Data Snapshot

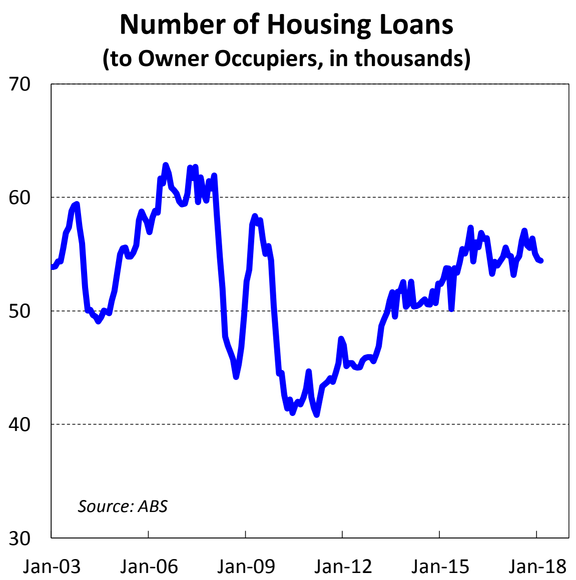
Thursday, 12 April 2018

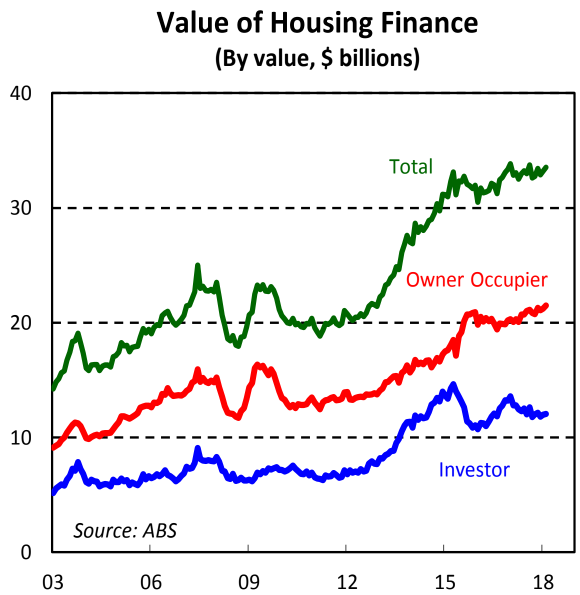
Bank of Melbourne

Housing Finance

In Time Out?

- **The number of owner occupier loans fell -0.2% in February, and have now declined in five out of the past six months. While the number of loans declined, the value of owner occupier lending increased 1.3% in February.**
- **Demand for owner-occupier loans remains at an above-average level. However, the data is consistent with other indicators on housing, such as auction clearance rates and prices, which point to a further easing in housing conditions.**
- **First-home buyers as a proportion of dwellings financed edged down slightly from 18.0% in January to 17.9% in February, still close to a five-year high. The changes to regulation and government policies last year have continued attract first home buyers to the market.**
- **The value of investor lending rose 0.5% in February, rising for the second consecutive month. It could suggest some stabilising in investor demand. On an annual basis, investor lending was down 5.9% in the year, but an improvement on the 11.8% annual decline in February.**
- **A range of indicators are continuing to point to a softening in housing conditions, including an easing in price growth across most capital cities and lower auction clearance rates. Today's data suggests that lending is showing some resilience. Housing demand is still being underpinned by low interest rates, population growth and strength in the labour market.**





Number of Loans to Owner Occupiers

The number of owner occupier loans fell 0.2% in February, and have now declined in five out of the last six months.

Demand for owner-occupier loans remains at an above-average level. However, the data is consistent with other indicators on housing, such as auction clearance rates and prices, which point to a further easing in housing conditions.

The annual pace has slipped from 0.2% in January to -0.3% in February. It was the weakest annual rate in 15 months.

Weakness in February was led by a 7.1% drop in loans for the construction of dwellings, which suggests that residential construction will ease further. Dwelling investment has passed a peak, but remains at above-average levels.

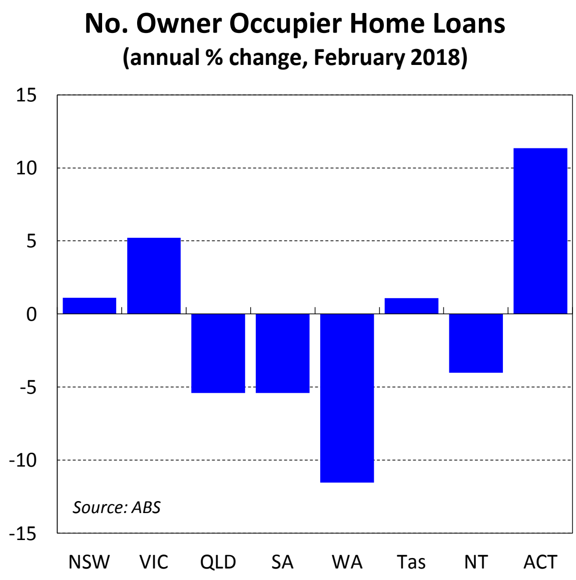
Refinancing of established dwellings (-0.4%) also fell in the month, but the purchase of new dwellings (6.6%) and the purchase of established dwellings rose (0.4%).

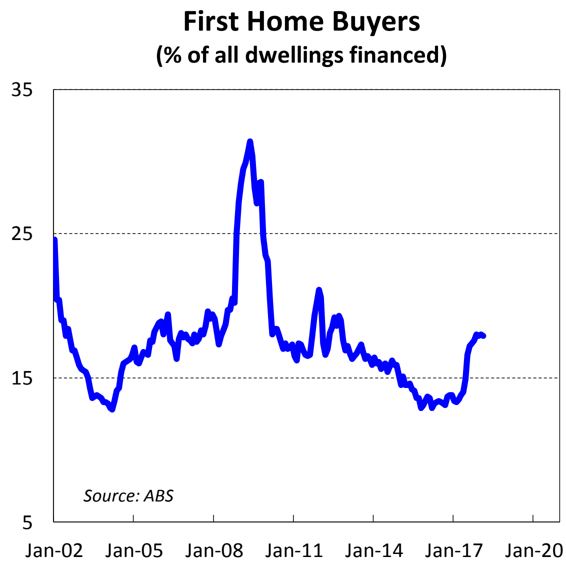
On a year ago, loans for the purchase of new dwellings (17.3%) was the strongest of all categories, likely reflecting the new stock of homes that have come on line. Lending for the construction of dwellings (3.0%) was also higher in the year. In contrast, the purchase of established dwellings (-2.3%) and refinancing (-1.8%) weakened on a year ago.

By State and Territory

Owner-occupier lending growth was mixed across States and territories. NSW (1.5%), South Australia (4.7%) and Tasmania (2.3%) all recorded gains in owner-occupier lending over February. Meanwhile, there were contractions in Victoria (-0.1%), Queensland (-3.6%), Western Australia (-0.5%) and the Northern Territory (-0.3%).

On an annual basis, owner-occupier lending grew in NSW (1.1%), Victoria (5.2%), Tasmania (1.1%) and the ACT (11.4%). There has been a clear moderation in growth in Victoria, suggesting the standout performance of Melbourne housing market will wane. Owner-occupier lending in Queensland (-5.4%), South Australia (-5.4%), Western Australia (-11.5%) and the Northern Territory (-4.0%) were in contraction.





First-Home Buyers

First-home buyers as a proportion of dwellings financed edged down slightly from 18.0% in January to 17.9% in February, still close to a five-year high. The changes to regulation and government policies last year have continued attract first home buyers to the market.

The increase in first home buyers was led by NSW. First-home buyers in NSW have been encouraged by stamp duty exemptions (in place since mid-last year) and the fall in Sydney prices, which has been most pronounced across all capital cities.

Value of Home Lending

Despite the number of loans edging lower, the value of owner occupier lending increased 1.3% in February.

The value of investor lending rose 0.5% in February, rising for the second consecutive month. It suggests some stabilising in investor demand. On an annual basis, investor lending was still down 5.9% in the year, but an improvement on the 11.8% annual decline in February.

The value of all loans rose 1.0% in February, following a 0.9% increase. It saw the annual growth rate at 2.1% in February, and suggests that overall demand is holding up reasonably well.

Outlook

A range of indicators are continuing to point to a softening in housing conditions, including an easing in price growth across most capital cities and lower auction clearance rates. While a further moderation in housing conditions is in prospect, we continue to expect only modest price declines. Today’s data is suggesting that overall lending is showing some resilience, suggesting that housing demand is still being underpinned by low interest rates, population growth and strength in the labour market.

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