

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 4.1% in December 2023. The consensus was for an increase of 1.0%.

This followed a downwardly adjusted 0.7% gain in November (original estimate +1.0%).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-5.6	7.4
Investor	-1.3	20.4
Total	-4.1	11.7

Loans to owner occupiers declined 5.6%, while investor loans ebbed 1.3%. Among owner occupiers, loans to first home buyers declined 5.5%, while other owner occupiers saw a 5.7% decline.

Number of New Loans to Owner Occupiers

The number of new owner occupier construction loans rose 5.0% in December. Despite this gain, construction loans remained close to record lows.

The number of loans for the purchase of established dwellings (the largest category) dropped 8.2%. However, it was still 6.6% higher than a year before. Loans for newly built homes declined 4.9% MoM and 5.4% YoY.

The number of first homebuyer loans fell 8.4% in December but remained up 12.9% through the year.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	5.0	-6.3
Newly Built	-4.9	-5.4
Established Houses	-8.2	6.6

Average Loan Size and Refinancing

The average new loan size to owner occupiers (unadjusted) rose 2.6% to A\$624k in December, with increases recorded for all states. The average new loan in Western Australia rose above A\$500k for the first time (A\$509k).

The value of external refinancing fell for both owner occupiers (-1.4%) and investors (-1.9%) but remained elevated by historical standards.

States

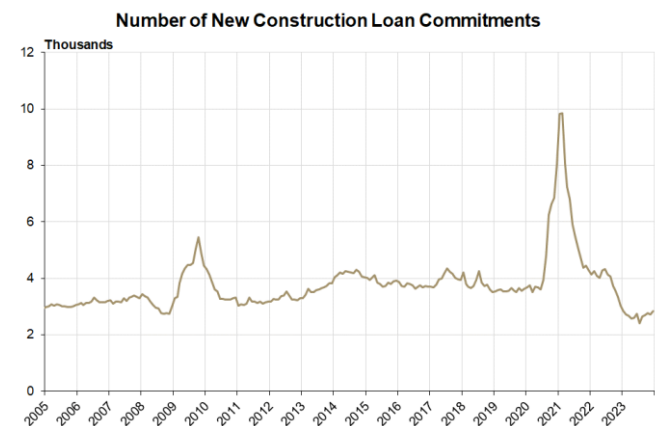
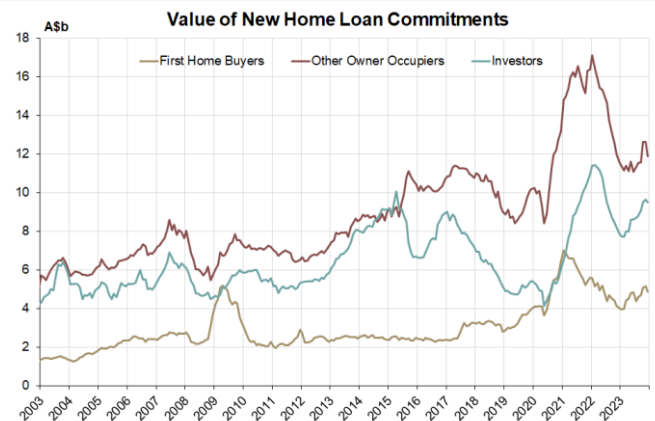
The value of new home loans to owner occupiers fell in all states but Tasmania. Western Australia saw the smallest decline, of 2.5% and continued to record the strongest annual increase of all states.

New Home Loans Value, %	MoM	YoY
Western Australia	-2.5	9.7
New South Wales	-4.1	7.1
Victoria	-2.6	9.3
Queensland	-5.8	8.7
South Australia	-6.2	7.4
Tasmania	3.3	-9.1

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Housing Finance December 2023



Comment

December 2023 saw the first decline in the value of new home loans in four months.

This dent could be linked to the hawkish tilt from the RBA in the previous months, which concluded with a cash rate hike in November 2023.

The unexpected decline in new home loans in December coincided with a slowdown in national house price growth to 0.4%. In January, house prices rose 0.4%, with another slight decline in Melbourne.

That said, housing demand remains strong, with the annual rate of growth in new home loans still in double digits and well above the series average (since mid-2002). In January, house prices resumed growing in Sydney and continued to rise at a solid pace in the smaller capital cities, including Perth (+1.6%).

The sustained rise in house prices is being fuelled by ongoing strong demand and insufficient supply. With loans for the construction of new dwellings to owner occupiers still close to record lows, this situation is unlikely to change soon.

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