

Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 4.4% in June, which followed an upwardly revised increase of 1.8%. The market consensus was for a 3.0% decline.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-3.3	-9.6
Investor	-6.3	17.3
Total	-4.4	-2.0

The decline was broad-based across the loan applicant groups.

Owner occupier loans fell by 3.3% in the month, to be down 9.6% through the year. The largest contribution to the fall came from first home buyers, with loan commitments for this group falling by 10.0% MoM and 29.0% YoY, to be the lowest since December 2020. Lending to other owner occupiers declined by 1.3% in the month and 2.1% through the year.

Lending to investors also saw a significant 6.3% decline in June, yet was still up 17.3% over the year.

The average loan size for owner occupier dwellings declined by 0.9% in the month, but remained high at \$610k. Western Australia was one of the two states that saw an increase.

Number of New Loans to Owner Occupiers

The number of new loans to owner occupiers fell by 2.6% in June, with mixed results across the loan purposes.

The largest declines were recorded for newly built houses (7.8% MoM and 35.6% YoY). New loans for purchase of established houses declined by 3.0%, to be down 16.2% through the year.

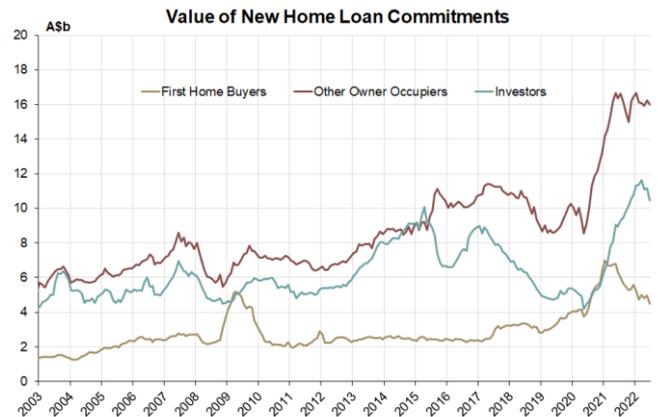
At the same time, lending approvals for construction rose by 2.6%, but were still 25.9% lower than a year ago.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	2.6	-25.9
Newly Built	-7.8	-35.6
Established Houses	-3.0	-16.2

Refinancing

The value of borrower refinancing of owner-occupier housing loans rose by 9.7% in June, the most since February, to be up 24.6% through the year. The number of loan refinancing commitments picked up by 9.8% MoM and 18.2% YoY.

Both values and numbers for refinancing are now at fresh record highs, of A\$12.7b and 24.4k, respectively. The increased refinancing activity came as borrowers, faced with higher mortgage rates, are shopping around for better loan offers from other lenders.



States

The value of new home loans to owner occupiers declined in all states but Queensland and South Australia.

The largest decline was recorded for Victoria, which followed a significant gain in the previous month.

Western Australia saw a 4.7% fall in the month, but continued to lead other states in terms of the performance throughout the pandemic, with a 64.3% gain on December 2019.

New Home Loans Value, %	MoM	YoY
Western Australia	-4.7	-9.3
New South Wales	-2.0	-16.4
Victoria	-7.1	-9.4
Queensland	0.0	-4.3
South Australia	2.2	1.0
Tasmania	-5.1	-5.8

Comment

Despite the decline in June, home lending activity remains strong. New home loans are still only just 6.7% off their record highs and almost double the series average. The strength is evident particularly with investors and owner occupiers other than first home buyers.

However, recent days have seen more evidence of increasing softness in housing market activity, with house prices now clearly on a decline now that the RBA is well into its tightening cycle. Existing borrowers are also trying to shield themselves from the impacts of the mortgage rate increases as much as possible, which is evidenced by record refinancing activity.

We should expect the continuation of these trends as monetary policy tightening continues. However, the price decreases may be constrained by tight supply, as builders struggle to complete the backlog of building work amid persisting supply and labour shortages.

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