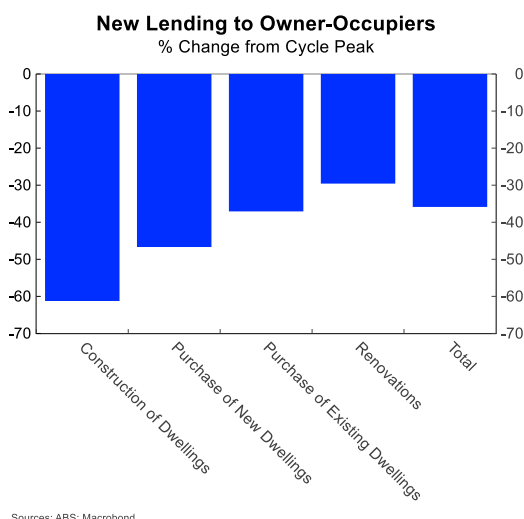
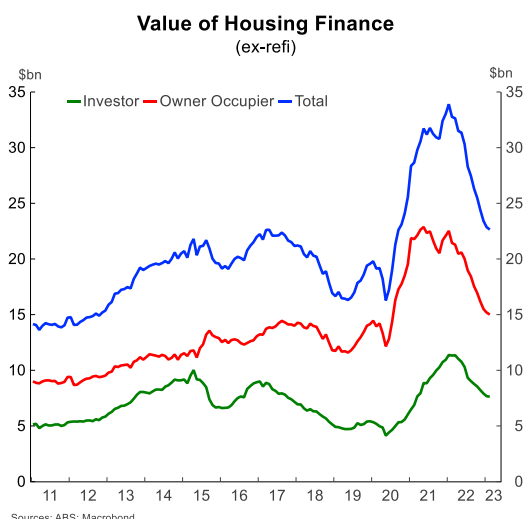


Housing Finance Recovery in Lending Beckoning

- 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.



Contact Listing

Chief Economist

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

Senior Economist

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

Senior Economist

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

Economist

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

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George’s agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St.George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George.

Any unauthorised use or dissemination is prohibited. Neither St.George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
