Data Snapshot

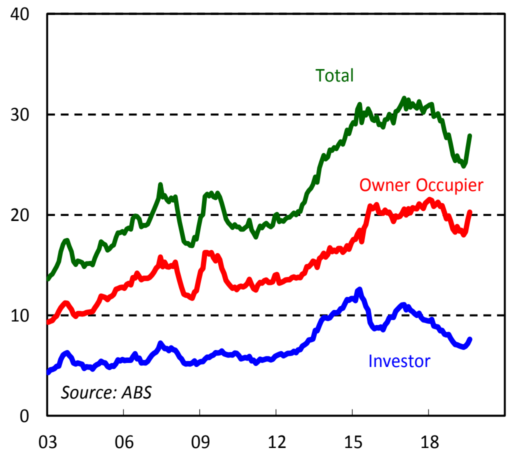
Thursday, 10 October 2019

Housing Finance

Investors Are Back in Town

- **Overall home lending for both owner occupiers and investors, lifted in August for the third consecutive month. It adds further to evidence that the housing market is staging a recovery.**
- **It was investors which stole the show. The value of investor lending (excluding refinancing) was particularly strong, up 5.7% in August. It was the strongest increase in investor lending since September 2016. It suggests that investors are once again playing a key role in the current recovery in dwelling prices.**
- **The number of owner-occupier loans (excluding refinancing) rose 0.7% in August, the fourth consecutive month of increase. The annual rate of decline eased from 8.4% in July to 5.1% in August, the best result since June 2018.**
- **On an annual basis, owner-occupier loans in all States and territories declined in August. The rate of annual decline however, eased in NSW, Victoria, Queensland, Western Australia and Tasmania. Annual rates deteriorated in South Australia, the Northern Territory and the ACT.**
- **First home buyers as a proportion of owner-occupier loans, edged higher in August, rising from 19.5% in July to 19.6% in August. Despite recent price increases, affordability has improved for first home buyers as prices are still well below their peaks and interest rates have fallen.**
- **Today provides further evidence that demand in the housing market is picking up, and corresponds with the lift in prices over recent months. In particular, investors are driving the increase. Low interest rates and the prospect of a further reduction suggest this recovery will continue. Nonetheless, we do not expect a return to the strong price growth over 2012 to 2017.**

Value of Housing Finance
(By value, $ billions)



First Home Buyers
(% of all owner occupier loans)

Number of Loans to Owner Occupiers

The number of owner-occupier loans (excluding refinancing) rose 0.7% in August, the fourth consecutive month of increase. The annual rate of decline eased from 8.4% in July to 5.1% in August, the best result since June 2018.

There were gains across all sectors. Over the past two months, growth has been strong in the purchase of new dwellings, which rose 2.7% in August following an 8.7% increase in July. The purchase of established dwellings has also driven lending growth, lifting 0.6% in August after a 5.2% increase in July. Meanwhile, refinancing of established dwellings grew a solid 4.1% in August, following a 7.9% increase in July. Lending for the construction of dwellings however, lagged behind, suggesting that weakness in residential construction is likely to persist. Owner occupier loans for the construction of dwellings grew 0.3% in August, following by two consecutive months of decline.

On an annual basis, all categories remained in negative territory although their rates of decline lessened in August. The weakest annual decline was for the construction of dwellings (-7.9%), followed by the purchase of new dwellings (-7.4%), the purchase of established dwellings (-4.3%) and refinancing of established dwellings (-0.8%).

No. of Owner Occupier Loans by State

A pick up in lending was evident across most States over recent months. There was growth recorded in Queensland (2.3%), NSW (2.1%), South Australia (1.9%) and Victoria (1.5%) followed by Western Australia (0.6%). All these States have had growth in owner-occupier lending for three consecutive months. In Tasmania, lending was flat, in August, and declined in Northern Territory (-11.9%) and the ACT (-8.2%).

On an annual basis, all States and territories had declines in the year to August. The rate of decline however, eased in NSW (from -8.7% to -5.2%), Victoria (-9.3% to -4.4%), Queensland (-12.9% to -5.5%), Western Australia (from -3.5% to -0.2%) and Tasmania (-11.8% to -4.7%). Annual rates deteriorated in South Australia (from -4.9% to -5.1%), the Northern Territory (-4.9% to -10.5%) and the ACT (from 5.4% to -3.9%).

Value of Housing Finance

In value terms, home lending rose 2.9% (excluding refinancing), the third consecutive monthly increase. The annual rate of decline of -5.0% was the best result since February 2018.

Owner-occupier lending rose 1.9% in August. The relatively strong increase in values in comparison to the number of loans highlights the impact of the recovery in housing prices across the country.

The value of investor lending was particularly strong, up 5.7% in August. It was the strongest increase in investor lending since September 2016. It suggests that investors are once again playing a key role in the current recovery in dwelling prices.

First-Home Buyers

First home buyers as a proportion of owner-occupiers, edged higher in August, rising from 19.5% in July to 19.6% in August.

Affordability has improved for first home buyers as prices are still well below their peaks and interest rates have fallen.

Outlook

Today provides further evidence that demand in the housing market is picking up, and corresponds with the lift in prices over recent months. In particular, investors are driving the increase, although first home buyers have also waded back in given an improvement in affordability over recent years. The rate cuts from the RBA and the turnaround in sentiment since May are driving a recovery in the market.

The recovery in housing has been sooner and quicker than previously thought. Low interest rates and the prospect of a further reduction suggest this recovery will continue. Nonetheless, we do not expect a return to the strong price growth over 2012 to 2017.

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