

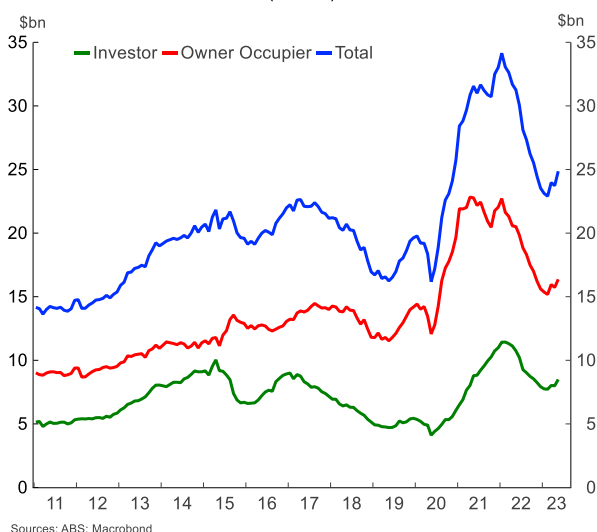
Monday, 3 July 2023

Housing Finance

Happy To Compromise Amid Imbalance

- The value of new housing finance, ex refinancing, increased by 4.8% over May, following an upwardly revised fall of 1.0% in April (initial reading was a fall of 2.9% in April). This was the strongest monthly growth rate since November 2021. It was driven by a 6.2% increase in investor finance (highest since May 2021) and a 4.0% in finance for owner occupiers.
- The number of new housing finance commitments, ex refinancing and investors, increased for a third consecutive month (5.1%). Since reaching a trough in February, the number of new commitments has increased by a significant 11.8%.
- Interestingly, the average value of loans used to finance the purchase of existing housing (by far the largest component of housing financing) has declined by 4.5% since February (or by around \$30k).
- Dwellings prices have increased since finding a floor in February, yet the average value of loans for established houses has fallen. This suggests that households are responding to higher interest rates and the fall in borrowing capacity by compromising and buying houses at a lower price point.
- Given the current imbalances in the housing market, a sense of urgency may be emerging, with households more willing to compromise to purchase a property. This has some implications for future house price performance – an increase in advertised supply, particularly at higher price points, may test the depth of demand.

Value of Housing Finance
(ex-refi)



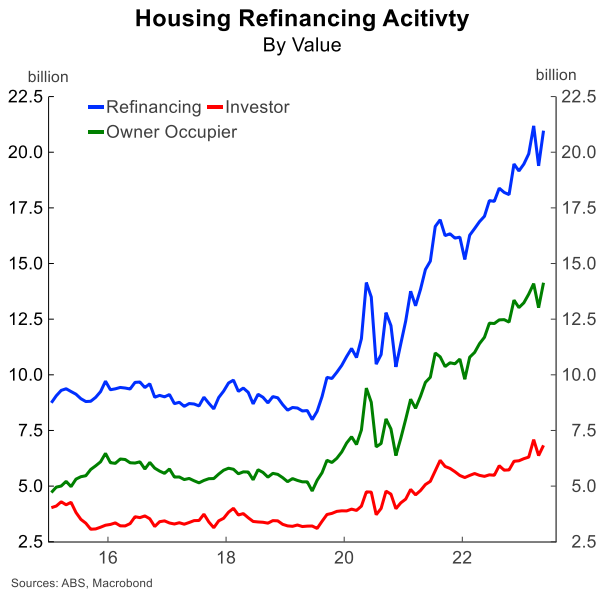
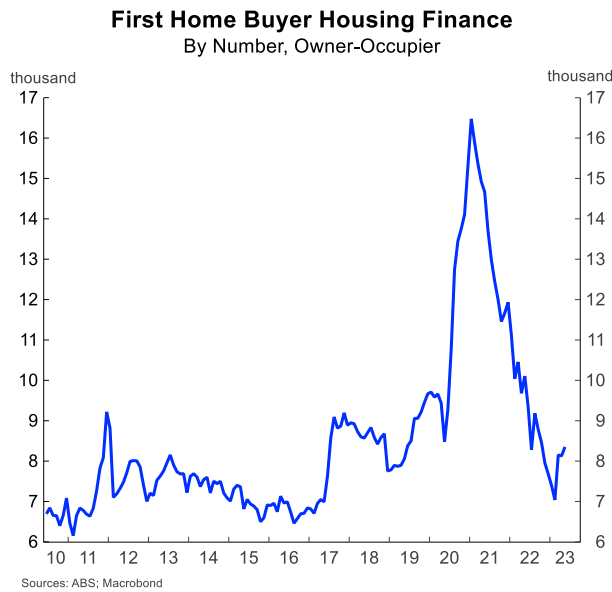
Purchase of Existing Dwellings
Average Loan Size, Owner Occupiers



Consistent with the fall in the average value of loans for established houses, the number of loans going to First Home Buyers (FHB) has increased by almost 20% since the trough reached in February 2023 – FHB tend to buy at lower price points and could also be responding to generous incentives offered by governments.

Housing refinancing bounced back to increase by 8.1% over May to \$21bn, slightly below the record high of \$21.2bn recorded in March 2023, after falling by 8.5% in April.

This refinancing activity was driven by both investors and owner occupiers. Again, this suggest that households are responding to higher interest rates by shopping around for the best deals.



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