

Value of New Loans

The value of new home loans (excluding refinancing) rose by 3.9% in July, exceeding the market expectations of a 1.0% gain. The annual rate of growth accelerated to 26.5%, which is the fastest since December 2021.

The solid July gain followed a downwardly revised increase of 1.0% in the previous month (originally 1.3%).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	2.9	21.4
Investor	5.4	35.4
Total	3.9	26.5

The gain in July was broad-based, with a strong increase in investor loans (5.4% MoM and 35.4% YoY, the most since April 2022). Following these strong gains, investor loans are just 0.5% short of their record high from January 2022.

Owner occupier loans rose by 2.9%, with first home buyer loans up by just 0.8%.

Number of New Loans to Owner Occupiers

The number of new home loans to purchase newly built and established homes continued to rise, while construction loans fell for the first time in five months and remain depressed.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-3.7	15.2
Newly Built	3.2	11.2
Established Houses	3.0	11.0

Average Loan Size and External Refinancing

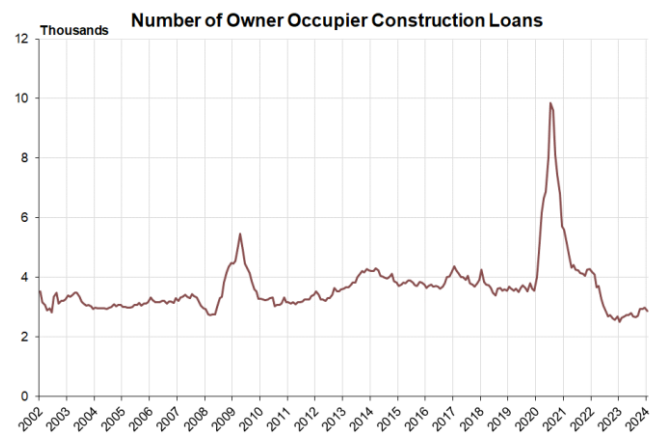
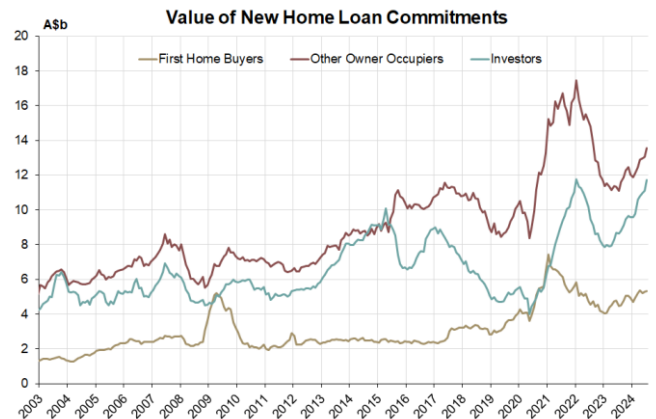
The average new loan size to owner occupiers (unadjusted) rose to a new record high of A\$641k nationwide. However, in Western Australia, it declined to A\$552k, to remain the lowest of the mainland states.

The value of external refinancing picked up by 4.3% but remained 22.3% off its record high from March 2023.

States

The value of new home loans to owner-occupiers rose in all mainland states except for Western Australia. Despite a flat result, Western Australian new home owner-occupier loans saw the second strongest annual gain of all states.

New Home Loans Value, %	MoM	YoY
Western Australia	0.0	26.8
New South Wales	2.7	15.2
Victoria	2.8	18.4
Queensland	6.6	32.4
South Australia	2.8	25.4
Tasmania	0.0	21.2



Comment

The housing finance report continues to signal the high demand for housing, with loans well above pre-pandemic levels despite mortgage rates being at the highest levels in over a decade.

Owner occupier construction loans remain in a weak spot, at just below 3k in July and around 33.5k over the past year. Investor construction loans were 2.7k in July (in original terms) and 27.3k over the past year. New investor construction loans were up 43.1% YoY in July.

However, these figures are well below the levels required to close the supply gap, particularly when the increased population is considered.

Construction loans are dwarfed by strength in new home loans for existing homes (around 263k for owner occupiers and 144k for investors over the past year).

The strong labour market conditions and solid wage growth continue to support the lending capacity of Australian households, despite the sustained rise in home prices. The slight softening in the labour market could see some slowdown in demand, but the rise in population will remain the supportive structural factor.

6 SEPTEMBER 2024

Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.