

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) rose by 1.5% in February, somewhat less than the 2.0% pencilled in by the consensus.

The January figures were revised upwards, to show a decline of 0.8% rather than the 3.9% fall estimated initially.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	1.6	9.1
Investor	1.2	21.5
Total	1.5	13.3

The February gain was broad-based, with increases for both owner-occupier loans (+1.6%) and investor loans (+1.2%). Loans to first home buyers bounced 4.8% after declining by 4.5% in the previous month, while other owner-occupiers picked up by just 0.4%.

The February gain translated into an acceleration of annual growth in new home loans to 13.3%, which is the fastest in two years.

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 declined further.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-1.0	-0.9
Newly Built	11.5	8.2
Established Houses	0.4	6.1

Average Loan Size and External Refinancing

The average new loan size to owner occupiers (unadjusted) fell by 2.7% to A\$599k, with declines in all states except for Queensland. In Western Australia, the average loan size dropped 4.6% to A\$506k.

The value of external refinancing rose by 3.0% but was down 17.9% through the year.

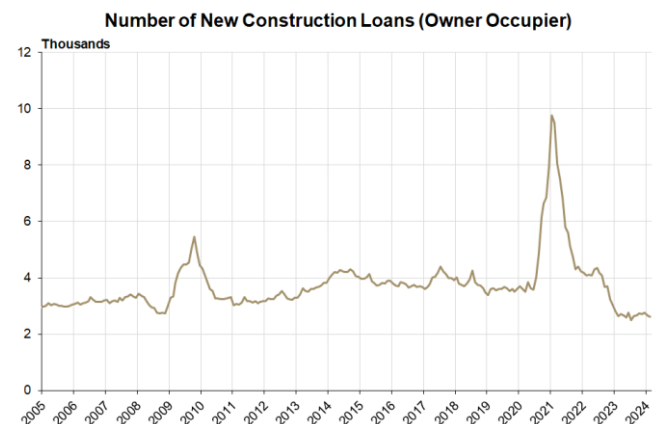
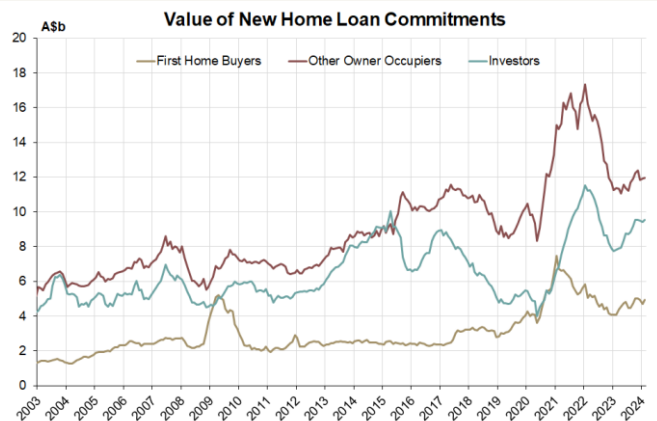
States

The value of new home loans to owner-occupiers rose in New South Wales, Queensland and Tasmania, was unchanged in Victoria and fell in the remainder of states.

Annual growth was positive in all states but Tasmania, with Western Australia seeing the second largest gain.

New Home Loans Value, %	MoM	YoY
Western Australia	-3.3	14.3
New South Wales	3.4	6.2
Victoria	0.0	8.8
Queensland	7.4	16.9
South Australia	-1.0	10.3
Tasmania	9.4	-2.5

Housing Finance February 2024



Comment

The value of new home loans resumed rising in February, supported by higher home prices and ongoing strong demand for housing.

The encouraging news from the February housing finance report is that loan commitments to first home buyers increased the most since October, possibly on hopes for pending rate cuts from the RBA and a catch-up after the underperformance in January. Looking through the monthly movements, however, loans to first home buyers have been moving sideways since the RBA began their tightening cycle in May 2022.

Construction loans continue to underperform, with loans to owner occupiers just 5.3% above their record low from July 2023. Construction loans to investors, which saw a spike towards the end of 2023, weakened somewhat in early 2024 (these numbers are not seasonally adjusted).

The weakness in construction loans implies the further underperformance of dwelling approvals, which saw [more declines](#) in February, adding to upside risk to house prices, especially if the currently strong demand for housing persists.

8 APRIL 2024

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