Data Snapshot

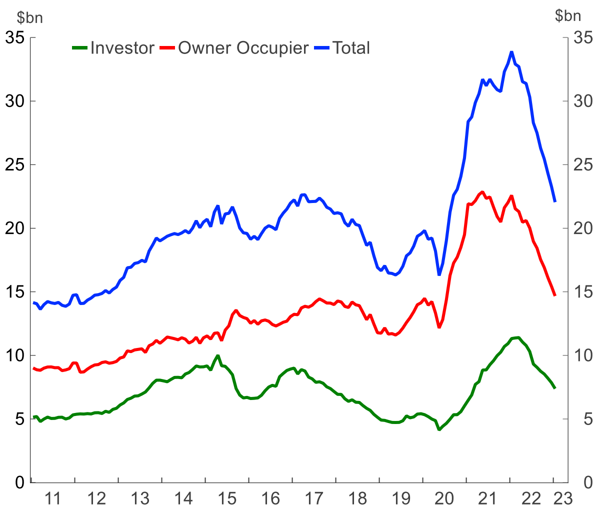
Friday, 3 March 2023

Housing Finance

Freefall Continues as Interest Rates Climb

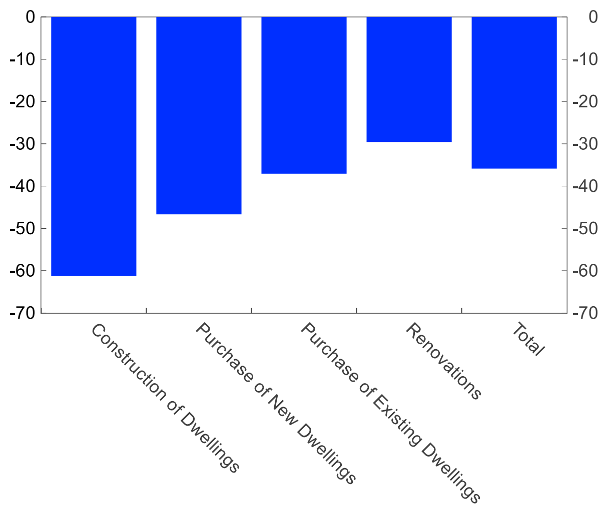
- **New housing finance (excluding refinancing) tumbled 5.3% in January extending a run of 12 consecutive monthly declines. This squeezed the value of new housing credit to its lowest level since August 2020.**
- **Sharp monthly declines were recorded in new lending to both owner-occupiers (-4.9%) and investors (-6.0). The annual fall in new lending in both borrowing categories slumped to its largest on record as new lending continues to fall back to earth.**
- **A particularly ominous sign was the 8.9% fall in new lending for the construction of dwellings. New lending for dwelling construction is now over 61% below its February 2021 peak, pointing to a further slowdown in new housing supply.**
- **Refinancing activity pulled back further in January but remains elevated and just shy of its record high. The sharp rise in borrowing costs has prompted households to shop around for a better deal. We expect this trend will continue, boosted by the expiry of a large number of fixed-rate mortgages this year.**
- **First home buyers are being squeezed out of the market as higher interest rates erode borrowing capacity. The number of new loan commitments to first home buyers fell to the lowest level in more than five years in January.**
- **Demand for new housing finance continues to dwindle alongside a sharp increase in the cost of borrowing. This supports our expectation that demand in the housing market will remain soft, driving a further decline in prices.**

Value of Housing Finance
(ex-refi)



Sources: ABS; Macrobond

New Lending to Owner-Occupiers
% Change from Cycle Peak



Sources: ABS; Macrobond

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