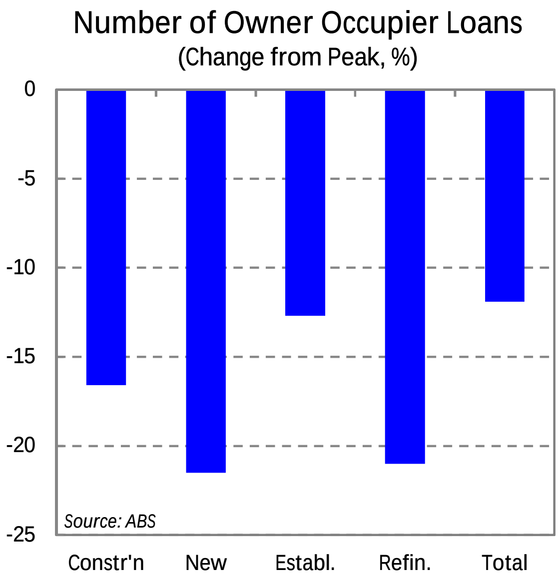
Data Snapshot

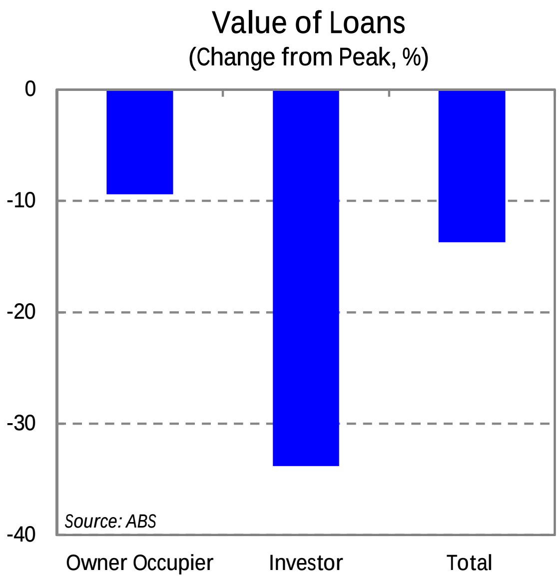
Friday, 9 November 2018

Bank of Melbourne

Housing Finance
Home Lending Shrinks Further

- Housing lending continued to contract in September both in terms of the number and value of loans extended. The underlying trend continues to show the declines are biggest among investors, loans for new dwelling purchases, construction-related loans and for lending in NSW and Victoria.
- All categories of housing loans are now some way off their peaks in the housing cycle. Investor loans are the furthest from their peak – 33.8% in value terms.
- The number of owner-occupier loans fell by 1.0% in September, which is the third decline in four months. The annual rate for these loans fell by 9.7% in September. The annual rates of decline for construction-related loans and loans for buying new dwellings are the biggest since April 2011 and March 2010, respectively.
- The value of all loans dropped 3.8% in September and by 11.5% on a year ago. This annual rate of decline is the largest in nearly 8 years. The falls are being led by big drops in investor lending.
- Today's housing-finance data provides proof that the housing downturn has further to run. Other proof stems from the softening trends in pre-sales activity, auction rates, dwelling approvals and dwelling prices.
- Policymakers will be keeping a watchful eye on the housing market; the potential wealth effects from housing to the consumer pose downside risks to the economy. These downside risks are a key reason why we expect the Reserve Bank to not start a rate-hike cycle any time soon.





Number of Loans to Owner Occupiers

Housing lending continued to contract in September both in terms of the number and value of loans extended. The underlying trend continues to show the declines are biggest among investors, construction-related loans, lending for new dwelling purchases and for lending in NSW and Victoria.

All categories of housing loans are also now some way off their peaks in the housing cycle (see the bar charts on page 1). Investor loans are the furthest from their peak – 33.8% in value terms.

Sagging dwelling prices, weaker sentiment, tighter regulatory rules, soft wages growth and high household debt are conspiring to produce a softening in housing loans.

Number of Owner-Occupier Loans

The number of owner-occupier loans fell by 1.0% in September, which is the third decline in four months. The annual rate for these loans fell by 9.7% in September. In annual terms, the falls were biggest for NSW, Victoria and the NT.

Housing Finance - Number of Owner Occupier Loans - by State and Territory

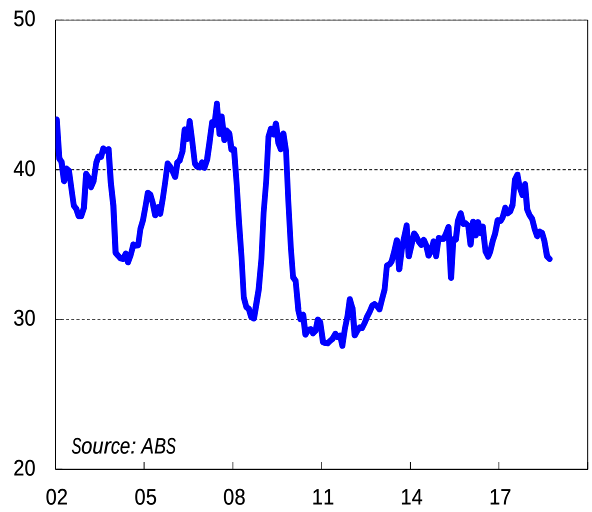
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
Month on Month % Change	-1.0	-4.3	-0.1	-3.3	4.7	-0.9	9.6	-3.7	-1.0
Year on Year % Change	-10.1	-12.8	-7.2	-6.0	-9.2	6.5	-14.3	-9.7	-7.6

Source: ABS

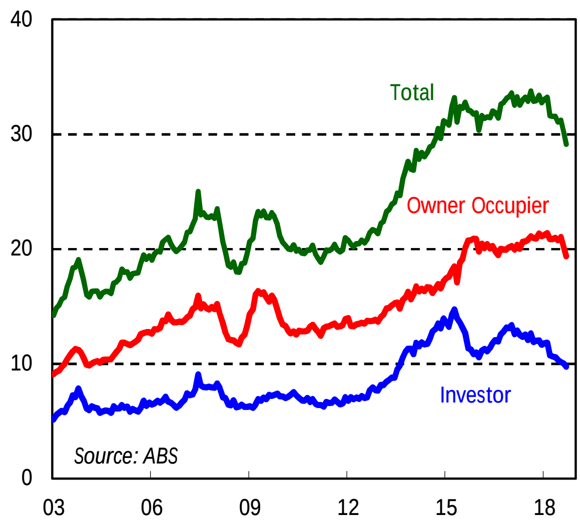
All categories of owner-occupier lending recorded falls. The biggest falls in the month were for construction-related loans (-3.5%) and loans for new dwelling purchases (-3.9%). These two categories also posted the biggest falls in year-on-year terms of 14.2% and 21.0%, respectively. Moreover, these annual rates of contraction were the sharpest recorded since April 2011 and March 2010, respectively.

Loans for established dwellings fell by 0.5% in September and by 8.3% in the year to September. Refinancing fell 1.8% and declined by 3.6% in the year to September.

No. Owner Occupier Home Loans
(thousands)



Value of Housing Finance
(By value, $ billions)



First-Home Buyers

The fall in home lending corresponds with a softening in dwelling prices. Lower dwelling prices are helping to improve housing affordability, which is contributing to a lift in the share of first-home buyers. In September, the proportion of first-home buyers rose to 18.0%, from 17.8% in the previous month. First-home buyer shares are highest in NT, WA and QLD.

Value of Home Lending

The total value of all loans (investor and owner-occupier) dropped 3.8% in September and by 11.5% on a year ago. This annual rate of decline is the largest in nearly 8 years. The falls are being led by big drops in investor lending.

In September, the value of investor lending dropped 2.8%, marking the seventh consecutive monthly decline. On an annual basis, the value of home lending to investors tumbled 18.1%. Investors have borne the brunt of regulatory tightening in recent years. Investor sentiment towards the housing market has also turned sour.

The value of loans extended to owner occupiers is also softening. Owner-occupier loan values fell by 4.2% in September; however, the annual rate of decline was down only 7.7%, a much softer decline than that of investor loans.

Outlook

Today's lending data provides proof that the housing downturn has further to run. Other proof stems from the softening trends in pre-sales activity, auction rates, dwelling approvals and dwelling prices.

Policymakers will be keeping a watchful eye on the housing market; the wealth effects from housing to the consumer pose downside risks to the economic outlook. These downside risks are a key reason why we expect the Reserve Bank to not start a rate-hike cycle any time soon.

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