Data Snapshot

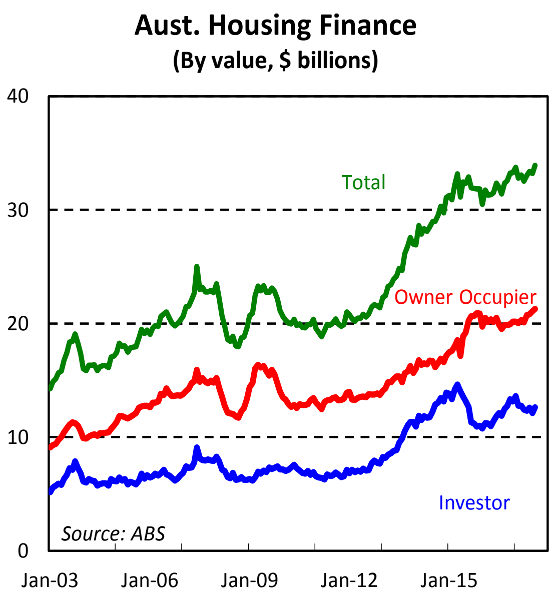
Thursday, 12 October 2017

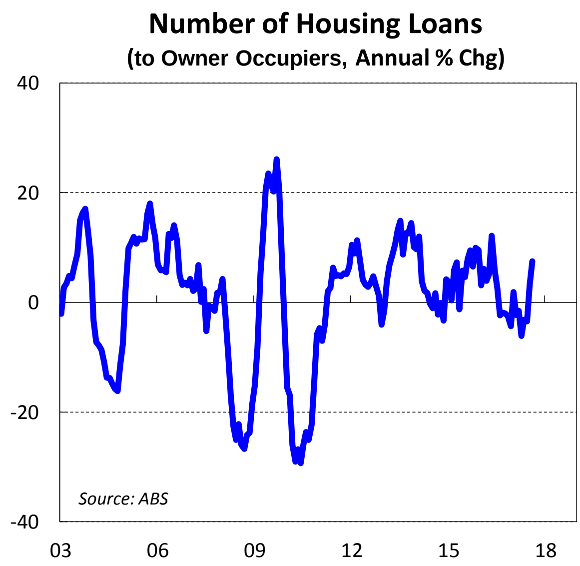
st.george

Housing Finance

Housing Demand Still Has Legs

- **Regulators and the Reserve Bank (RBA) will be paying close attention to the jump in the value of investor lending of 4.3% in August. The annual pace also spiked from 0.0% in July to 6.5% in August. The pace of investor lending will be watched in coming months to determine whether there is a renewed upswing in investor lending.**
- **The number of owner occupier loans lifted for the fourth consecutive month, rising 1.0% in August. The annual pace of owner-occupier loans lifted to 7.5%, which was the strongest annual pace in 15 months.**
- **Annual growth in owner occupier lending in NSW and Victoria strengthened, where policies have had a more significant impact in shifting demand from investors towards owner occupiers.**
- **The proportion of first-home buyers (FHB) increased for the sixth consecutive month. The growth reflecting the stamp-duty exemptions and concessions recently introduced, particularly in NSW and Victoria. The proportion of FHBs nationally increased from 16.6% to 17.2% in August, the highest in four years.**
- **Overall housing demand remains buoyant. There continues to be a shift in demand from investors towards owner occupiers and first-home buyers, but regulators will be watchful as to whether the resilience in investor demand continues. If investor demand picks up, APRA has warned that more could be done.**
- **We expect that housing conditions will continue to cool, but there should continue to be underlying support for housing demand.**





Number of Loans to Owner Occupiers

The number of owner occupier loans lifted for the fourth consecutive month. It rose 1.0% in August, in line with our expectations, but below the consensus estimate of 0.5%.

Growth in owner-occupier loans have picked up in recent months, although this has in part probably reflects lending being diverted from investors in the wake of regulatory measures by APRA. The annual pace of owner-occupier loans lifted to 7.5%, which was the strongest annual pace in 15 months.

In the month of August, there was growth in home lending for the purchase of new dwellings (1.5%), the purchase of established dwellings (1.5%) and refinancing of established dwellings (3.5%). Lending for the construction of dwellings (-2.4%), however, declined.

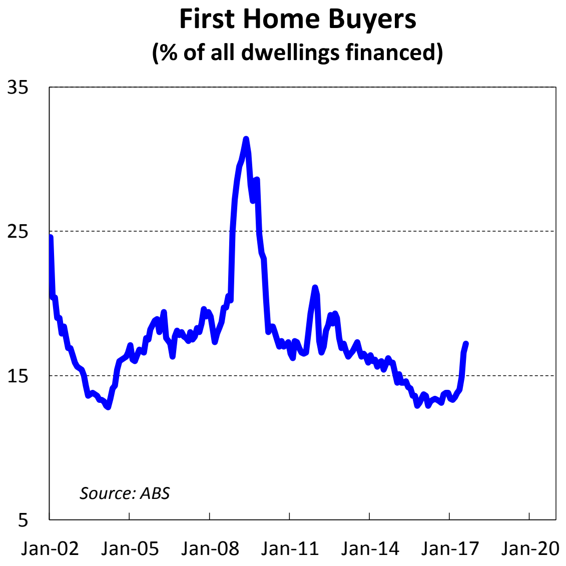
On an annual basis, there continues to be very strong growth in the purchase of new dwellings (13.3%) and construction of dwellings (23.2%), corresponding to still elevated levels of construction activity in the pipeline. The purchase of established dwellings (5.9%) also rose modestly, while refinancing of established dwellings declined in the year (9.5%).

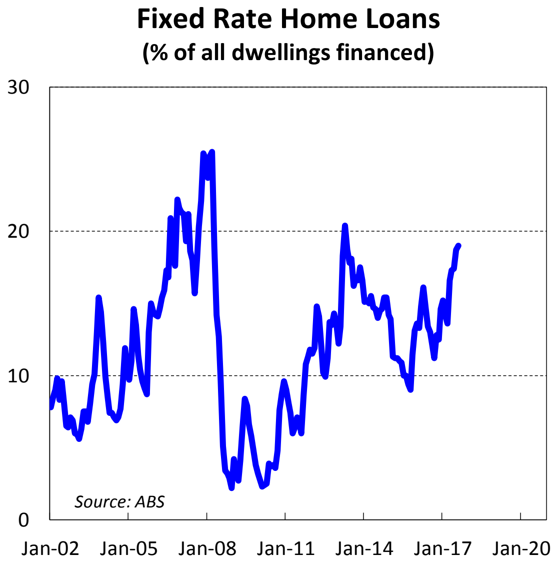
When excluding refinancing, the number of owner occupier loans rose 17.1% in the year to August. It was the strongest lift in nearly four years, providing an indication that housing demand remains buoyant.

By State and Territory

In August, the number of owner-occupier loans grew in NSW (2.9%), South Australia (2.8%), Western Australia (2.6%) and Victoria (0.9%), and the ACT (7.4%). The Northern Territory (-2.0%), Tasmania (-0.8%) and Queensland (-0.3%) saw declines in the month.

On an annual basis, growth remained strongest in the ACT (24.4%). Annual growth in owner occupier lending in NSW (11.6%) and Victoria (14.8%) strengthened, where policies have had a more significant impact in shifting demand from investors towards owner occupiers. Growth was more modest in Tasmania (7.7%) and Queensland (1.4%). And there were contractions in the year for South Australia (-4.6%) and Western Australia (-5.3%).





Value of Home Lending

Regulators and the RBA will be paying close attention to the jump in the value of investor lending of 4.3% in August. The gain more than offset a 3.7% decline in July. Given this data is volatile month-to-month, it is too early to conclude that APRA's regulatory measures are losing its impact in keeping a lid on investor housing demand. The pace of investor lending will be watched in coming months to determine whether there is a renewed upswing in investor lending.

The annual pace of investor housing lifted to 6.5% in August, up from 0.0% in July.

The value of all loans (owner occupiers and investors), which gives us a gauge of total housing demand, rose 2.1% in August. The annual pace of growth picked up from 3.8% in July to 8.0% in August, the fastest pace in seven months.

Fixed Home Loans

The proportion of borrowers fixing their loans rose from 18.7% to 19.0% in August, the highest since April 2013. The rising proportion of borrowers fixing continues to suggest that borrowers are anticipating higher rates in the future.

First-Home Buyers

The proportion of first-home buyers (FHB) increased for the sixth consecutive month, and is reflecting the stamp duty exemptions and concessions recently introduced. The proportion of FHB increased from 16.6% to 17.2% in August, the highest in four years.

The increases in the proportion of FHBs was most apparent in NSW and Victoria, where stamp duty exemptions and concessions were introduced. In NSW, the proportion of FHB rose from 11.5% to 12.9%, while in Victoria it rose from 16.7% to 18.3%.

Outlook

Overall housing demand remains buoyant. There continues to be a shift in demand from investors towards owner occupiers and first-home buyers, but regulators will be watchful as to whether the resilience in investor demand continues. If investor demand picks up, APRA has warned that more could be done.

We expect that housing conditions will continue to cool. Nonetheless, there remains underlying support for housing given the strong pace of population growth and interest rates remaining low.

Janu Chan, Senior Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda
dedab@stgeorge.com.au
(02) 8254 3251

Senior Economist

Josephine Horton
hortonj@stgeorge.com.au
(02) 8253 6696

Senior Economist

Janu Chan
chanj@stgeorge.com.au
(02) 8253 0898