

## Economic Analysis

## Housing Finance September 2022

### Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 8.2% in September, slightly more than the 2.5% expected by the markets.

New home loans are now 18.5% down through the year.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-9.3	-19.9
Investor	-6.0	-15.3
Total	-8.2	-18.5

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

Owner-occupier loans dropped by 9.3%, to be 19.9% down YoY.

Loans to first home buyers fell by 6.8%, after rising by 7.0% in the previous month. They are now largely back to pre-pandemic levels.

Loans to other owner occupiers dropped by 10.1% in September but remain elevated by historical standards.

Loans to investors declined by another 6.0%, to be the lowest since April 2021.

### Number of New Loans to Owner Occupiers

The number of new home loans to owner occupiers fell by 7.9% in September, with declines across all loan purposes.

Construction loans saw the largest decline, of 9.9%, and are now back to levels from May 2020 (before the homebuilding grants were introduced by the Commonwealth and state governments).

Established houses, by far the largest category, recorded a 7.6% decline and is at the lowest level since August 2020. After a 7.9% fall in September, newly built houses are at a level unseen since mid-2019.

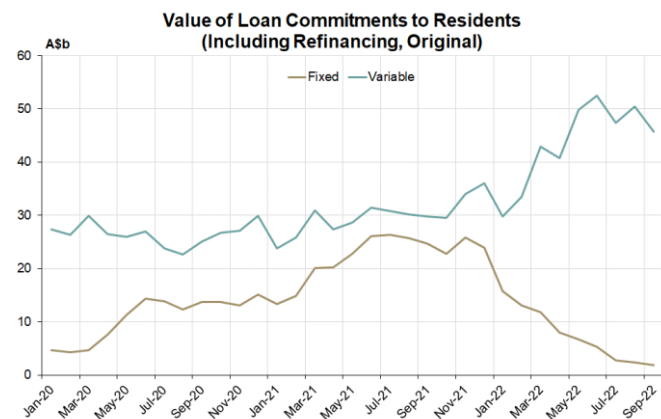
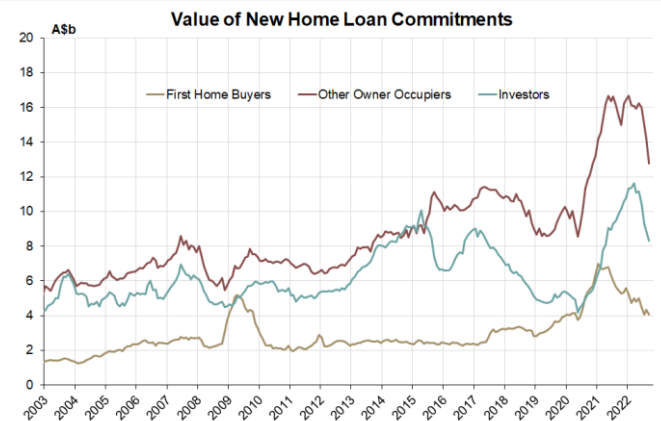
Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-9.9	-22.0
Newly Built	-7.9	-33.0
Established Houses	-7.6	-20.9

### Average Loan Size, Loan Types and Refinancing

The average loan size was broadly unchanged at A\$588k. It even increased slightly in New South Wales and South Australia, but declined in the other states, including Western Australia.

Refinancing eased from the record high in the previous month but remains elevated by historical standards, as borrowers continue to shop for lower interest rates.

Given the higher level of interest rates, borrowers also continue to drift away from fixed-rate loans towards variable-rate mortgages.



### States

New home loans declined in all states, with the magnitude of these falls ranging from 5.9% in New South Wales to 13.8% in Queensland. Western Australia saw a 13.2% fall.

New Home Loans Value, %	MoM	YoY
Western Australia	-13.2	-18.9
New South Wales	-5.9	-27.4
Victoria	-10.4	-13.4
Queensland	-13.8	-22.1
South Australia	-7.0	-15.5
Tasmania	-10.4	-0.8

### Comment

The value of home lending, at A\$25.1b, is now 24.3% off the record high from January, as higher interest rates deter potential home buyers. The lower demand for housing is reflected in an ongoing fall in house prices (-1.2% in October).

The housing market is set to soften further, as monetary policy is still being tightened. However, the still-strong labour market and still-solid household balance sheet mean that the pace of this softening may not be rapid.

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