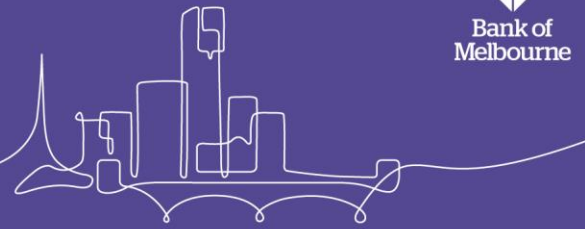




Friday, 3 March 2023

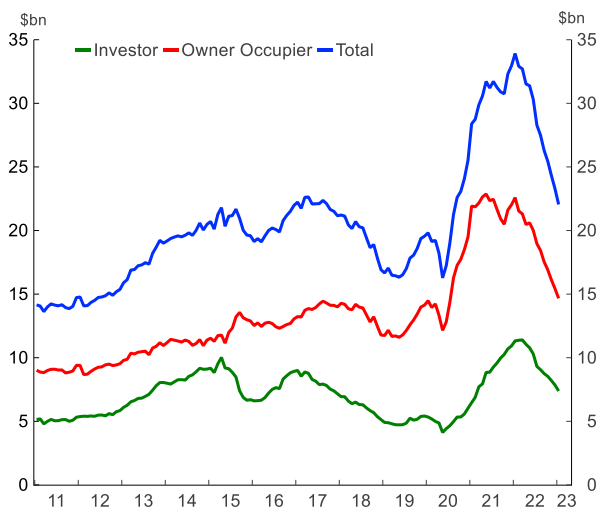


## Housing Finance

# Freefall Continues as Interest Rates Climb

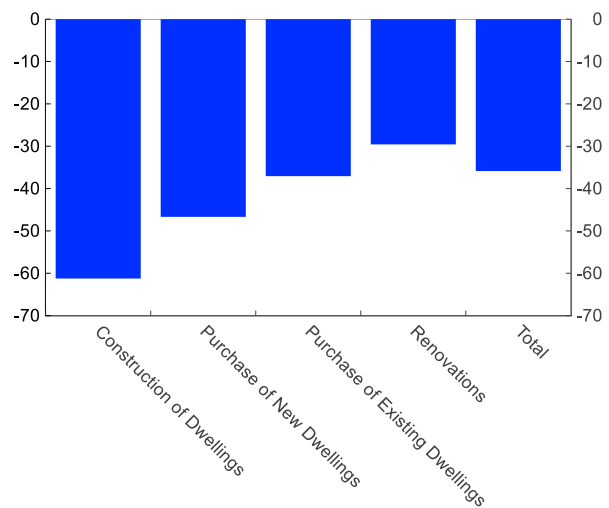
- **New housing finance (excluding refinancing) tumbled 5.3% in January extending a run of 12 consecutive monthly declines. This squeezed the value of new housing credit to its lowest level since August 2020.**
- **Sharp monthly declines were recorded in new lending to both owner-occupiers (-4.9%) and 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

## 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

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 Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne 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 Bank of Melbourne products and details are available. Bank of Melbourne 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. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

---

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- 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.