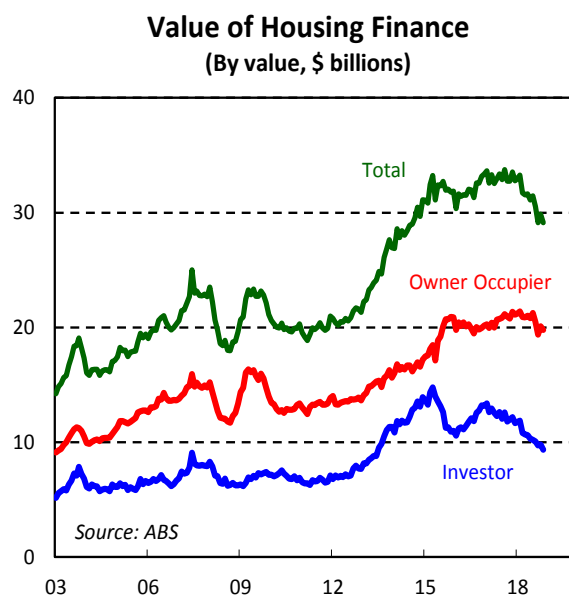
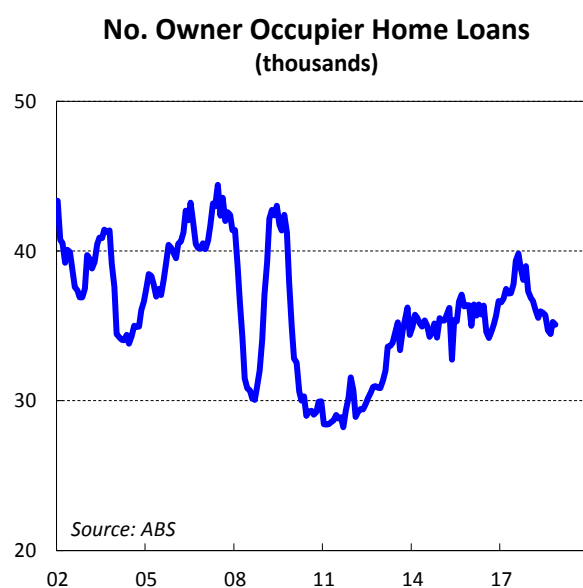


## Housing Finance

### Pendulum Shifting to First Home Buyers

- Home lending to owner occupiers fell 0.9% in November, and is continuing to trend downwards. The annual rate weakened from a decline of 4.8% in October to 7.9% in November.
- Weakness continues to be concentrated in the purchase of new dwellings, construction of dwellings and among investors.
- The proportion of loans to investors fell from 32.7% in October to 32.0% in November, the lowest in nine years. The annual rate of decline for investor lending fell to -23.4%, the weakest since April 2016.
- The proportion of first-home buyers edged up from 18.1% in October to 18.3% in November, the highest in six years. The moderation in dwelling prices has created more favourable conditions for first-home buyers. Additionally, incentives by State governments have supported first home buyers in recent years.
- Housing conditions are continuing to soften, particularly in Sydney to Melbourne. Today's data reaffirms that the downturn in housing has further to run. Nonetheless, the mix of home buyers is changing as the moderation in house prices attracts first home buyers to the market. Weakness in the housing market remains a key downside risk to the economic outlook, particularly with regards to the wealth impact on consumer spending.



## Number of Loans to Owner Occupiers

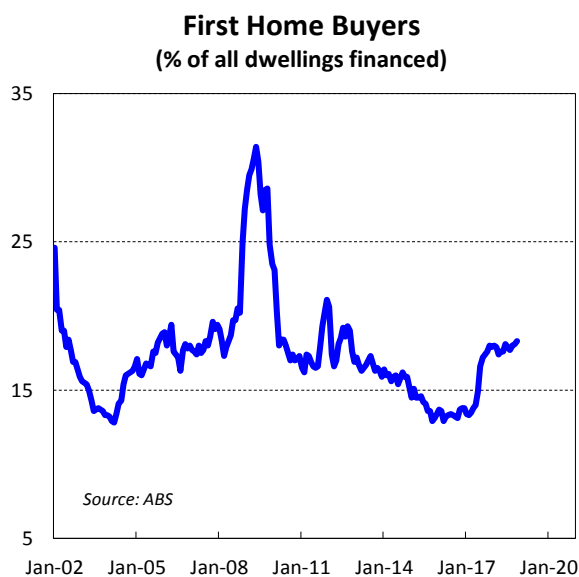
Home lending to owner occupiers fell 0.9% in November, and is continuing to trend downwards. The annual rate weakened from a decline of 4.8% in October to 7.9% in November.

In November, weakness was across all categories except for the purchase of new dwellings (3.4%). There were declines across the purchase of established dwellings (-1.1%), refinancing of established dwellings (-1.8%) and construction of dwellings (-2.0%).

On an annual basis, all categories were in decline and led by the purchase of new dwellings (-18.7%), construction of dwellings (-8.9%), followed by the purchase of established dwellings (-7.0%) and refinancing of established dwellings (-3.2%).

It adds to the range of indicators suggesting softening conditions in the housing market. Tightening credit conditions as a result of regulatory changes along with slow growth in incomes and high levels of household debt are weighing on home lending.

By State and territory, NSW led the decline in annual terms (-11.3%). Victoria (-5.6%), Queensland (-9.6%) and to a lesser extent, the ACT (-1.9%) and Western Australia (-0.7%) were also weaker on a year ago. There was modest annual growth in South Australia (1.0%), Tasmania (3.5%) and the Northern Territory (2.2%).



## First-Home Buyers

The proportion of first-home buyers edged up from 18.1% in October to 18.3% in November, the highest in six years. The moderation in dwelling prices has created more favourable conditions for first-home buyers. Indeed, there was sizeable jumps in the proportion of first home buyers in NSW (from 15.6% to 16.0%) and in Victoria (18.3% to 18.8%), reflecting the relatively larger falls in house prices in Sydney and Melbourne.

Additionally, incentives by State governments have supported first home buyers in recent years. The proportion of first home buyer loans in South Australia, the ACT and the Northern Territory also lifted.

## Value of Home Lending

The total value of all loans (investor and owner-occupier) fell 2.5% in November. While owner occupier loans fell 1.4%, investor loans dropped by a larger 4.5%. The proportion of loans to investors fell from 32.7% in October to 32.0% in November, and is the lowest in nine years.

Annual rates for loans on owner occupiers and investors fell further into decline. On a year ago, the value of owner-occupier loans was down 7.3% in November. For investor housing, the rate of decline fell to -23.4%, the weakest since April 2016. While both owner occupier and investor lending are both being impacted negatively by tighter credit conditions, investors continue to hit by a larger extent.

## **Outlook**

Housing conditions are continuing to soften, particularly in Sydney to Melbourne. Today's data reaffirms that the downturn in housing has further to run. Nonetheless, the mix of home buyers is continuing to change as the moderation in house prices attracts first home buyers to the market. Weakness in the housing market remains a key downside risk to the economic outlook, particularly with regards to the wealth impact on consumer spending.

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