Data Snapshot

Tuesday, 12 March 2019

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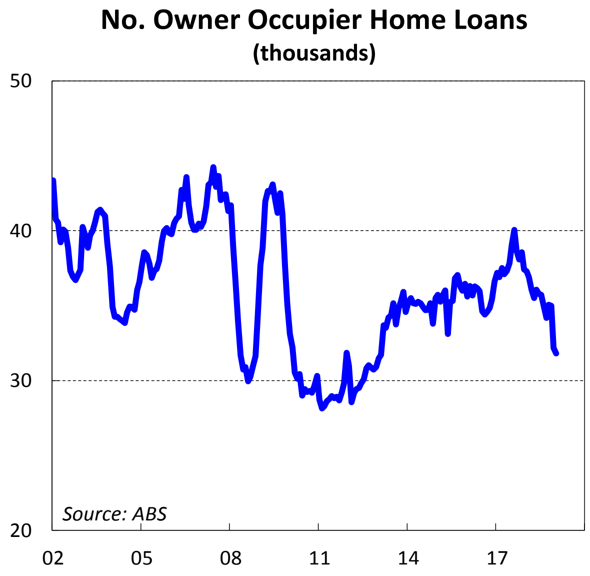
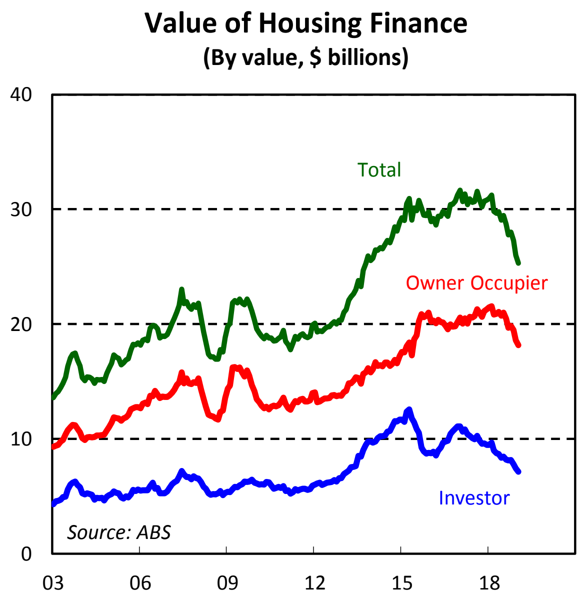
Housing Finance
Loans for New Dwellings Hit Hard

- **Lending to buy dwellings continued to slide in January. This leading indicator suggests the downturn in dwelling prices has further to run.**
- **The number of loans extended to owner occupiers (including refinancing) dropped 2.6% in January to 47,407, which is the lowest level since February 2013. Excluding refinancing, the number of loans extended to owner occupiers fell by 1.2% in the month and were down 14.7% on a year ago).**
- **There was weakness across all categories, but lending to owner-occupiers for new dwellings was hardest hit in January. This category fell 9.5% in January, which is the biggest monthly decline since October 2008, and on a year ago was down 27.6%.**
- **In value terms, the weakness in lending was also prevalent. Total lending values to both owner occupiers and investors (including refinancing) dropped 2.7% in January and by 18.2% in the year to January. This annual contraction is the largest since November 2008.**
- **Weakness in the housing market remains a key downside risk to the economic outlook, particularly in terms of the negative wealth impact on consumer spending.**
- **We expect the Reserve Bank will need to cut the cash rate later this year to provide support to economic activity.**





Number of Loans to Owner Occupiers

Lending continued to slide in January. The total number of loans, including refinancing, dropped 2.6% in January to 47,407, which is the lowest level since February 2013. On a year ago, the number of loans contracted by 13.6% in the year to January. Excluding refinancing, the number of loans extended to owner occupiers fell by 1.2% in the month and were down 14.7% on a year ago).

There was weakness across all categories, but lending to owner occupiers for new loans was the hardest hit in January. The number of loans extended to owner occupiers for new dwellings fell 9.5% in January, which is the biggest monthly decline since October 2008. On a year ago, loans for new dwellings dropped 27.6%.

In terms of the other categories in January, the number of loans for construction fell 0.2%, the number of loans for established dwellings fell 0.6% and the number of loans for refinancing fell 2.6%.

Value of Housing Finance

In value terms, the weakness in lending was also prevalent. Total lending values to both owner occupiers and investors (including refinancing) dropped 2.7% in January and by 18.2% in the year to January. This annual contraction is the largest since November 2008. Excluding refinancing, the falls were 1.3% in the month and 20.6% in the year.

Lending to owner occupiers (including refinancing) fell by 2.3% in January and lending for investor dwellings (including refinancing) fell by 3.7%. The annual falls highlight how the investor demand has retreated further than the owner-occupier market. On a year ago, lending to owner occupiers is down 15.4% compared with 24.6% for investors.

First-Home Buyers

The proportion of first-home buyers rose only marginally in January to 17.9%, from 17.7% in December. This ratio is now slightly above the long-run average with a fall in dwelling prices having encouraged some first-home buyers off the sidelines.

Outlook

Housing conditions are continuing to soften, particularly in Sydney to Melbourne. Today's data reaffirms that the downturn in dwelling prices has much further to run. Weakness in the housing market remains a key downside risk to the economic outlook, particularly in terms of the negative wealth impact on consumer spending. We expect the Reserve Bank to cut the cash rate later this year, which should provide some support to the housing market.

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