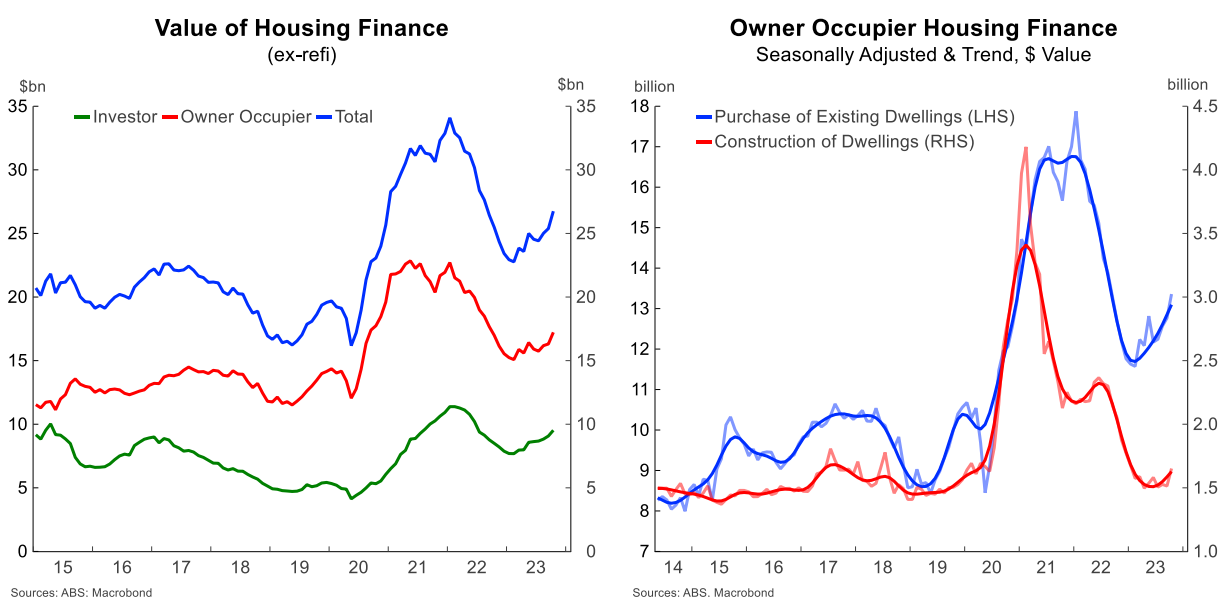


Monday, 4 December 2023

Housing Finance

Possible Early Signs of Supply Response

- The value of new housing finance (excl. refinancing) rose 5.4% in October, the largest monthly jump since May. In annual terms lending activity turned positive for the first time since April 2022, rising 4.9% over the year to October.
- An upswing in housing finance has coincided with the recovery in dwelling values since early 2023. This reflects resilient housing demand, which alongside constrained supply has been an important component of price appreciation, despite higher borrowing rates.
- New lending grew strongly for both owner-occupiers (5.6%) and investors (5.0%) in October. Investor lending has outperformed throughout the current upswing. Since troughing in February, new investor lending has increased 23.9%. This compares to a 14.2% increase for owner-occupiers over the same period.
- The rise in owner-occupier borrowing has been spearheaded by the established housing market, while lending for dwelling construction has lagged. However, we are now seeing clearer signs dwelling construction finance is stabilising. In October, new finance for dwelling construction jumped 9.1% - the biggest rise since January 2021.
- This has coincided with an emerging trough in private sector house approvals, suggesting that a supply response to tight housing market conditions may be afoot. However, it remains very early days and we expect any supply response to come with a longer lag than usual.



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