

## Economic Analysis

## Housing Finance June 2024

### Value of New Loans

The value of new home loans (excluding refinancing) rose 1.3% in June, following a 1.7% fall in May.

The annual growth rate picked up 1.1ppts to 19.1%.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	0.5	13.2
Investor	2.7	30.2
Total	1.3	19.1

The increase was mainly driven by a 2.7% rebound in investor loans after a 1.3% fall in May, while owner occupier loans edged up 0.5% after a 1.9% decline. Among owner occupiers, first homebuyer loans climbed 5.3% to be up 11.0% YoY.

### Number of New Loans to Owner Occupiers

Numbers of new construction loans rose 3.4% in June and were up 11.3% YoY as the recovery continued, although they remain very low by historical standards.

The number of loans for established houses, which is by far the largest category, slipped 0.9%, the second monthly fall in a row.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	3.4	11.3
Newly Built	-2.2	1.0
Established Dwellings	-0.9	3.2

### Average Loan Size

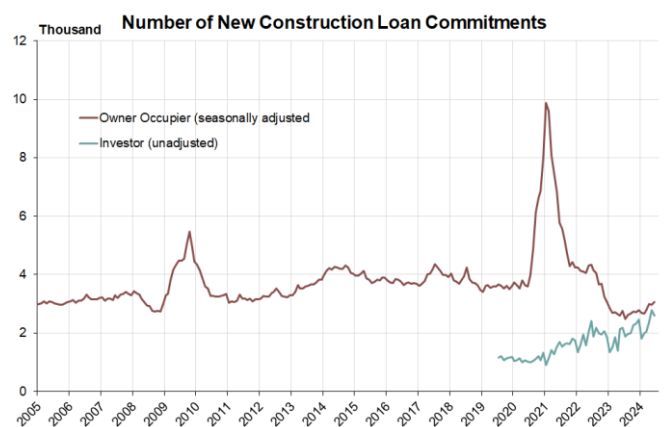
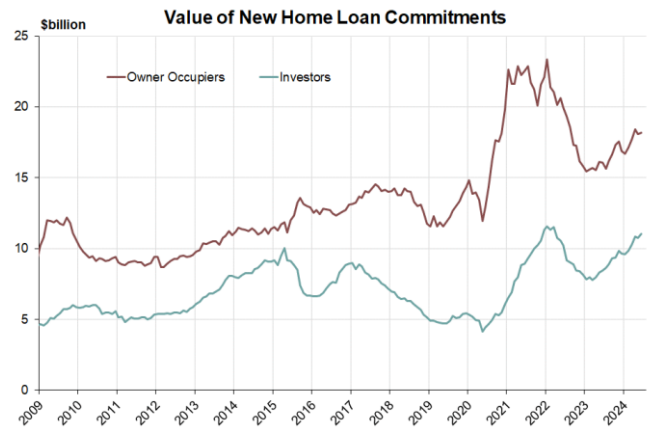
The average new loan size to owner occupiers (unadjusted) rose 1.7% to a record high \$637k. All states saw an increase in the month, with the average loan size in Western Australia seeing the biggest jump of 5.2% to \$567k, the fourth highest among the states. The average new loan was highest in New South Wales at \$780k.

### States

New home loans to owner occupiers rose in all states but Queensland in seasonally adjusted terms in June, with monthly growth strongest in Victoria.

Annual growth was positive in all states and remained strongest in Western Australia

Owner Occupiers Value, %	MoM	YoY
Western Australia	0.6	24.4
New South Wales	1.0	10.5
Victoria	2.3	12.5
Queensland	-0.7	18.2
South Australia	0.5	12.6
Tasmania	0.4	9.2



### Comment

The value of new home loans picked up in June following a small fall in May, and continues to signal the high demand for housing, with loans well above pre-pandemic levels. This is despite mortgage rates being at the highest levels in over a decade.

Owner occupier construction loans continued their recovery and were 23.5% higher than the record low recorded in July last year for this series, which goes back to 2002. However, the number remains well down on the historical average, particularly when the increased population is considered.

Investors are doing some of the work in increasing supply with the number of new investor construction loans over 44% of total loans for construction over the past year. However, the 26.5k investor construction loans over the year to June were dwarfed by the 140k of investor loans taken out to buy an existing dwelling.

The housing supply shortage is set to continue to support the demand for new home loans, particularly considering the rapid rise in new loans that is happening at the peak of the interest rate cycle. The real test will come if unemployment starts to rise in a meaningful way.

2 AUGUST 2024

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