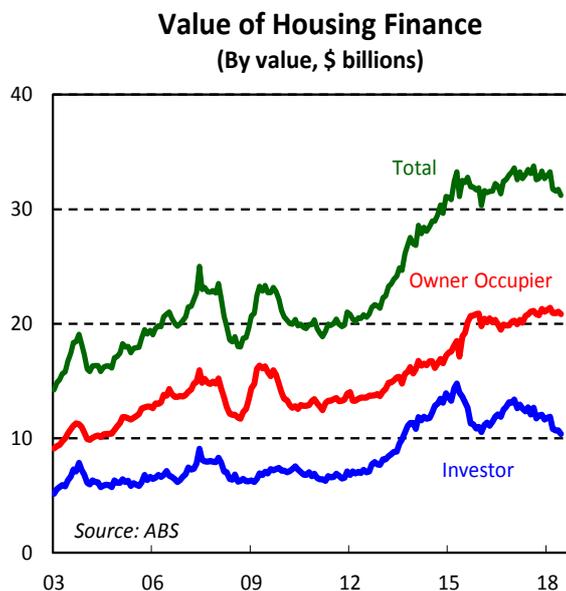
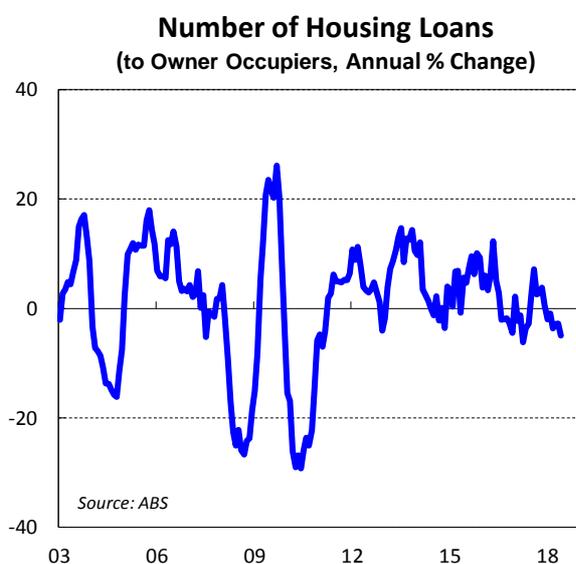


Housing Finance Investors Lead the Decline

- Home lending resumed its decline in June, with the number of loans to owner occupiers falling 1.1% in June, retracing May's increase. The number of new home loans has declined in six out of the past seven months.
- Annual rates were negative across most States and Territories in June, including Victoria, NSW, Queensland, South Australia, the ACT, the Northern Territory and Western Australia. The exception was Tasmania, where the number of home loans increased over the past year.
- The weakness in home lending continued to be most pronounced among investors. The value of investor lending fell 2.7% in June, which was the fourth consecutive monthly decline. On an annual basis, investor housing was down 18.1% from a year ago, while the value of owner occupier loans increased 0.2% over the same period.
- Regulatory measures and tighter lending standards have impacted investor lending more noticeably, relative to owner occupier and first home buyers.
- Conditions in the housing market continue to soften, as reflected in declining housing lending, falling auction clearance rates, pre-sales activity and a slowdown in dwelling prices. Softness in the housing market is expected to continue, with further modest price declines likely. Strong population growth and a firm labour market are providing some support to the housing market, although it won't be enough to halt the downturn in housing.



Number of Loans to Owner Occupiers

Home lending resumed its decline in June, with the number of loans to owner occupiers falling 1.1% in June, retracing May's increase. The number of new home loans has declined in six out of the past seven months.

While the number of owner occupier loans has declined 8.7% from its December 2015 peak, it remains above the long-term (10-year) average. On an annual basis, owner occupier loans were down 5.0% in June, a decline from a 2.8% annual decline in May.

In June, finance for construction of dwellings jumped by 2.5%. Financing for the purchase of established dwellings fell 1.4% and financing for the purchase of new dwellings slumped 4.9% in June.

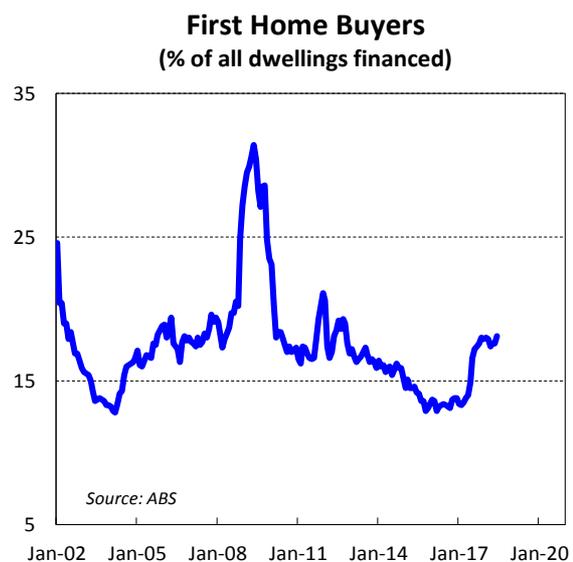
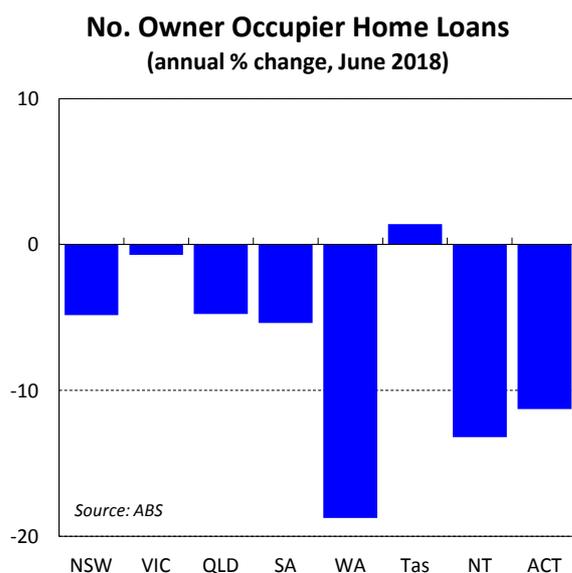
The annual pace of owner occupier loans for construction of dwellings fell 6.6% in June, its fourth consecutive month of decline. All other key categories were weaker including purchase of new dwellings (-11.2%), purchase of established dwellings (-4.4%) and refinancing of established dwellings (-3.7%).

By State and Territory

In June, the number of owner-occupier loans rose in Queensland (2.1%) and the Northern Territory (1.5%). The number of owner occupier loans declined in Victoria (-0.8%), the ACT (-1.4%), South Australia (-1.8%), NSW (-1.8%), Tasmania (-2.0%) and Western Australia (-4.6%).

Annual rates were negative across most States and Territories, including Victoria (-0.7%), which has just moved into negative territory, NSW (-4.8%), Queensland (-4.8%), South Australia (-5.4%), the ACT (-11.3%), the Northern Territory (-13.2%) and Western Australia (-18.7%).

The annual pace of loans was modestly higher in Tasmania (1.4%). This reflects the outperforming housing market, with Hobart dwelling prices up 11.5% in the year to July, according to RPData.



First-Home Buyers

First-home buyers (FHB) as a proportion of dwellings financed rose to 18.1% in June, which was

the highest since October 2012. The proportion of FHB appears to have stabilised at close to five-year highs after policy changes in NSW and Victoria last year.

Value of Home Lending

The value of investor lending fell 2.7% in June, which was the fourth consecutive monthly decline. The value of owner occupier lending fell 1.0% in June. The proportion of investors in June, at 33.2%, was the lowest since January 2012.

On an annual basis, investor housing was down 18.1% from a year ago, while the value of owner occupier loans increased 0.2% over the same period. Regulatory measures and tighter lending standards have had a larger negative impact on investors relative to owner occupiers and first home buyers.

The value of all loans fell 1.6% in June. In annual terms, all loans contracted 6.7% in the year to June.

Outlook

Conditions in the housing market continue to soften, as reflected in declining housing lending, falling auction clearance rates, pre-sales activity and a slowdown in dwelling prices. Regulatory measures and tighter lending standards have impacted investor lending more noticeably, relative to owner occupier and first home buyers. Nonetheless, the number of loans to owner-occupiers has also fallen over the past year. Softness in the housing market is expected to continue, with further modest price declines likely. Strong population growth and a firm labour market are providing some support to the housing market, although it won't be enough to halt the downturn in housing.

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