

Housing Finance August 2024

Value of New Loans

The value of new home loans (excluding refinancing) rose by a seasonally adjusted 1.0% in August, in line with market expectations, but slightly slower than the 3.5% in the previous month (downwardly revised from the 3.9% estimated originally).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	0.7	16.8
Investor	1.4	34.2
Total	1.0	23.0

The gain in August comprised of a 1.4% increase for investors and a 0.7% rise in loans for owner occupiers, though loans to new home buyers saw a 0.4% decline.

Number of New Loans to Owner Occupiers

The number of new home loans to owner occupiers declined, dragged down by a fall in loans for established houses and newly built homes.

Construction loans picked up by 1.5% in August, to be up by 11.1% YoY, but still remain very low by historical standards.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	1.5	11.1
Newly Built	-4.1	1.3
Established Houses	-1.1	6.6

Average Loan Size and External Refinancing

The average new loan size to owner occupiers (unadjusted) declined to A\$636k from A\$641k in July. Declines were registered in all mainland states except Queensland. The average loan size in Western Australia was virtually steady at A\$552k, which is the lowest level on the mainland.

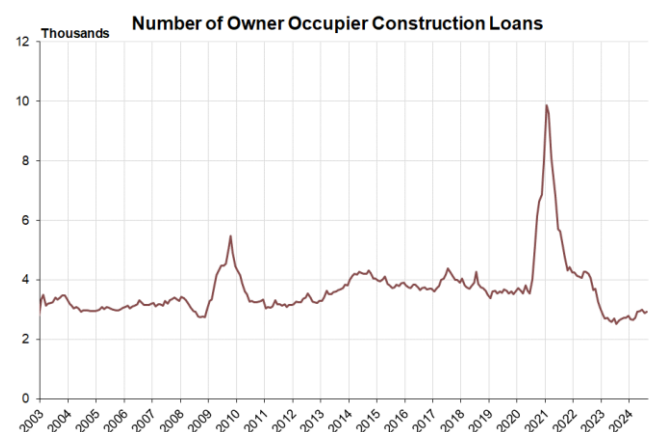
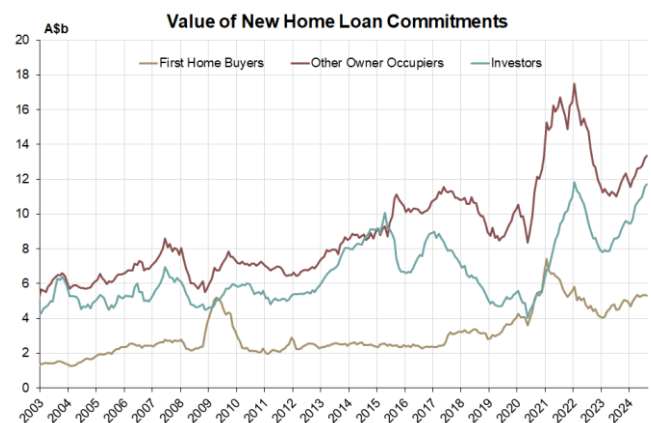
The value of external refinancing retreated by 3.1%, with a 3.8% fall for owner occupiers and a 1.8% decline for investors. External refinancing is now nearly 25% off its record high from March 2023.

States

The value of new home loans to owner occupiers declined in the two most populous states but picked up elsewhere.

Western Australian new home loans rose by 0.5% in the month and 23.1% YoY. This was the second fastest annual growth in the nation, after Queensland, which also registered the fastest monthly growth in new home loans.

New Home Loans Value, %	MoM	YoY
Western Australia	0.5	23.1
New South Wales	-1.4	11.9
Victoria	-1.8	11.1
Queensland	2.6	31.1
South Australia	2.1	11.7
Tasmania	1.9	8.3



Comment

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

However, the last few months have seen some divergence across the states. The two most populous states, where house price growth has been underperforming of late, have also seen a somewhat more sluggish dynamic in the value of new home loans.

Owner occupier construction loans remain in a weak spot across the board.

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.

Today the household spending indicator was published by the ABS, which will replace the retail sales report next year as the major monthly indicator of consumer spending. The result was flat, as lower expenditure on transport, alcohol beverages and tobacco offset solid, albeit slower, growth elsewhere. Western Australia saw the strongest gain (3.9%), driven by higher spending for care and health services as well as household goods.

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