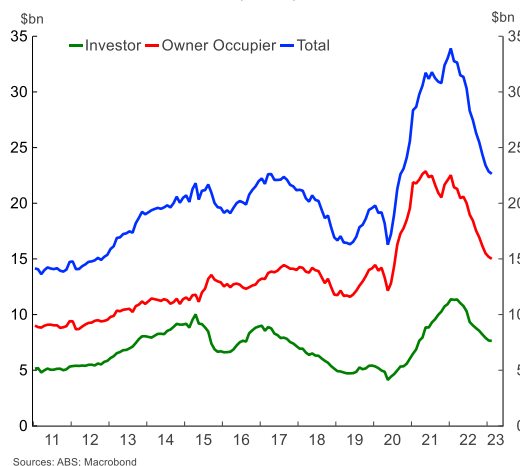


Monday, 3 April 2023

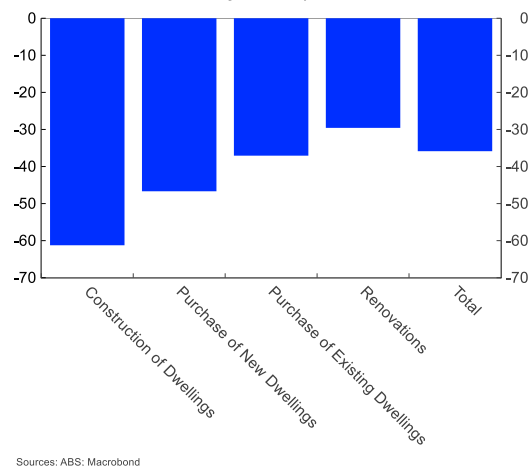
Housing Finance Recovery in Lending Beckoning

- New housing finance (ex. refinancing) slid 0.9% in February taking the run of consecutive monthly declines to thirteen. Investor lending fell 0.5% whilst owner-occupier lending dropped 1.2%. The value of new housing credit fell to its lowest since September 2020.
- However, the data shows signs of a possible turning point emerging. Indeed, the monthly fall for housing finance was smaller for the third straight month and is well off the biggest monthly fall in this cycle of nearly 7% in mid 2022.
- Strong net overseas migration, rapid rises in rents and the likelihood that the Reserve Bank is near the top of its cycle or done hiking could be contributing to this shift. A recovery in lending could be in store before 2023 is out.
- Refinancing activity remained robust again, rising by 3.5% for owner occupiers in the month to hit a record high. Compared with a year ago, refi is up 26.4%. The sharp lift in mortgage rates has spurred households to shop around for the best deals, including cashbacks. This trend should continue with around 880,000 loans due to expire off a fixed rate this year.
- Against a backdrop of sharply higher mortgage rates, it's no surprise that more first-home buyers joined the sidelines. The share of lending to first-home buyers fell to a seven-month low of 26.3% in February, from 26.7% in January.
- Dwelling prices rose in March for the first time since the Reserve Bank started hiking. The upward pressure on prices could continue, especially in some cities, with new construction lending dropping a large 7.0% in February. Indeed, construction loans are off 62.4% since the peak in the recent cycle was struck in early 2021. With little new supply likely to hit the market any time soon, housing shortages are likely to grow amid sharp population growth.

Value of Housing Finance (ex-refi)



New Lending to Owner-Occupiers % Change from Cycle Peak



Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
+61 404 844 817

Senior Economist

Jarek Kowcza
jarek.kowcza@bankofmelbourne.com.au
+61 481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@bankofmelbourne.com.au
+61 468 573 786

Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
+61 401 102 789

The Detail

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