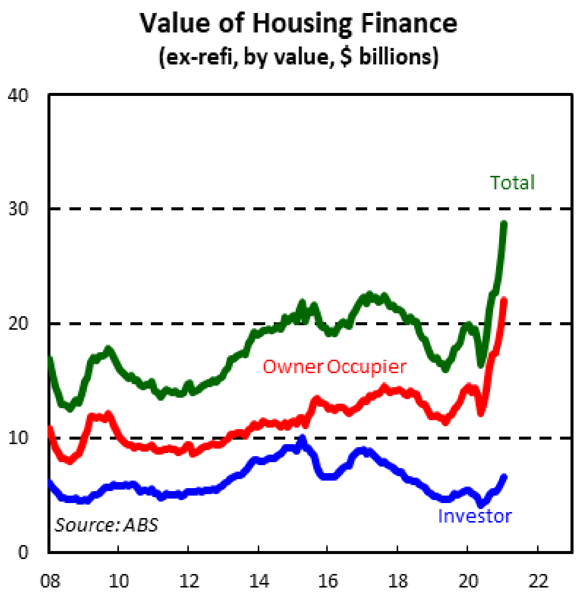
Data snapshot

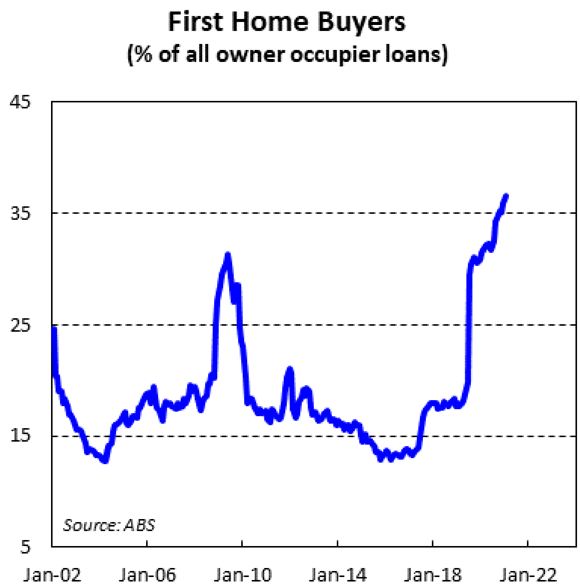
Monday, 1 March 2021

Housing Finance

Home Lending Surges Again

- **New lending for housing rose for an eighth consecutive month in January increasing a further 10.5%. Low interest rates, government assistance programs and expectations of further house price growth have put a rocket under demand.**
- **New lending was up 44.3% on January last year, the highest growth rate since the series started in 2002. This is a boom with monthly new lending at record levels.**
- **There was strong demand from both owner occupiers and investors. New lending to owner occupiers rose 10.9% in the month to be up 52.3% on January 2020. New lending to investors was up 9.4% in January with the pace of grow increasing in each of the past three months. Investors are flooding back to the market having kept a low profile during the worst of the COVID-19 crisis.**
- **The proportion of first-home buyers among owner occupiers obtaining loans continues to rise. In January they accounted for 36.5% of new loans in this category.**
- **Accommodative monetary policy and high levels of government spending are aiding the economic recovery and creating jobs. This is expected to flow into demand for housing and home lending.**





New lending rose for an eighth consecutive month in January, far exceeding market expectations. The appeal of historically low interest rates combined with government assistance programs and with expectations of further house price growth has put a rocket under demand.

The value of new loans (excluding refinancing) rose 10.5% in the month, following an 8.6% rise in December. New lending is up 44.3% on January last year, the highest growth rate since the series started in 2002. This is a boom, with monthly new lending at record levels.

There was strong demand from both owner occupiers and investors. New lending to owner occupiers rose 10.9% in the month to be up 52.3% on January 2020. New lending to investors was up 9.4% in January with the pace of grow increasing in each of the past three months. Investors are flooding back to the market having kept a low profile during the worst of the COVID-19 crisis.

Among owner occupiers there has been a strong appetite for the construction of new dwellings. Monthly growth in new lending in this area has exceeded 10% in five of the last six months, urged on by government HomeBuilder grants. HomeBuilder grants are scheduled to end on 31 March 2021.

In step with recent increases in house prices, new loans to owner occupiers for the purchase of established dwellings have risen in seven of the last eight months and momentum has built over the last three months. In November, lending for established dwellings rose 5.9%. In December it rose 6.8% and in January it rose 12.5%.

The proportion of first-home buyers among owner occupiers obtaining loans continues to rise. In January they accounted for 36.5% of new loans in this category. Western Australia (45.5%) and the Northern Territory (43.6%) are the regions were first-home buyers make up the largest proportion of new loans. Victoria (39.8%) has a well-above-average level of first home buyer activity and Queensland (36.2%) comes close. NSW (30.9%), South Australia (29.9%), the ACT (29.1%) and Tasmania (28.0%) all have below average levels of first home buyer lending activity.

By State and Territory

All the States and territories saw growth in new home lending during January with solid demand from both owner occupiers and investors.

NSW and Queensland have seen monthly growth in both categories of borrower since the sharp declines in May. Victoria appears to be making up for lost time, following its lockdown, with double digit growth in both categories of borrower since October.

The annual pace of grow in new lending across the smaller states and territories is eye-watering. In Western Australia, new lending in January was more than 100% above that of January 2020. Over the same period, the Northern Territory was up 71.5%, Queensland 65.1%, the ACT 61.9% and Tasmania 49.7%. The 'laggards' are Victoria at 29.7%, NSW at 34.2% and South Australia at 35.1%.

The share of new lending in January going towards investors was highest in NSW at 29.2% and lowest in Western Australia at 13.7%. In all other states and territories, the share of lending to investors is above 20%.

Outlook

Low interest rates plus government assistance programs should maintain the growth momentum in home lending for several more months. The expectation of growth in house prices is also likely to add to momentum.

Beyond March, there is the uncertainty associated with the cessation of the JobKeeper and HomeBuilder programs. The HomeBuilder program may be pulling activity forward while the end of JobKeeper could dent sentiment and the desire to borrow.

Despite these potential risks to the housing market, historically low interest rates will remain attractive. Accommodative monetary policy and high levels of government spending are aiding the economic recovery and creating jobs. This is expected to flow into demand for housing and home lending.

The usual tailwind of a rapidly rising population will be missing in 2021 as the closure of the international border restricts immigration but at present, this is being overwhelmed by other factors including the rollout of vaccines and success in containing outbreaks of COVID-19.

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