WESTERN AUSTRALIAN
TREASURY CORPORATION

Economic Analysis

Housing Finance March 2021

Value of New Loans

The value of new loan commitments for housing (excluding refinancing) rose a seasonally adjusted 5.5% to a record high in March, following a 0.3% decline in February. The value of new loans were up 55.3% YoY.

Seasonally Adjusted Ex-Refinancing (%)	MoM	YoY
Owner Occupier	3.3	55.6
Investor	12.7	54.3
Total	5.5	55.3

The increase in March was led by a 12.7% jump in new investor loans, which was the biggest monthly rise since mid-2003. The increase was driven by new loans for the purchase of existing dwellings.

The rise in owner occupier loans was not as sharp but nevertheless drove the value of owner occupier loans to a fresh record high.

Number of New Loans

The number of new loan commitments to owner-occupiers saw increases for the purchase of newly built and existing homes but a sharp fall in the number of construction loans.

The fall in the number of construction loans was the first since the HomeBuilder grant was introduced in June last year.

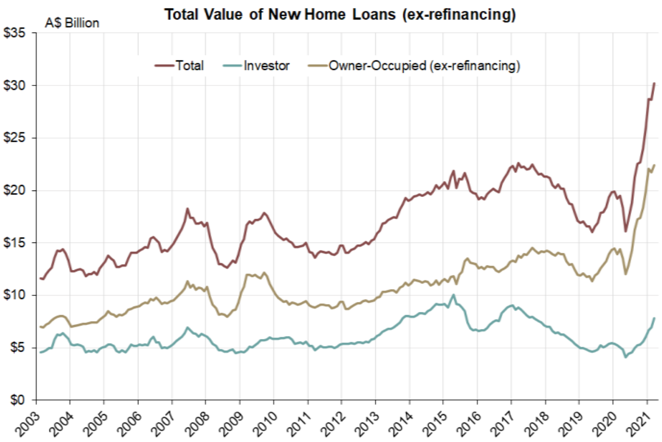
The number of new loans for owner occupier first home buyers slipped 3.1% but remain at an elevated level and were 58.3% higher than a year ago.

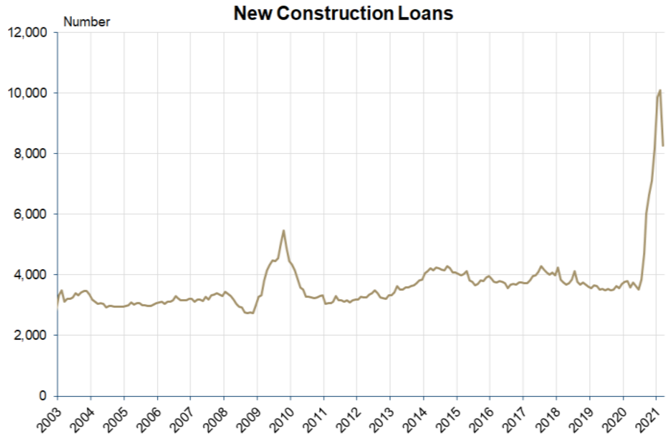
Number of New Owner Occupier Loans (%)	MoM	YoY
Construction	-18.1	129.9
Newly Built	8.0	45.1
Purchase Established House	7.7	39.1

States

The value of new home loans to owner occupiers (excluding refinancing) climbed to record highs New South Wales and Victoria. Loans slipped in the other states but remained historically very high. The value of new loans fell 6.5% in Western Australia but was still almost double the level of March 2020.

Owner Occupier Ex-Refinancing (%)	MoM	YoY
Western Australia	-6.5	98.1
New South Wales	8.2	39.0
Victoria	1.6	53.3
Queensland	1.1	68.5
South Australia	-2.8	59.2
Tasmania	-5.0	41.0





Comment

The demand for new home loans remained very strong in March. Investor loans lead the way for the second month in a row, suggesting a rotation away from the owner occupier driven loan growth evident over the majority of the past 10 months. The rise in investor loans was driven by the purchase of existing dwellings and will put further upward pressure on house prices.

The RBA and APRA will be keeping a keen eye on investor loan growth. Ongoing sharp rises will increase the likelihood that macro-prudential tools will be introduced at some point.

While the number of construction loans had its biggest monthly fall on record, the level remained very elevated. With the HomeBuilder grant coming to an end on 31 March, further sharp declines can be expected in the coming months. However, the surge in construction loans and dwelling approvals since mid-2020 suggests work already in the pipeline will test the building industry's capacity.

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