

Economic Analysis

Housing Finance November 2021

Value of New Loans

The value of new home loans (excluding refinancing) rose a seasonally adjusted 6.3% in November 2021, which was the first increase in four months and the strongest gain since January 2021. The strength of the earlier increases means the value of new loans was 33.2% higher than a year ago.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	7.6	17.2
Investor	3.8	86.9
Total	6.3	33.2

The November increase was driven by a 7.6% rise in owner-occupier loans, the first rise since May 2021. An 8.9% rise in owner occupiers other than first home buyers was the key contributor to this increase, while loans to first home buyers rose by 3.7% in the month but were 6.0% lower than a year ago.

Meanwhile, the value of new investor loans rose 3.8% in November, the 13th increase in a row to hit a record high.

Number of New Loans to Owner Occupiers

The number of new loans to owner occupiers also rose, driven mainly by an increase in loans for purchase of established houses, which is the largest segment. Construction loans rose 5.5% in the month and remain at historically high levels despite the recent sharp declines which have left them 34.5% lower than a year ago.

The number of loans for newly built homes continued to fall in November.

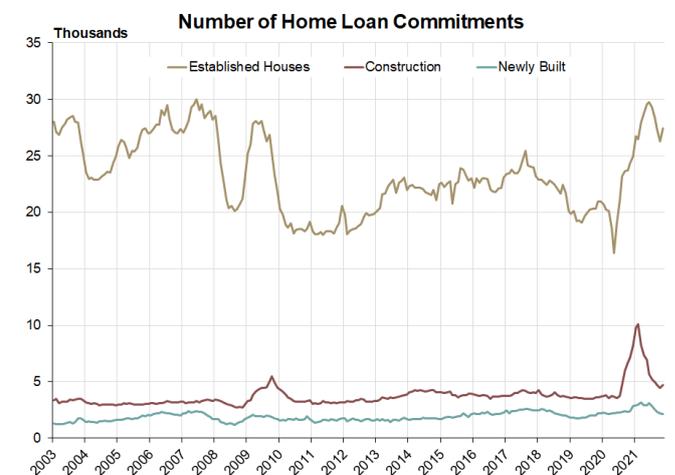
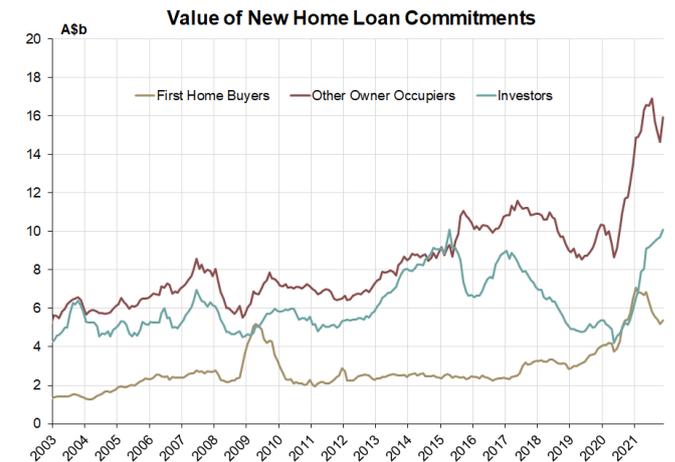
The number of owner-occupier first homebuyer loans gained 1.9% but were still 17.4% lower than a year ago.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	5.5	-34.5
Newly Built	-2.8	-11.7
Established Houses	4.3	12.7

States

The value of new owner occupier home loans rose in all states but Tasmania. The largest gains were recorded in New South Wales and Victoria. According to the ABS, this corresponds with the easing of COVID-related restrictions in those states in October and November. Western Australia saw a moderate 0.4% increase.

New Home Loans Value, %	MoM	YoY
Western Australia	0.4	-2.2
New South Wales	9.6	18.0
Victoria	9.7	34.0
Queensland	5.4	9.6
South Australia	4.0	9.7
Tasmania	-0.6	-2.6



Comment

New loans are at historically very high levels as Australians continue to take advantage of record low interest rates. It is particularly striking for investment loans, which have hit a new record high. Despite coming off their record highs over the past few months, owner occupier loans are still elevated by historical standards.

The increase in borrowing capacity, thanks to record low interest rates, has driven house prices to record levels, which in turn creates demand for even larger loans.

The average loan size for owner-occupier dwellings rose to a record A\$596k nationwide, which is around 6.5 times annual average full-time adult earnings in Australia. Western Australia is the only state where the average loan size was below record highs.

Looking ahead, the RBA and APRA are likely to become increasingly uneasy with developments in the housing market. A further tightening of macro-prudential rules is pretty likely, particularly one targeted at investors. The dynamics of the housing market and high levels of household debt add to the precarious nature of the RBA's task in trying to raise interest rates.

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