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REIA REAL ESTATE INSTITUTE OF AUSTRALIA

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RAPID GROWTH IN HOUSING FINANCE APPROVALS SLOWING DOWN

The February 2021 Lending to Households and Business figures released today by the Australian Bureau of Statistics show that the value of new loan commitments for housing fell after eight consecutive months of growth, according to the Real Estate Institute of Australia (REIA).

"The seasonally adjusted value of new loan commitments for owner occupier housing fell by 0.4 per cent in February but was up 48.8 per cent for the twelve months with the value of new loan commitments to owner occupiers falling 1.8 per cent, the first fall since May last year, said Adrian Kelly, President of the Real Estate Institute of Australia (REIA).

"Rises in new loan commitments for owner occupier housing were seen in all states and territories with the exception of New South Wales, Queensland and the Australian Capital Territory. New South Wales had the largest fall of 4.9 per cent and Victoria the largest increase of 4.2 per cent."

"After a 20-year low, loans to investors increased for the ninth consecutive month with the value of loan commitments for investor housing increasing by 4.5 per cent for the month and 31.6 per cent for the year on the back of improving rental market conditions. Increases were seen in all states and territories with the exception of Tasmania and the two territories. For the second consecutive month the largest increase in the value of new loan commitments to investors was in Victoria with an increase of 13.1 per cent in February.

"Following last month's highest level since May 2009, the number of owner occupier first home buyer loan commitments fell by 3.3 per cent in February but is still 65.8 per cent higher than twelve months earlier. Owner occupier first home buyer loan commitments accounted for 35.1 per cent of all owner occupier commitments excluding refinancing, down from January's 36.5 per cent."

"With lending approvals being a leading indicator of demand and anecdotal information from agents suggesting that increased listing enquiries will improve supply we should see an easing of pressure on prices and thus not requiring any macro prudential measures to curb lending. Borrowers should nevertheless be prudent in their borrowing and with their bank's assistance, pressure test their ability to meet repayments should interest rates increase," concluded Mr Kelly.

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