

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) climbed a seasonally adjusted 4.8% in April, well above the 1.5% increase expected by the market and followed an upwardly revised 3.8% rise in March (originally 3.1%).

The value of new loans was 24.6% higher than in April last year.

| Seasonally Adjusted Ex Refinancing, % | MoM | YoY |
|---------------------------------------|-----|------|
| Owner Occupier | 4.3 | 18.7 |
| Investor | 5.6 | 36.1 |
| Total | 4.8 | 24.6 |

Both owner-occupier and investor loans saw strong increases in the month, to be well above the levels of a year ago.

Number of New Loans to Owner Occupiers

The number of new home loans to owner-occupiers was up across all categories. New construction loans have risen strongly over the past two months, to be up 12.1% YoY. However, the number of new construction loans remains very low by historical standards.

The number of new loans to owner-occupier first home buyers rose 3.0% in the month and was up 10.8% YoY.

| Seasonally Adjusted Ex Refinancing, % | MoM | YoY |
|---------------------------------------|------|------|
| Construction | 6.5 | 12.1 |
| Newly Built | 13.0 | 16.1 |
| Established Dwellings | 1.8 | 8.7 |

Average Loan Size

The average new loan size for owner-occupiers (unadjusted) rose 2.9% to \$626k. All states saw an increase except Tasmania. New South Wales had the highest average by far (\$764k, down from \$785k in December). The average new home loan in Western Australia rose 3.1% in the month to a record \$538k, which was still the lowest of the mainland states.

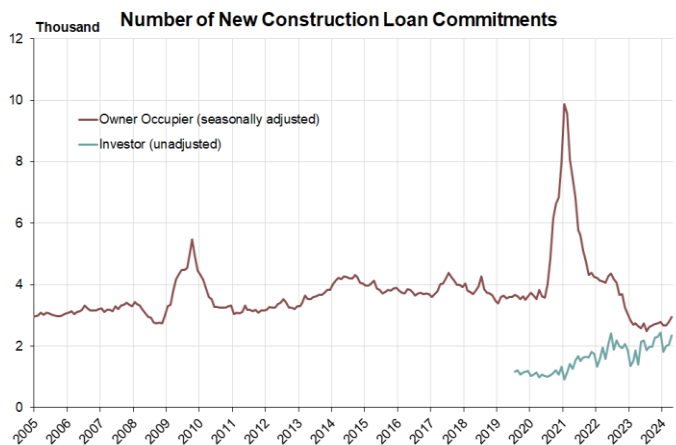
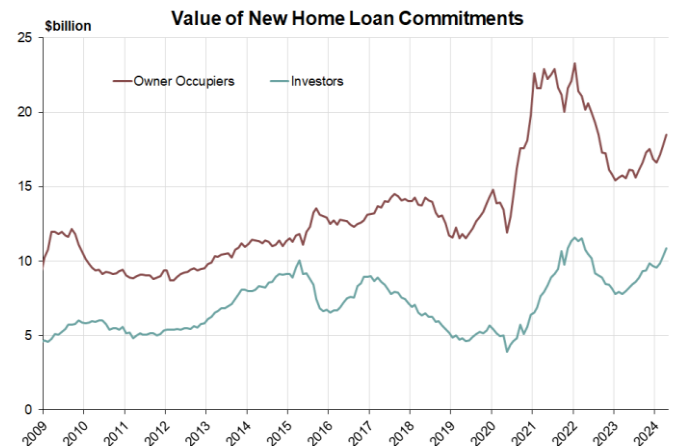
States

The value of new owner-occupier loans (excluding refinancing) rose in all states except Tasmania.

Growth was again strong in Western Australia in both monthly and annual terms.

| Owner Occupiers Value, % | MoM | YoY |
|--------------------------|-------|------|
| Western Australia | 7.0 | 26.0 |
| New South Wales | 9.9 | 24.2 |
| Victoria | 3.8 | 17.9 |
| Queensland | 2.8 | 19.5 |
| South Australia | 3.3 | 10.4 |
| Tasmania | -16.5 | -6.3 |

Housing Finance April 2024



Comment

The value of new home loans continued to climb across most of the country in April, despite interest rates being at the highest levels in over a decade.

While the number of new construction loans to owner-occupiers has picked up, the overall level remains low, particularly when population growth is considered. This highlights the ongoing housing supply issue, which looks set to be with us for an extended period.

Investors are helping to lift supply, making up around 44% of new construction loans over the past 12 months. However, this was more than offset by the number of investor loans to purchase established homes, which are over five times the number of construction loans.

The shortage of properties continues to put upward pressure on house prices, with the latest CoreLogic home value report showing that the average capital city home value rose to \$865k in May.

While this report will not shift the dial on the outlook for the RBA, it does highlight the risk that interest rate cuts will add fuel to what is already healthy demand for loans.

6 JUNE 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.