

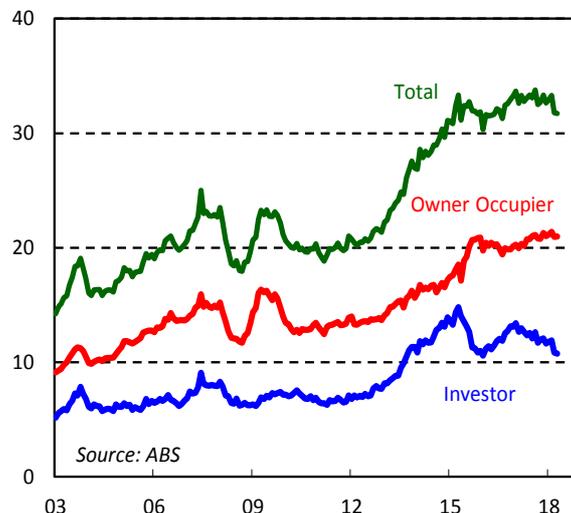
Housing Finance Slowdown Continues

- Home lending is continuing to weaken. The number of owner occupier loans fell 1.4% in April, falling for the fifth consecutive month. On an annual basis, owner-occupier loans were down 2.9%.
- Annual rates in owner-occupier loans were negative across most States, including NSW, Queensland, South Australia and Western Australia. Annual growth was positive in Victoria and Tasmania, reflecting outperforming housing markets in Melbourne and Hobart, although conditions have weakened considerably in Melbourne over recent months.
- The weakness in home lending continued to be most pronounced among investors. The value of investor lending weakened 0.9% in April, coming off the back of an 8.8% decline in March. The proportion of investors in April, at 33.9%, was the lowest since January 2012.
- The value of all loans fell 0.2% in April, after a 4.5% decline in March. In annual terms, all loans contracted 3.2% in the year to April. This data along with falling auction clearance rates points to further weakening in housing conditions.
- We continue to obtain further evidence of a slowdown in the housing market. It suggests that prices will continue to moderate. Nonetheless, housing demand should still be supported by solid population growth and strength in the labour market, which should limit the extent of the downturn.

No. Owner Occupier Home Loans
(thousands)



Value of Housing Finance
(By value, \$ billions)



Number of Loans to Owner Occupiers

Home lending is continuing to weaken. The number of owner occupier loans fell 1.4% in April, falling for the fifth consecutive month. On an annual basis, owner occupier loans were down 2.9%.

The weakening trend in owner occupier loans along with falling auction clearance rates indicate that housing conditions are continuing to soften.

There has been a notable slowing in loans for the construction of dwellings, which point to further weakness in residential construction. In April, the construction of dwellings edged 0.2% lower and has fallen for three consecutive months. All other key categories were weaker, including the purchase of new dwellings (-3.7%), purchase of established dwellings (-1.3%) and refinancing of established dwellings (-0.3%).

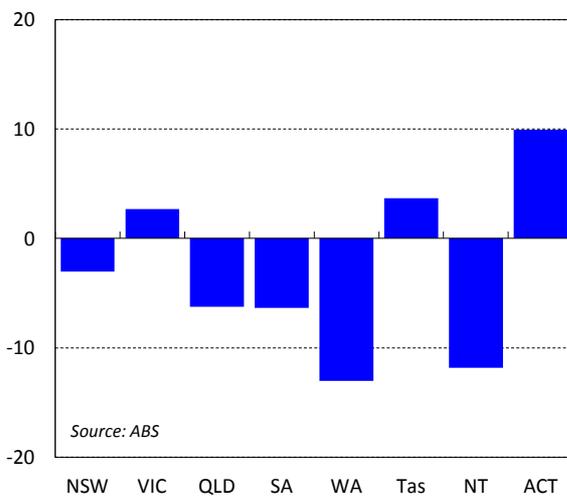
On an annual basis, construction of dwellings (-5.7%) led the decline, followed by the purchase of established dwellings (-2.9%). The purchase of new dwellings (2.9%) and refinancing (0.3%) increased modestly in the year.

By State and Territory

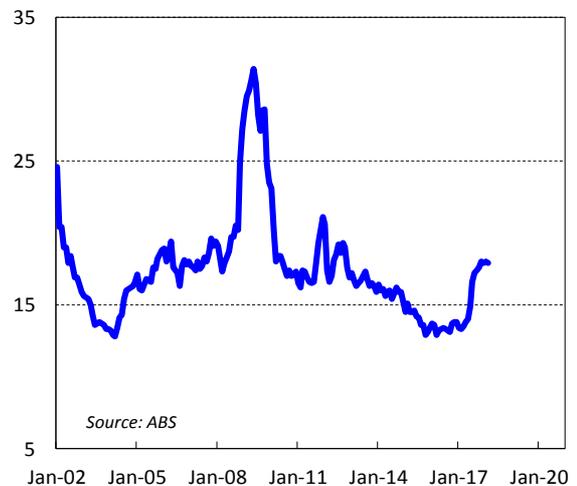
In April, the number of owner-occupier loans fell in all States and territories except for South Australia (4.4%) and the Northern Territory (6.3%). The number of owner occupier loans in NSW (-0.8%), Victoria (-3.5%), Queensland (-1.5%), Western Australia (-1.5%) and Tasmania (-2.7%) declined in the month.

Annual rates were negative across most States and Territories, including NSW (-3.0%), Queensland (-6.2%), South Australia (6.4%), Western Australia (-13.0%) and the Northern Territory (-11.8%). Loans were modestly higher in Victoria (2.7%) and Tasmania (3.7%), reflecting outperforming housing markets in Melbourne and Hobart, although conditions have weakened considerably in Melbourne over recent months. The ACT was an exception, where loans were 9.9% higher in the year to April.

No. Owner Occupier Home Loans
(annual % change, April 2018)



First Home Buyers
(% of all dwellings financed)



First-Home Buyers

First-home buyers (FHB) as a proportion of dwellings financed rose from 17.4% in March to 17.6% in April, but reflected a larger fall in the number of non-first home buyers. 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 weakness in home lending continued to be most pronounced among investors. The value of investor lending weakened 0.9% in April, coming off the back of an 8.8% decline in March. The proportion of investors in April, at 33.9%, was the lowest since January 2012.

On an annual basis, investor housing was down 15.0% from a year ago. Regulatory measures, tighter lending standards along with weaker confidence in the housing market have had a larger negative impact on investors relative to owner occupiers and first home buyers.

The value of all loans fell 0.2% in April after a 4.5% decline in March. In annual terms, all loans contracted 3.2% in the year to April.

Outlook

We continue to obtain further evidence of a slowdown in the housing market. Weakness has been concentrated among investors, but owner-occupier lending has also softened. Further weakness is likely in coming months as we progress through the housing cycle. It suggests that prices will continue to moderate. Nonetheless, housing demand should still be supported by solid population growth and strength in the labour market, which should limit the extent of the downturn.

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The Detail

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