

Value of New Loans

The value of new loan commitments for housing (excluding refinancing) retreated 1.6% in June, after the considerable increases in the past few months took it to an all-time high of A\$32.6b in May.

The decline in housing loans came against market expectations for a 1.5% gain and was the largest fall since May 2020. It was driven primarily by a 7.8% drop in loans to first home buyers. Loans to other owner occupiers ebbed by 0.3%.

Despite the June decline, owner occupier loans remain elevated and were 75.9% higher than the depressed level of June 2020. First home buyer loans were up 61.9% YoY.

Investor loans continued to rise in June, albeit slower than in previous months (+0.7%), to be up 102.0% over the year.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-2.5	75.9
Investor	0.7	102.0
Total	-1.6	82.7

Number of New Owner-Occupier Home Loans

In terms of the number of new owner-occupier home loans, the June fall was driven by construction loans which plunged 18.2% on the diminishing impact of the HomeBuilder grant.

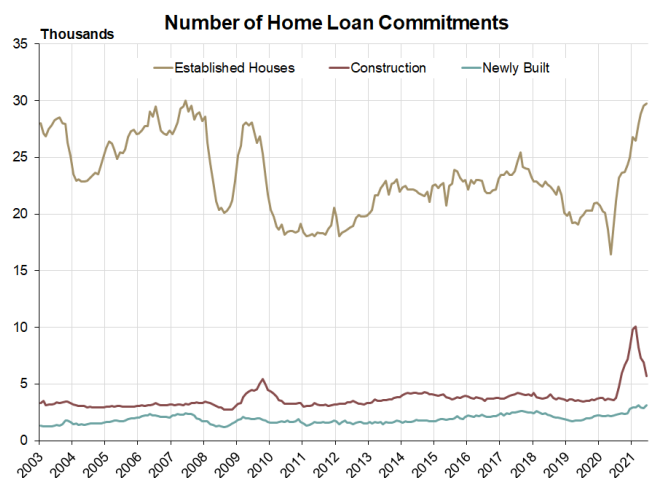
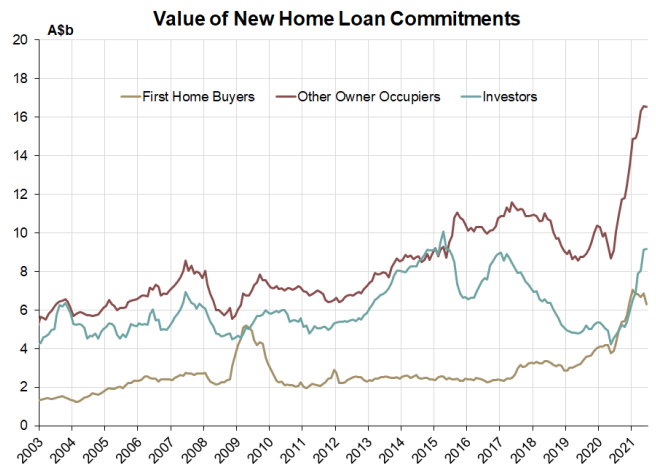
The drop in construction loans was partly offset by a 0.7% increase in the number of loans for the purchase of established houses, the largest category of housing loans, which have increased to its highest level since June 2007. Loans for newly built houses rose by 7.7%.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-18.2	59.6
Newly Built	7.7	38.8
Established Houses	0.7	55.5

States

Western Australia led the June decline in new home loans but remained the state with the strongest annual increase. Declines were recorded in all states but Queensland, which had seen a fall in the previous month.

New Home Loans Value, %	MoM	YoY
Western Australia	-6.9	104.2
New South Wales	-3.2	74.0
Victoria	-5.8	78.9
Queensland	1.8	69.5
South Australia	-2.3	52.8
Tasmania	-1.8	40.4



Comment

The impact of the end of HomeBuilder, which has driven a slide in the number of new construction loans over the previous three months, accelerated in June. Construction loans should continue to normalise further over the coming months.

Despite the largest decline since May 2020, new home loan approvals were still elevated in June. It reflects high demand for new and established housing amid low interest rates as well as the favourable labour market conditions prior to the recent lockdowns.

At the same time, the June home loan report again demonstrated diverging patterns between housing market investors and new home buyers, as skyrocketing house prices weigh on housing affordability. According to CoreLogic, dwelling prices rose by another 1.6% in July and are now 15.1% higher than a year ago.

While home price growth might ease in the coming months amid the lockdowns, ultra-low interest rates will likely continue to support the demand for housing, particularly for investment purposes.

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