

Economic Analysis

Value of New Loans

The seasonally adjusted value of new home loans (excluding refinancing) saw a broad-based 3.9% decline in January, following a 4.1% fall in December. The consensus forecast was for an increase of 2.0%.

Approvals were 8.5% higher year-on-year despite the back-to-back falls in December and January.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-4.6	3.4
Investor	-2.6	18.5
Total	-3.9	8.5

The value of new loans to owner occupiers fell 4.6%, following a 5.6% decline in December, to be at the lowest level in six months.

Investor loans slipped 2.6%, after a 1.6% fall in December, but are up 18.5% YoY following strong growth through most of 2023.

Number of New Loans to Owner Occupiers

The number of new owner occupier loans fell across all categories.

Construction loans fell to the lowest level since August last year and remain around the lowest levels in the history of the series dating back to 2002.

The number of loans for the purchase of established dwellings (by far the largest category) dropped 2.3% after an 8.3% fall in December.

The number of first homebuyer loans fell 6.9%, following an 8.9% fall in December, but were still up 4.4% YoY.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-4.3	-6.1
Newly Built	-3.9	-5.2
Established Dwellings	-2.3	3.4

Average Loan Size and Refinancing

The average new loan size to owner occupier dwellings (unadjusted) fell A\$9.2k to A\$615k, down from a record high in December. The average new loan in Western Australia rose A\$21k to A\$530k.

States

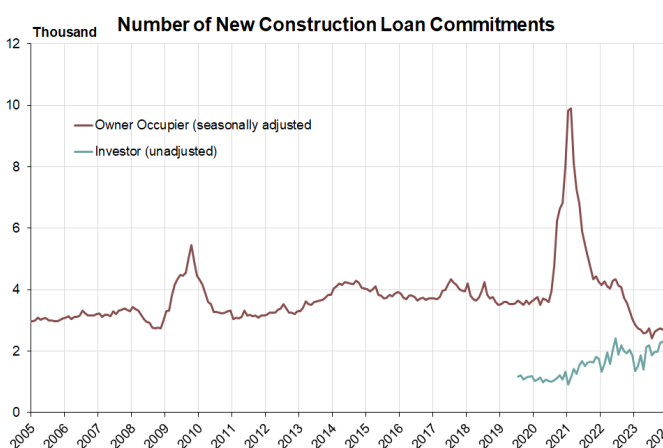
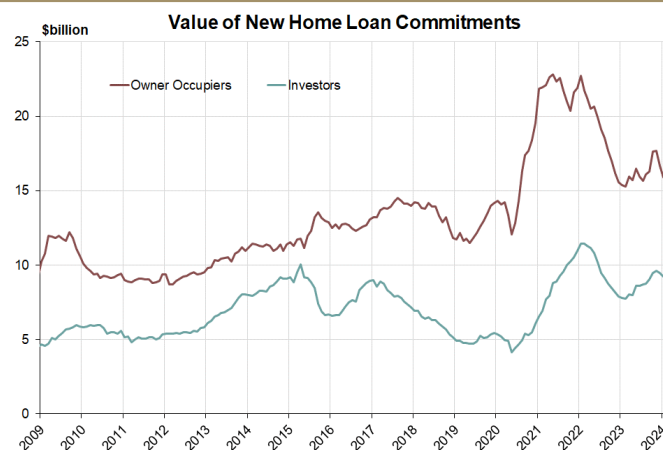
The value of new home loans to owner occupiers fell in all states except Western Australia. The only states to see a rise in the value of new investor loans were Western Australia (1.2%) and South Australia (1.5%).

Owner Occupiers Value, %	MoM	YoY
Western Australia	1.8	15.2
New South Wales	-6.3	4.6
Victoria	-9.1	6.0
Queensland	-2.9	2.9
South Australia	-1.3	7.5
Tasmania	-8.4	-16.6

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Housing Finance January 2024



Comment

Following solid growth through much of 2023, demand for new home loans appears to be sliding, with the value of new loans posting a hefty decline in January after a sharp fall in December.

The pick-up in new loans last year was largely centred on the purchase of established dwellings. This, along with limited supply, helped drive the average loan size and house prices to record highs.

The demand for new owner-occupier construction loans remains tepid and continues to hover at around the lowest levels in over 20 years, adding to concerns over the supply outlook.

However, new construction loans to investors have been relatively strong and accounted for 42% of the total number of new construction loans over the past 12 months. Although the series only goes back to July 2019 and is not seasonally adjusted.

The low level of new construction loans and new dwelling approvals, along with the slide in dwelling investment in Q4, along with what we saw in the national accounts yesterday, suggest the housing market will remain tight for some time to come.

7 MARCH 2024