

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 2.7% in October, slightly more than the 2.5% expected by the markets. This followed a 4.4% decline in September (revised from -8.2%).

New home loans are now 17.1% down through the year and 22.6% off the January record. However, they are still 32.0% higher than in December 2019.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-2.9	-17.2
Investor	-2.2	-17.0
Total	-2.7	-17.1

The fall in new home loans in October was again broad-based, with all borrower groups seeing a decline both in monthly and annual terms.

Owner-occupier loans declined by 2.9%, to be down 17.2% YoY but 21.4% above the December 2019 level.

Loans to first home buyers ebbed 1.6%, remaining largely at the same level as immediately before the pandemic struck.

Loans to other owner occupiers fell by 3.3% in October but were still 28.3% higher than just before the start of the pandemic.

Loans to investors eased by another 2.2% but were 59.8% higher than in late 2019.

Number of New Loans to Owner Occupiers

The number of new home loans to owner occupiers fell 4.1% in October, to be largely back to the pre-COVID levels.

Established houses, by far the largest category, was the major driver behind the fall in the number of new home loans, with a 4.9% drop. Construction loans declined by another 4.2%. Both loan categories have reached their lowest levels since mid-2020.

These declines were partly offset by loans for newly built houses, which rose 6.5% from the 3.5-year low reported for September.

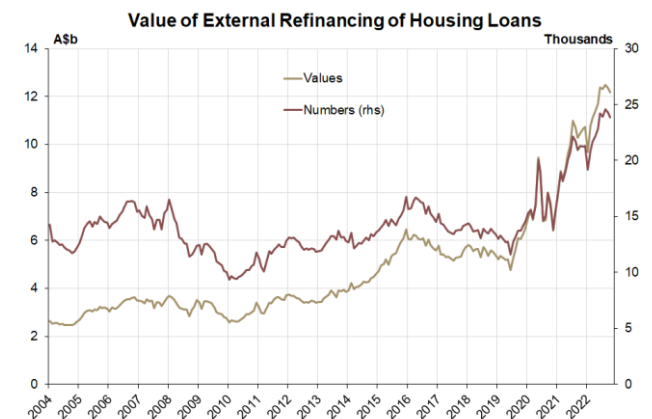
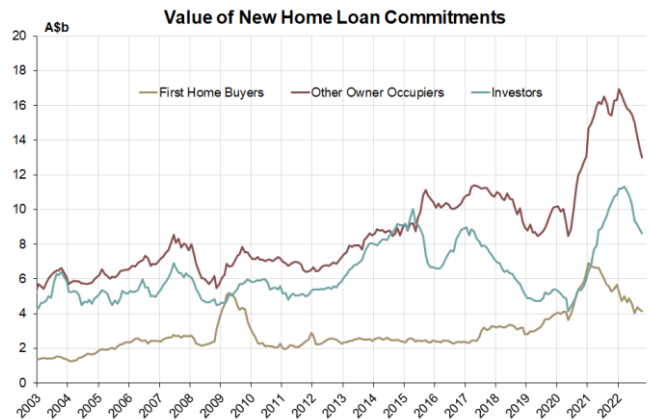
Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-4.2	-18.2
Newly Built	6.5	-20.0
Established Houses	-4.9	-21.6

Average Loan Size, Loan Types and Refinancing

The average loan size rose to A\$595k from A\$588k, with increases recorded in all states but New South Wales.

Given the rise in mortgage rates amid RBA policy tightening, borrowers continue to shop for lower interest rates. Refinancing eased further from the record highs of earlier in the year but remain elevated by historical standards, particularly for owner-occupier loans.

Housing Finance October 2022



States

New home loans declined in all states but Western Australia. Western Australia also had the slowest annual decline in new home loans of all mainland states.

The biggest monthly fall was reported for Tasmania, while Victoria saw the smallest decline.

New Home Loans Value, %	MoM	YoY
Western Australia	1.5	-11.5
New South Wales	-3.4	-21.5
Victoria	-2.1	-12.6
Queensland	-3.3	-18.1
South Australia	-3.2	-13.3
Tasmania	-5.6	-4.9

Comment

The softening in the housing market continues, as higher interest rates continue to deter potential home buyers and put downward pressure on house prices, with the CoreLogic home value index falling 1.0% in November.

The housing market is set to soften further, as monetary policy continues to be tightened. However, currently, strong labour market conditions are offsetting some of the downward pressure from higher interest rates.

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