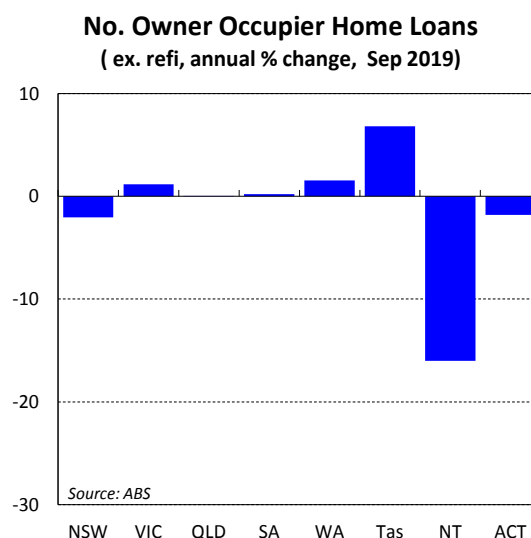
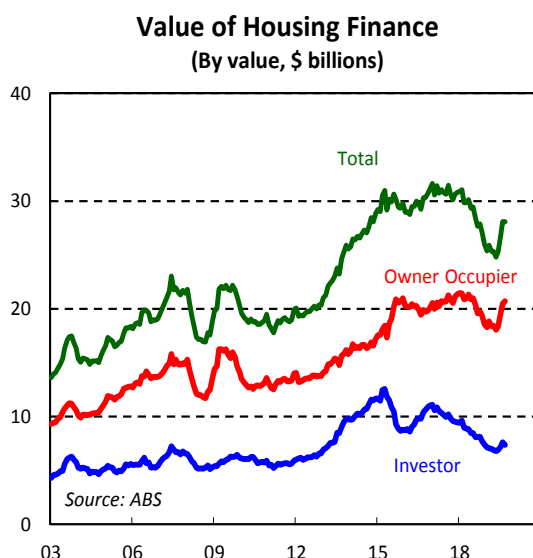


Friday, 8 November 2019



Housing Finance Is FOMO Setting in?

- Home lending is continuing to pick up, setting the scene for a further recovery in the housing market. In value terms, home lending to all sectors (excluding refinancing) rose 1.3%, increasing for the fourth consecutive month.
- A major surprise was that the gain was entirely driven by owner-occupiers. The value of owner-occupier lending rose 1.0% in September. The value of investor lending fell 4.0%. It was the first drop in investor loans in four months, but the overall trend continues to be upwards.
- The number of owner-occupier loans was up 0.5% in the year to September, the first month of annual growth since December 2017.
- A notable point is the relative weakness in loans for newly built dwellings in comparison to established dwellings, although this segment has also improved.
- The annual rate improved across most States, but remained in decline in NSW (-2.1%), the Northern Territory (-16.0%), and the ACT (-1.8%). Lending was flat in Queensland, and edged higher over the year in South Australia (0.2%), Victoria (1.1%) and Western Australia (1.5%). Annual lending growth was strongest in Tasmania (6.8%).
- A recovery in the housing market is likely to continue, with the prospect of further monetary easing on the cards. That said, the current spurt in dwelling price growth is unlikely to be maintained at the same pace, particularly in Sydney and Melbourne. A higher starting point for dwelling prices and a limitation in how far interest rates can fall from here would suggest some moderation in growth, although an upswing is expected to continue.



Number of Loans to Owner Occupiers

The number of owner-occupier loans (excluding refinancing) rose 3.6%, the fifth consecutive month of increase. The string of gains over the past month saw the annual rate edge up into positive territory. Owner-occupier loans were up 0.5% in the year to September, the first month of annual growth since December 2017.

Demand for owner occupier loans has been mostly driven by established dwellings. Loans for the purchase of established dwellings jumped 4.8% in September. Growth in loans for refinancing was also firm, lifting 3.6% in the month.

Meanwhile, lending for construction and the purchase of new dwellings were relatively weak, suggesting demand for newly-built dwellings is lagging behind. Loans for the purchase of new dwellings declined 2.9% and the construction of dwellings rose 0.9%.

There nonetheless has been improvement in these two sectors. On an annual basis, they both remain in contraction, down 8.8% and 4.5%, respectively, but this has improved from double-digit declines earlier in the year.

No. of Owner Occupier Loans by State

In September, growth was across all States and territories, excluding the ACT, where lending slipped 0.1%. Owner occupier loans increased in Tasmania (8.7%), Western Australia (6.1%), Queensland (3.3%), Victoria (2.4%), NSW (1.5%) and the Northern Territory (1.2%).

Consequently, the annual rate improved across most States, but remained in decline in NSW (-2.1%), the Northern Territory (-16.0%), and the ACT (-1.8%). Lending was flat in Queensland, and edged higher over the year in South Australia (0.2%), Victoria (1.1%) and Western Australia (1.5%). Annual lending growth was strongest in Tasmania (6.8%).

Value of Housing Finance

In value terms, home lending to all sectors (excluding refinancing) rose 1.3%, increasing for the fourth consecutive month. A major surprise was that the gain was entirely driven by owner-occupiers. Owner occupier lending rose 1.0% in September, while investor lending fell 4.0%. It was the first drop in investor loans in four months, but the overall trend continues to be upwards.

The ongoing strength in home lending combined with elevated auction clearance rates continue to point to the rebound in dwelling prices extending further.

First-Home Buyers

First-home buyers as a proportion of owner-occupiers eased from 19.6% in August to 19.4% in September. Lower interest rates and rising prices have enticed investors, upgraders and downsizers back to the market to a greater extent than first homebuyers.

That said, the proportion of first home-buyers is still higher than its low of near 13% in 2017, prior to the introduction of incentives by State governments.

With prices still below their peaks, affordability has improved from a few years ago. Affordability is a key driver for first home buyers.

Outlook

The housing market is continuing to gain momentum across the country as interest rates fall. The pickup in demand is becoming pronounced in both owner occupiers and investors.

A notable point is the relative weakness in loans for newly built dwellings in comparison to established dwellings, although this segment has also improved.

A recovery in the housing market is likely to continue with the prospect of further monetary easing on the cards. That said, the current spurt in dwelling price growth is unlikely to be maintained at the same pace, particularly in Sydney and Melbourne. A higher starting point for dwelling prices and a limitation in how far interest rates can fall from here would suggest some moderation in growth, although the upswing is likely to continue.

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