

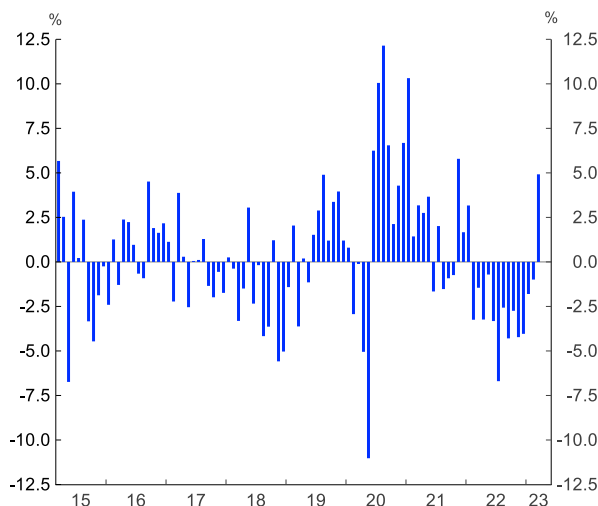
Friday, 5 May 2023

Housing Finance

Signs of Stabilising, But Test to Come

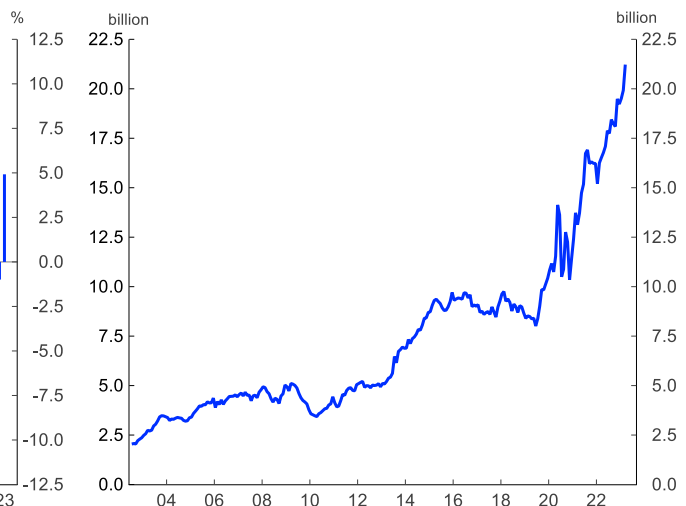
- The value of new housing finance excluding refinancing rose 4.9% in March, ending a 13-month run of declines. The spike in lending activity coincided with the recent stabilisation in dwelling prices across the country.
- This suggests that while supply is playing a key role in dwelling price action, demand certainly can't be ignored and appears to be showing early signs of stabilisation. Housing finance is a leading indicator for prices and will be crucial to the dwelling price dynamic.
- The monthly bounce in credit demand was broad based for both investors (3.7%) and owner-occupiers (5.5%), including all owner-occupier sub-categories. Even new lending for the construction of new dwellings (1.7%), which has underperformed, increased in the month.
- The broad-based nature of the rise was also apparent across the states and territories. Queensland (9.3%) registered the largest increase in lending activity across the major states. NSW (1.4%) was somewhat of a laggard but that followed strong 6.0% growth in February. The turnaround in NSW coincides with the pickup in Sydney dwelling price growth.
- Refinancing activity rose 6.5% to a new record high of \$21.2 billion – well above the previous high of \$19.9 billion. Competition in the mortgage market remains hot, fixed-rate mortgages are expiring at an increasing rate and households are shopping around for the best deal.
- We are beginning to see some early signs of stabilisation in housing demand, though it is too early to call a more meaningful recovery in demand. The RBA's surprise rate hike this week will be a key test for whether the bounce in appetite for housing credit can be sustained.

Value of New Housing Finance
Excl. Refinancing, Monthly % Change



Sources: ABS, Macrobond

Housing Refinancing Activity
By Value



Sources: ABS, Macrobond

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