626k, with Victoria – which has been underperforming in terms of house price gains for some time – the only state to register a decline.

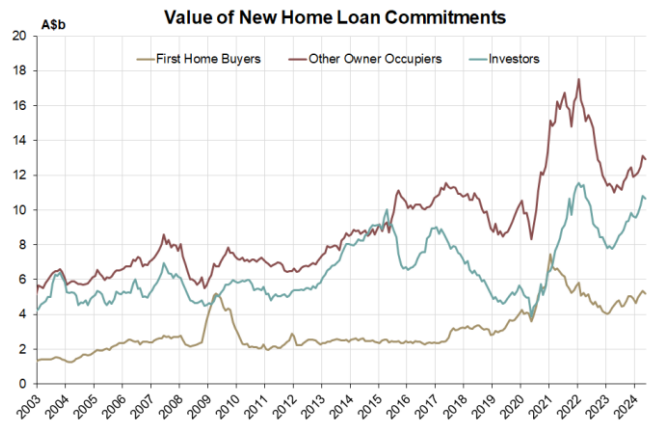
In Western Australia, the average loan size saw a slight uptick to A\$539k, which is still much lower than in the eastern states.

### States

New home loans figures for May were mixed across states, with declines in New South Wales, Victoria and South Australia, and gains in the remaining states, including Western Australia.

Annual growth was positive in all states but Tasmania.

New Home Loans Value, %	MoM	YoY
Western Australia	2.6	24.4
New South Wales	-7.9	7.6
Victoria	-2.4	9.9
Queensland	0.8	17.9
South Australia	-1.7	7.2
Tasmania	9.2	-6.6



### Comment

Despite a pause in the recovery in May, home loan commitments remain almost 20% up through the year, despite interest rates being at the highest levels in over a decade.

Construction loans was the only category that saw an increase in May, but it remains very low, particularly when population growth is considered. This highlights the ongoing [housing supply](#) issue, which looks set to be with us for an extended period. Investors continue to do a lot of the heavy lifting here, making up around 44% of new construction loans over the past 12 months. However, this is more than offset by the number of investor loans to purchase established homes, which are six times the number of construction loans.

The shortage of properties continues to put upward pressure on house prices, with the latest CoreLogic report showing that the median home value for capital cities reached \$789.6k in June. The renewed talk on a possible RBA cash rate hike in August did nothing to alter the upward trend, with the median climbing by another 0.2% in the first eight days of July.

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