

Economic Analysis

Housing Finance July 2023

Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 1.2% in July, against market expectations for a flat result. This followed a 1.6% decline in June and was the second decline in a row after a sharp rise in May.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-1.9	-17.5
Investor	-0.1	-7.2
Total	-1.2	-14.1

The decline was again driven by owner-occupier loans, which fell 1.9% in the month following a 3.1% fall in June. New investor loans edged down 0.1% following a 1.3% increase in June.

Number of New Loans to Owner Occupiers

The number of new home loans continued to slide, with construction loans slumping 12.4% after a 6.4% rise in June, to hit a fresh record low (since at least 2002).

Loans for established houses, which is by far the largest category, slipped 0.7%, to be down 10.8% on a year earlier.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-12.4	-42.1
Newly Built	-5.3	-18.7
Established Houses	-0.7	-10.8

Average Loan Size, Loan Types and Refinancing

The average loan size to owner occupiers (unadjusted) climbed 2.2% to A\$593k, the highest level since January. The average new home loan was A\$748.5k in New South Wales, while in Western Australia it was A\$472k, the lowest of the mainland states.

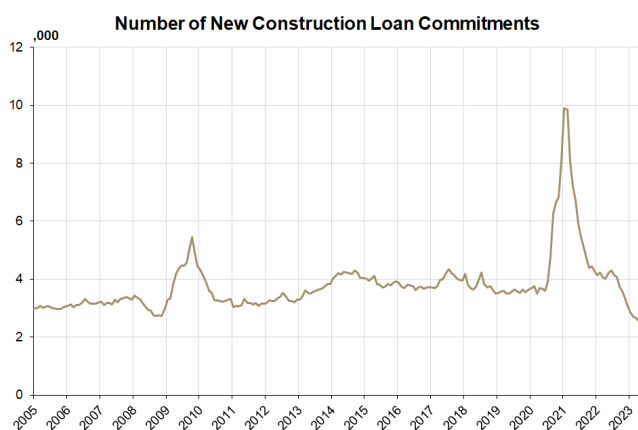
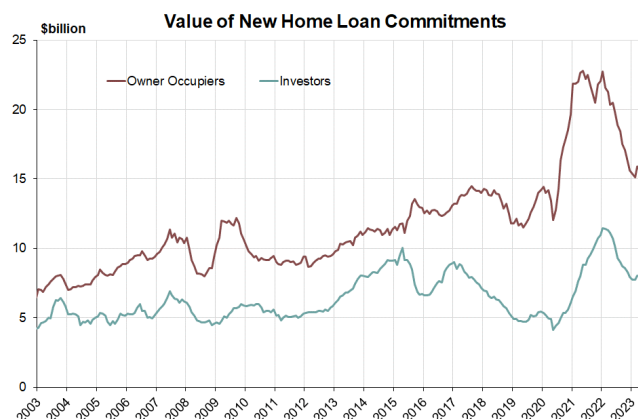
The total value of external loan refinancing rose 5.4% to a record high of \$21.5 billion, which was not far below the \$24.1 billion total value of new loans excluding refinancing.

States

The value of new home loans to owner-occupiers fell in all states in both monthly and annual terms, with loans down 3.9% in Western Australia in July.

Owner Occupiers Value, %	MoM	YoY
Western Australia	-3.9	-9.8
New South Wales	-0.4	-15.4
Victoria	-3.7	-22.6
Queensland	-3.6	-15.5
South Australia	-5.2	-20.8
Tasmania	-11.2	-26.0

Investor loans also fell in most states, including a 1.4% fall in Western Australia. Queensland (+6.8%) and Tasmania (+2.3%) were the only states to see rises.



Comment

The value of new home loans slipped again in July, with broad-based weakness across the states, particularly among owner occupiers. While the value of new loans has seen a sharp decline from the record highs seen during the period of ultra-low interest rates, it remains substantially higher than in the period leading into the COVID pandemic.

Construction loans fell to another record low, suggesting the outlook for new building work remains soft as builders struggle to complete jobs already under way.

The still-high average new home loan value continues to be reflected in the ongoing strength in Aussie house prices. The CoreLogic home value index for the combined capital cities rose another 1.0% in August following an 0.8% rise in July, to be down just 0.1% YoY.

Prices were up sharply in August across almost all capital cities, with Hobart (-0.1%) the only city to see a decline. The index for Perth rose 0.9%, to be up 4.5% YoY, the fastest annual growth of all the capitals.

The undersupply of housing appears likely to continue supporting house prices in the coming months, with the outlook for the labour market a key source of uncertainty.

1 SEPTEMBER 2023

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