

PEXA Mortgage Insights Report

MARCH QUARTER 2023



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Refinances outpaced new loans for the first time



Mike Gill, Head of Research PEXA

Australian borrowers continued to refinance at very high levels as the interest rate cycle approached its peak. In the Mar-23 quarter, 98,527 refinances were recorded across the four states of NSW, VIC, QLD and WA. This was nearly 2K more than the 96,767 new loans issued in those states during the same period. All of the aforementioned states posted year-on-year growth in refinances, as property owners sought out better deals on their home loan to mitigate rising mortgage repayments.

The growth in refinances was in stark contrast to the challenging market conditions for new lending. New loans to fund the purchase of property were down 17.9% on the Dec-22 quarter and down 25.3% on the prior year. This was compounded by average loan amounts also trending lower over the period in a softer sales market.

NEW LOAN HIGHLIGHTS

- > **QLD recorded the most residential new loans in the Mar-23 Qtr with 28,428.** VIC followed with 25,841 and NSW with 24,148. However all states experienced significant falls.
- > **NSW posted the highest average loan amount at \$852,782 in the Mar-23 Qtr.** The NSW average was down 8.4% compared to the prior year, with VIC and QLD down 6.9% and 3.8% respectively.
- > **A total of \$60.5B in new lending was issued during the Mar-23 quarter across NSW, VIC, QLD and WA.** Of this amount, \$54.2B was for residential property and the remaining \$6.3B was for commercial.



PROPERTY REFINANCE HIGHLIGHTS

- > **VIC recorded the most refinances in the Mar-23 Qtr.** Over 35K refinances were completed in VIC which was up 29.7% year-on-year.
- > **WA experienced the highest growth in refinances, up 35.9% year-on-year.** The state posted 10,943 refinances during the Mar-23 quarter.
- > **The median refinanced loan amount across the four states was largely unchanged over the past year.** NSW had the highest median at \$492K, and WA the lowest at \$355K.



This report aims to provide a comprehensive view of mortgage trends for the mainland states of NSW, VIC, QLD and WA including new loans arising for the purchase of a property and property refinances. Loan figures quoted include all residential and commercial properties unless otherwise stated. Any non-monetary settlements such as family transfers or gifts have been excluded.

Our analysis only includes new loans and refinances lodged digitally via PEXA. As at Mar-23, over 98% of property sales in NSW, VIC & QLD and 80% in WA were settled via PEXA. It should be noted our analysis considers property settlements that were funded with a loan as a new loan, regardless of whether an existing loan facility was used. As at Mar-23 over 95% of property refinances nationally were lodged via PEXA. Refinances include external refinances (where the home loan is refinanced with a different lender) and excludes internal refinances (where the home loan is refinanced with the same lender).

New loan volumes dipped below 100K in the Mar-23 Qtr

New loan volumes trended downwards over the past 4-quarters as the property market continued to face headwinds.

3 additional interest rate rises in the months of Jan-23, Feb-23 and Mar-23 weighed on buyers. This was further compounded by limited stock as sellers adopted a wait and see approach in the softer market.

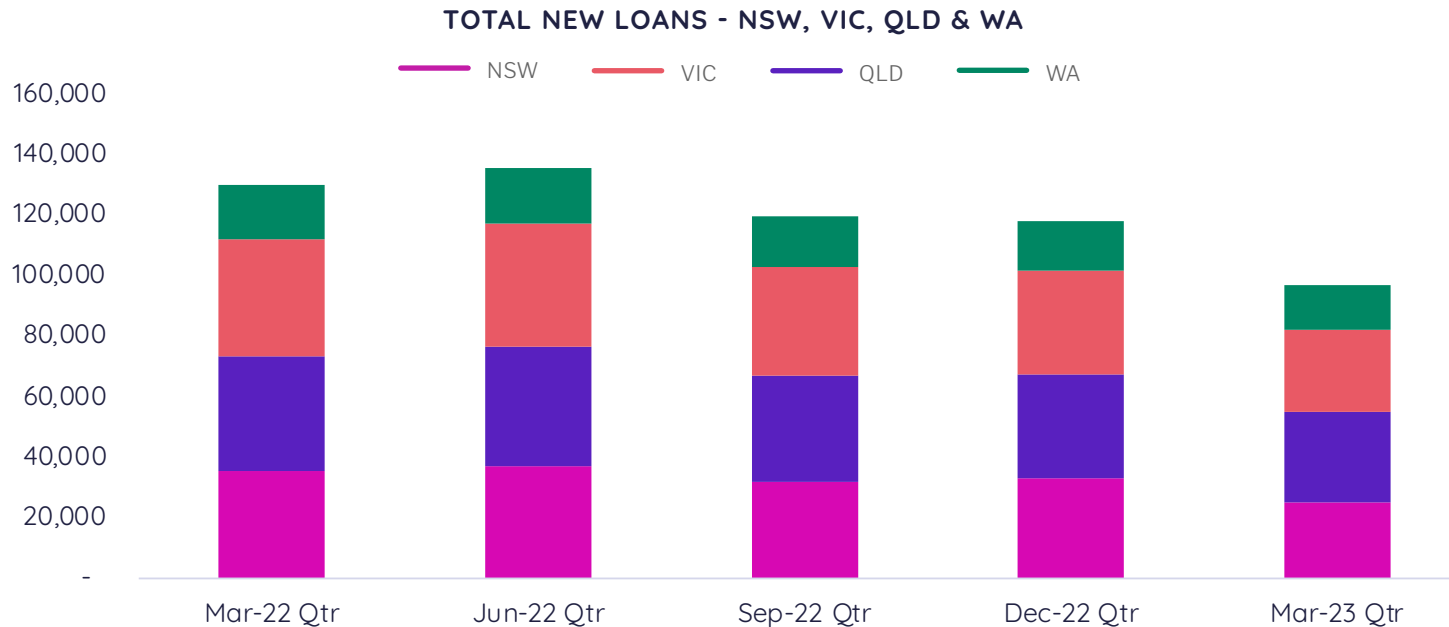
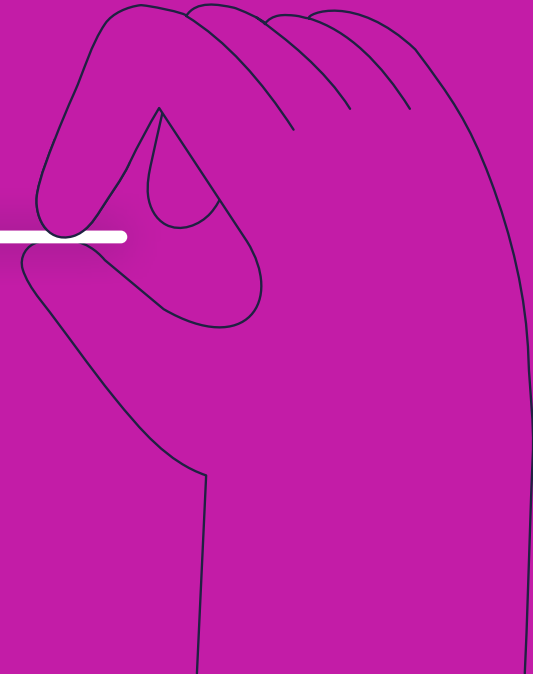
New loan volumes last dipped below 100K in the Jun-20 quarter during the national lockdown at the onset of COVID.

TOTAL NEW LOANS
NSW, VIC, QLD & WA MAR-23 QTR
(INCLUDES RESIDENTIAL & COMMERCIAL)

96,767

-17.9% on Dec-22 Qtr
(prior quarter)

-25.3% on Mar-22 Qtr
(prior year)



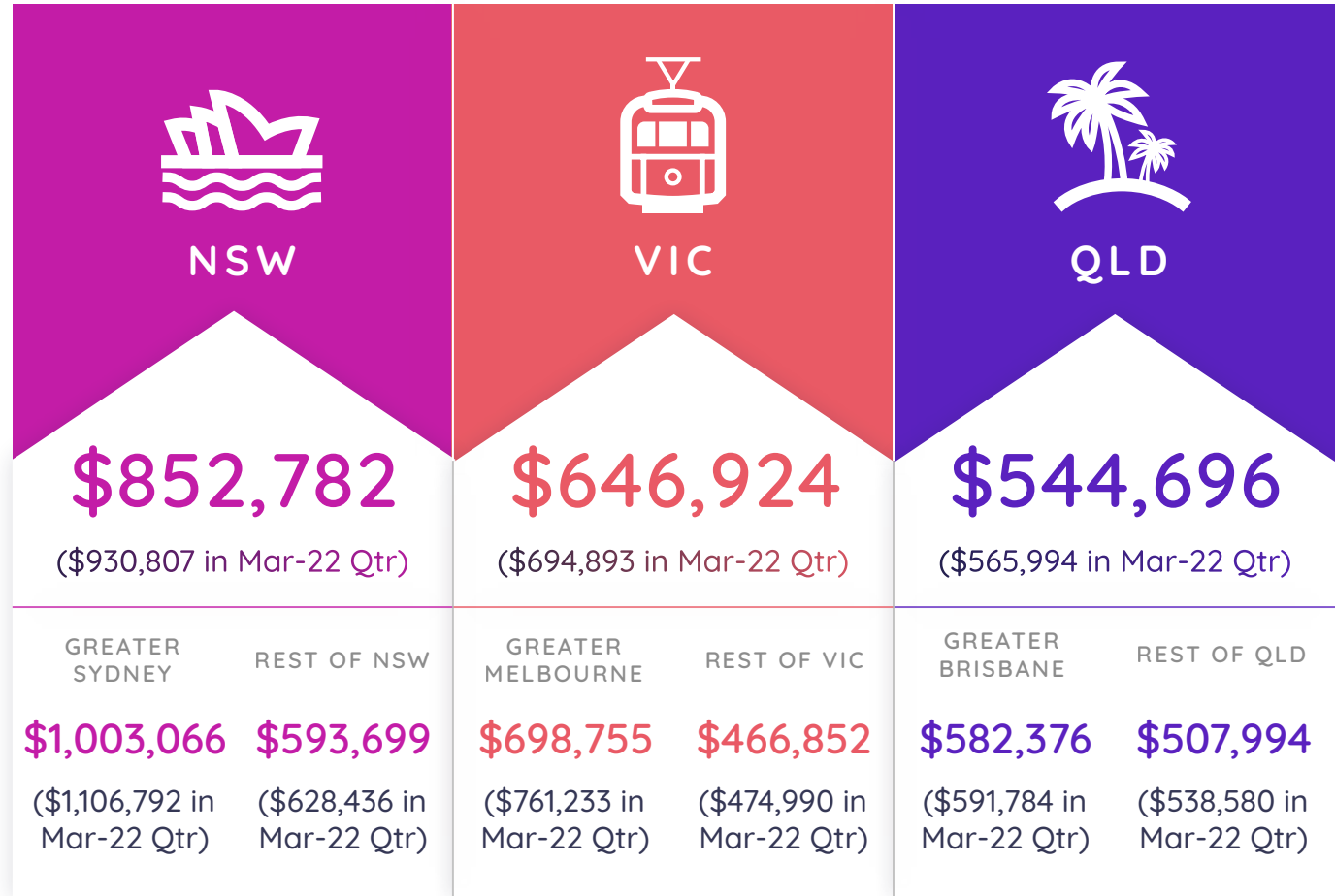
Average loan amounts were lower in the Mar-23 Qtr

The NSW average loan amount was down 8.4% compared to the prior year, with VIC and QLD down 6.9% and 3.8% respectively

AVERAGE LOAN AMOUNT FOR RESIDENTIAL NEW LOANS, MAR-23 QTR

The *Average loan amount* (mean) is taken from the loan proceeds used in the property settlement on the buyer side. The average loan amount is reported for all residential property settlements with a new loan. It should be noted that the total loan amount issued by the lender may differ from the loan amount used in our calculation. This would be the case, for instance, if a buyer borrows additional funds, beyond what was required to fund the purchase. For example, if a buyer requires \$400K to settle the purchase of a property (after accounting for any deposit), but decides to take out a loan for \$450K with the intention to use the additional \$50K for future renovations, our calculation would use the \$400K loan proceeds used in the initial settlement and not the \$450K total loan amount

The largest drop was in Greater Sydney where the average loan amount declined 9.4% to just over \$1M compared to the prior year. This may have been driven by falling property prices over that period.



Source: PEXA

Note: Residential new loans not available for WA & SA.

Refinances remained at elevated levels

Interest rates continued to rise throughout the Mar-23 quarter putting pressure on household budgets. This motivated many borrowers to refinance to secure a better deal on their home loan.

Over 98K property owners switched lenders during the quarter, which was 24.1% higher than the same period in the prior year.

“Elevated refinancing activity is likely to continue due to unusually high volumes of fixed-term loans that will be expiring in the next two years.”
Julie Toth, Chief Economist, PEXA

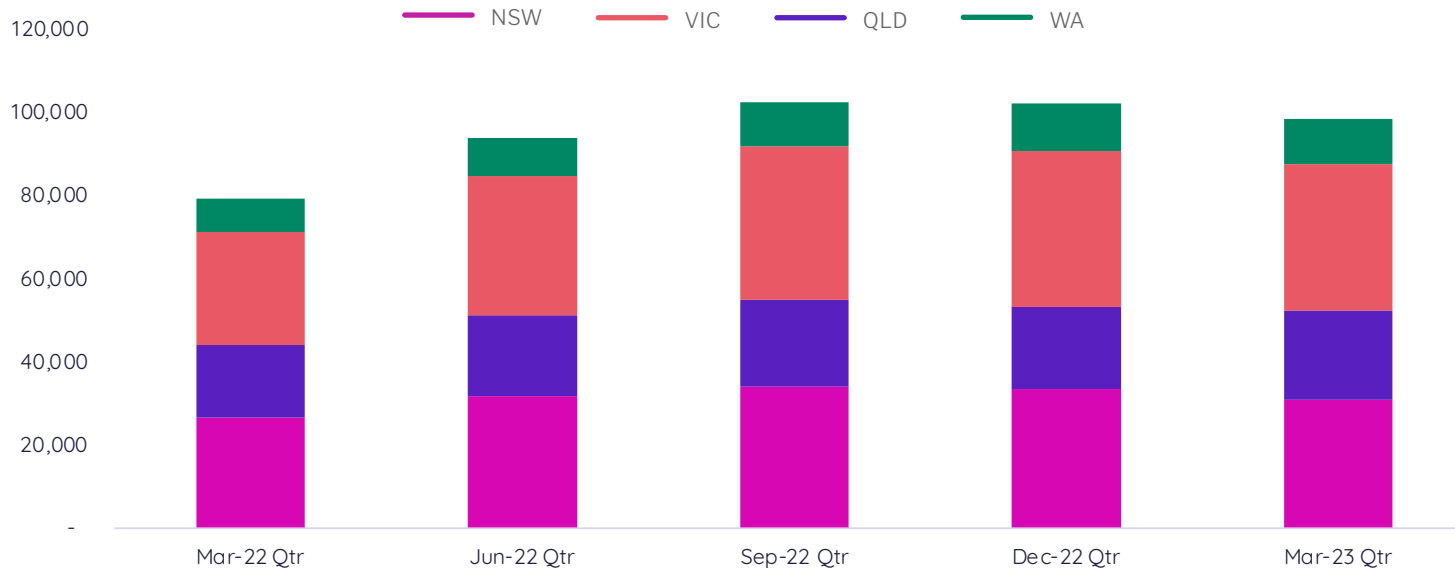


TOTAL REFINANCES
NSW, VIC, QLD & WA MAR-23 QTR
(INCLUDES RESIDENTIAL & COMMERCIAL)

98,527
-3.6% on Dec-22 Qtr
(prior quarter)
+24.1% on Mar-22 Qtr
(prior year)



TOTAL REFINANCES - NSW, VIC, QLD & WA



New Loans

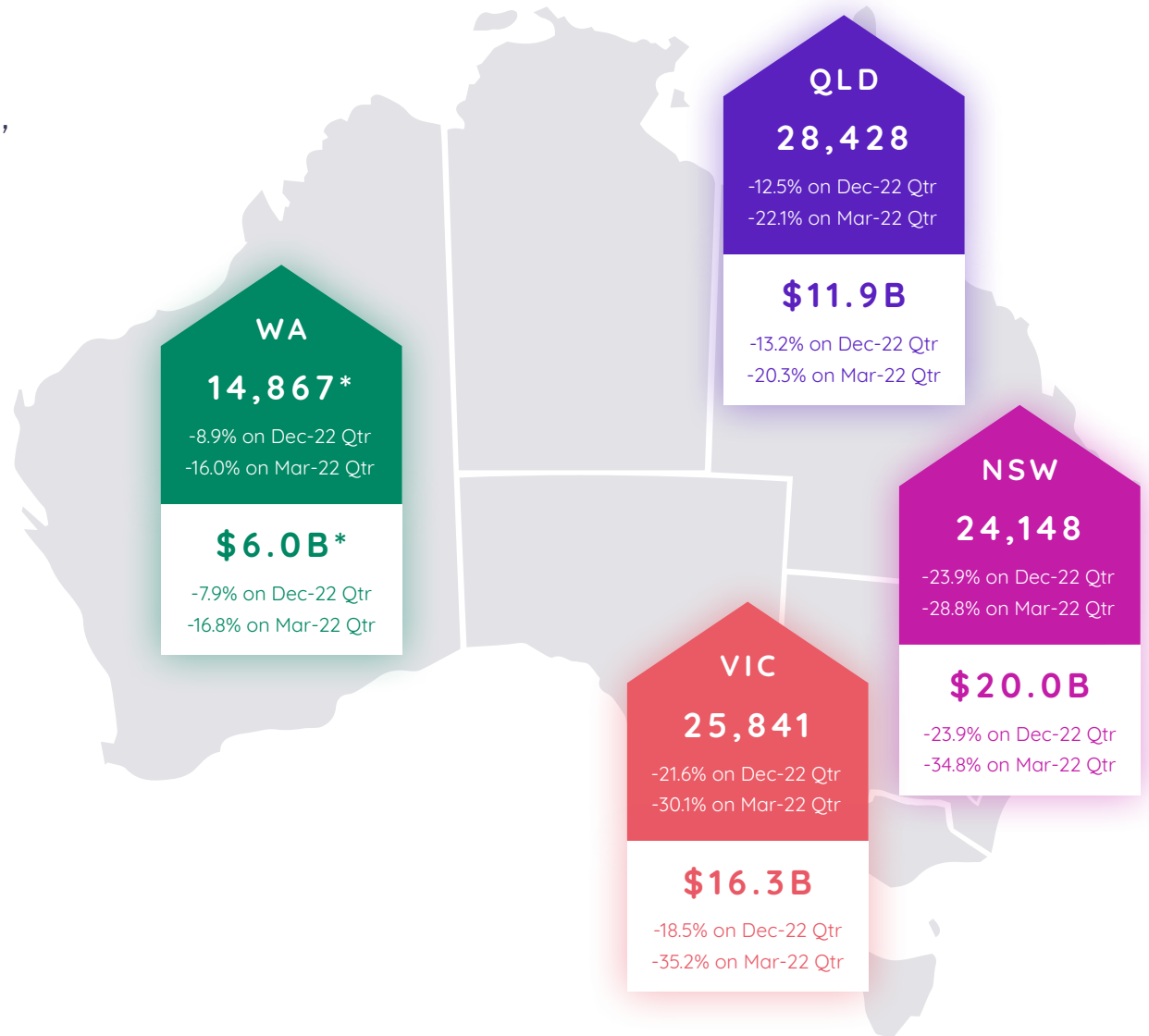


Residential new loan volumes were significantly lower across states in Mar-23

QLD recorded the most new loans with 28,428, followed by VIC (25,841) and NSW (24,148)

\$54.2B in new lending was issued in the Mar-23 quarter across NSW, VIC, QLD and WA. Although well down on the prior year (-34.8%), \$20.0B was spent on residential property in NSW during the quarter, reflecting higher average loan amount compared to other states.

RESIDENTIAL NEW LOANS, MAR-23 QTR, TOTAL VOLUME AND AGGREGATE VALUE



Source: PEXA

Note: WA includes residential and commercial new loans

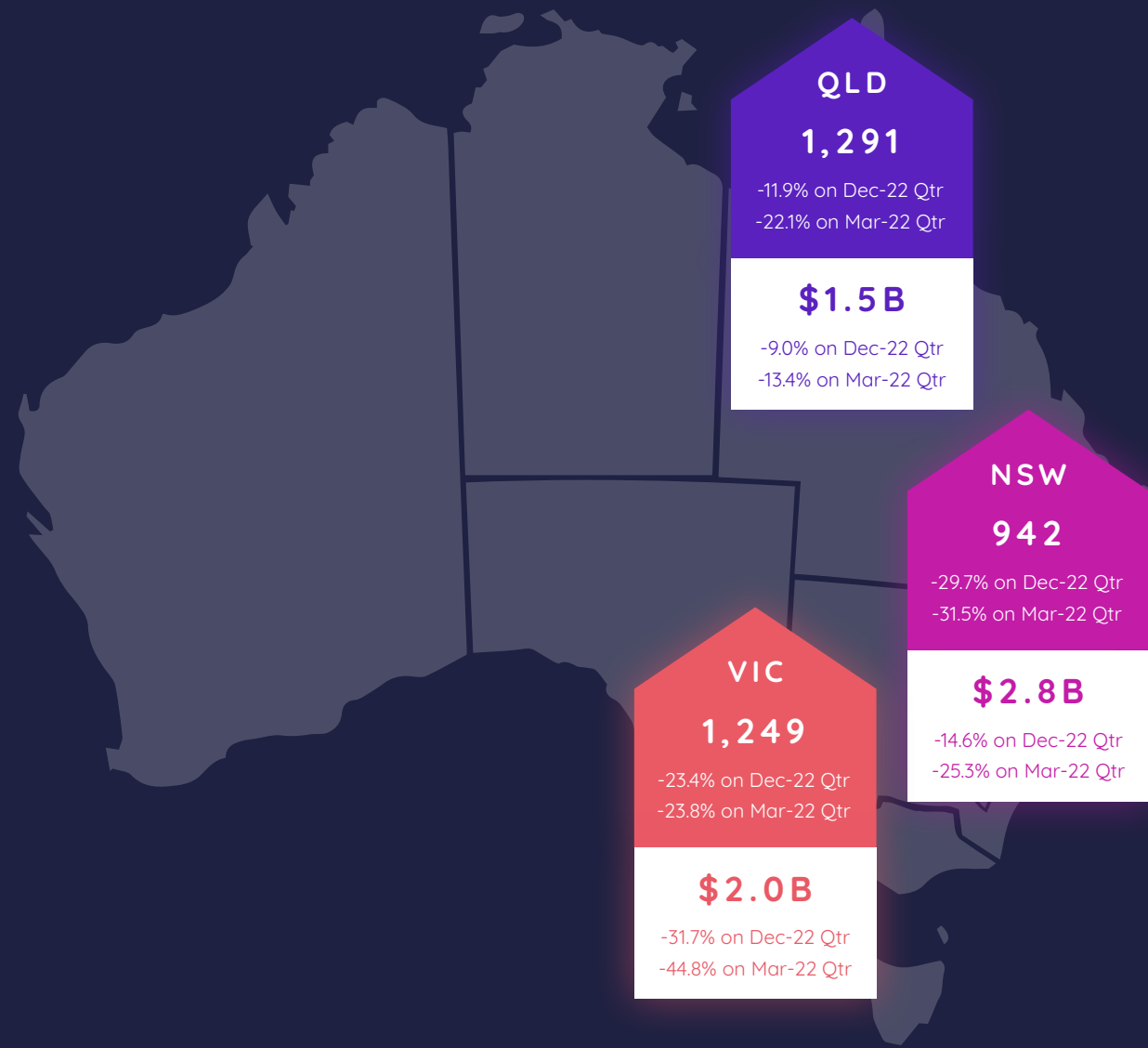
Commercial lending also fell during the Mar-23 Qtr

A total of \$6.3B was lent for the purchase of commercial property during the quarter, a sharp drop on the prior year

New commercial loan volumes were highest in QLD (1,291) and VIC (1,249) during the quarter, surpassing NSW with 942.

However, a total of \$2.8B was invested in NSW, up on VIC (\$2.0B) and QLD (\$1.5B).

COMMERCIAL NEW LOANS, MAR-23 QTR, TOTAL VOLUME AND AGGREGATE VALUE

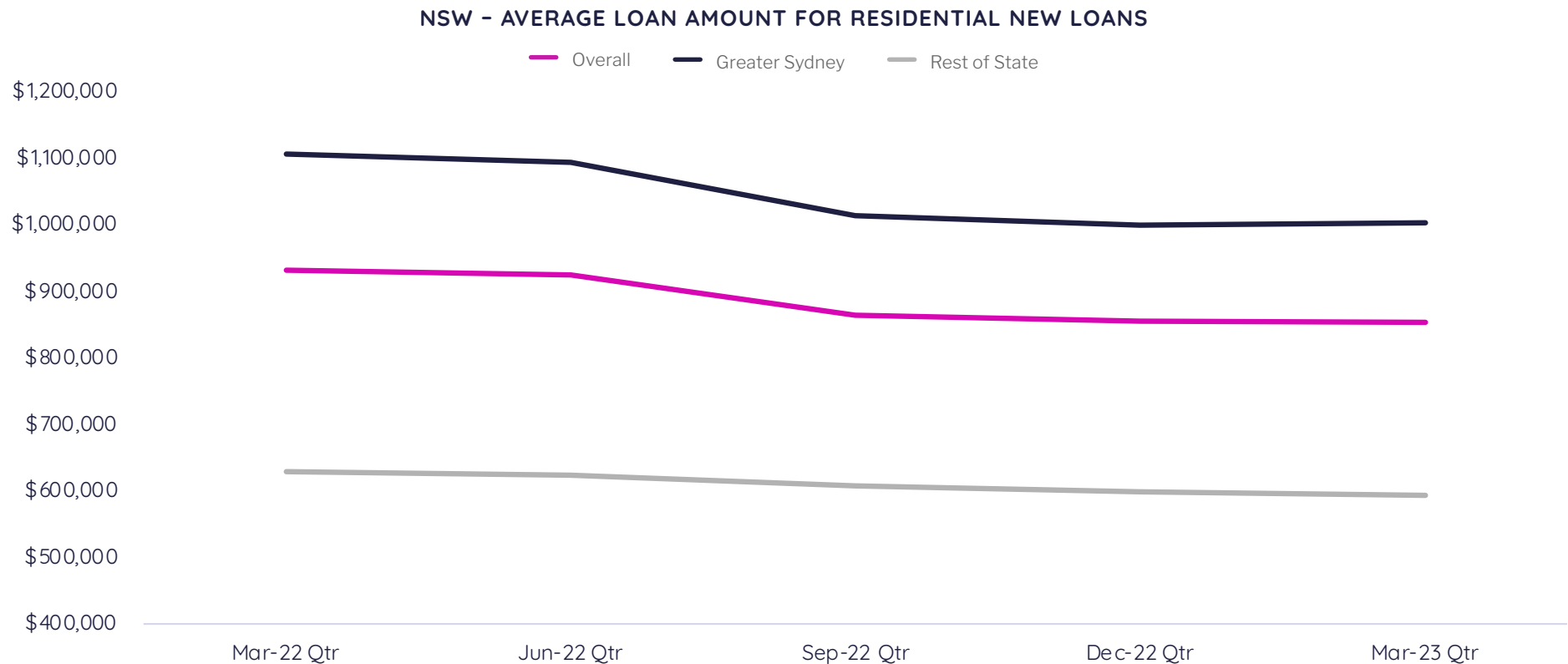


Source: PEXA

Note: Commercial new loans not available for WA

After experiencing a significant drop in the Sep-22 Qtr, average loan amounts in NSW have remained stable

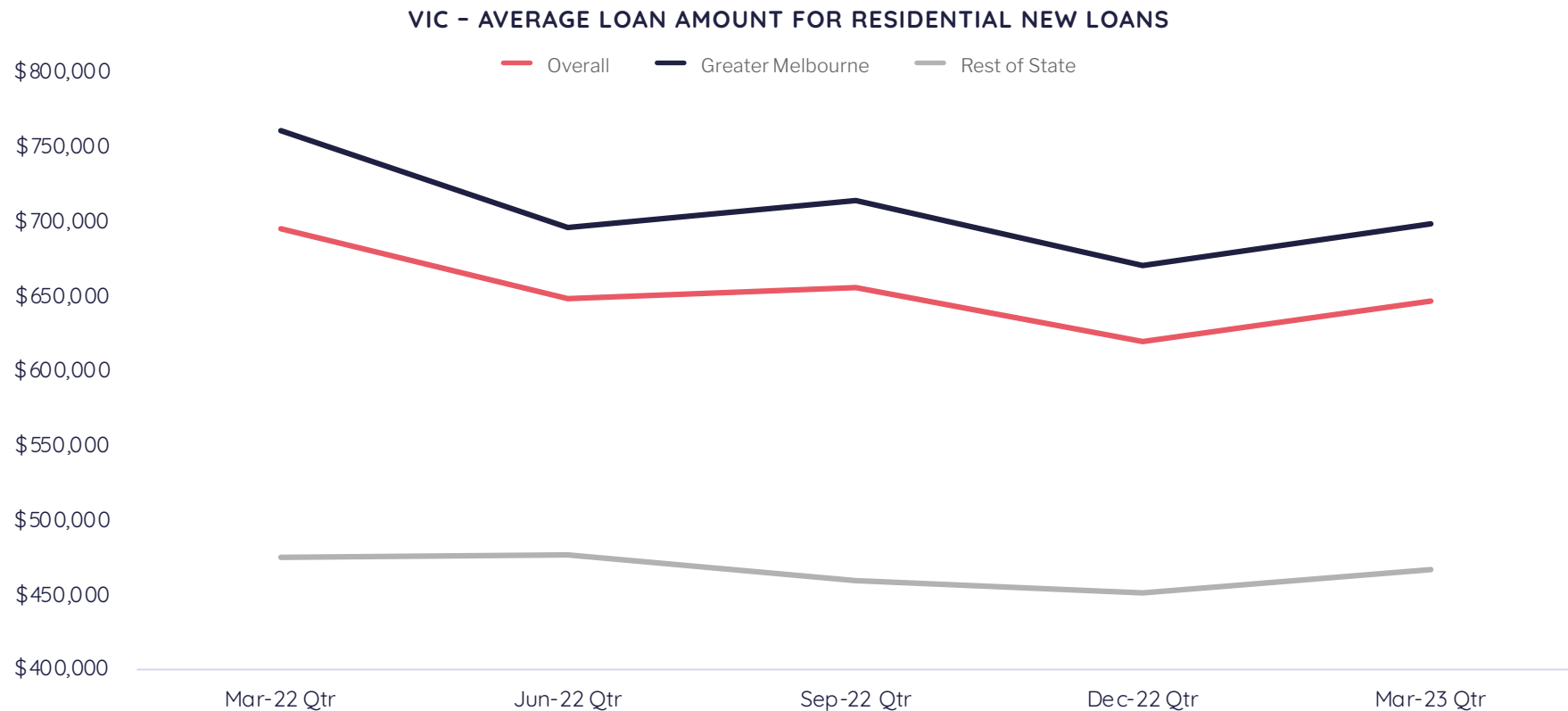
The average loan amount in Greater Sydney (\$1,003,066) was well above that for regional NSW (\$593,699) in the Mar-23 Qtr



The *Average loan amount* (mean) is taken from the loan proceeds used in the property settlement on the buyer side. The average loan amount is reported for all residential property settlements with a new loan. It should be noted that the total loan amount issued by the lender may differ from the loan amount used in our calculation. This would be the case, for instance, if a buyer borrows additional funds, beyond what was required to fund the purchase. For example, if a buyer requires \$400K to settle the purchase of a property (after accounting for any deposit), but decides to take out a loan for \$450K with the intention to use the additional \$50K for future renovations, our calculation would use the \$400K loan proceeds used in the initial settlement and not the \$450K total loan amount.

The average loan amount in VIC increased in the Mar-23 Qtr, but remained below the Mar-22 Qtr

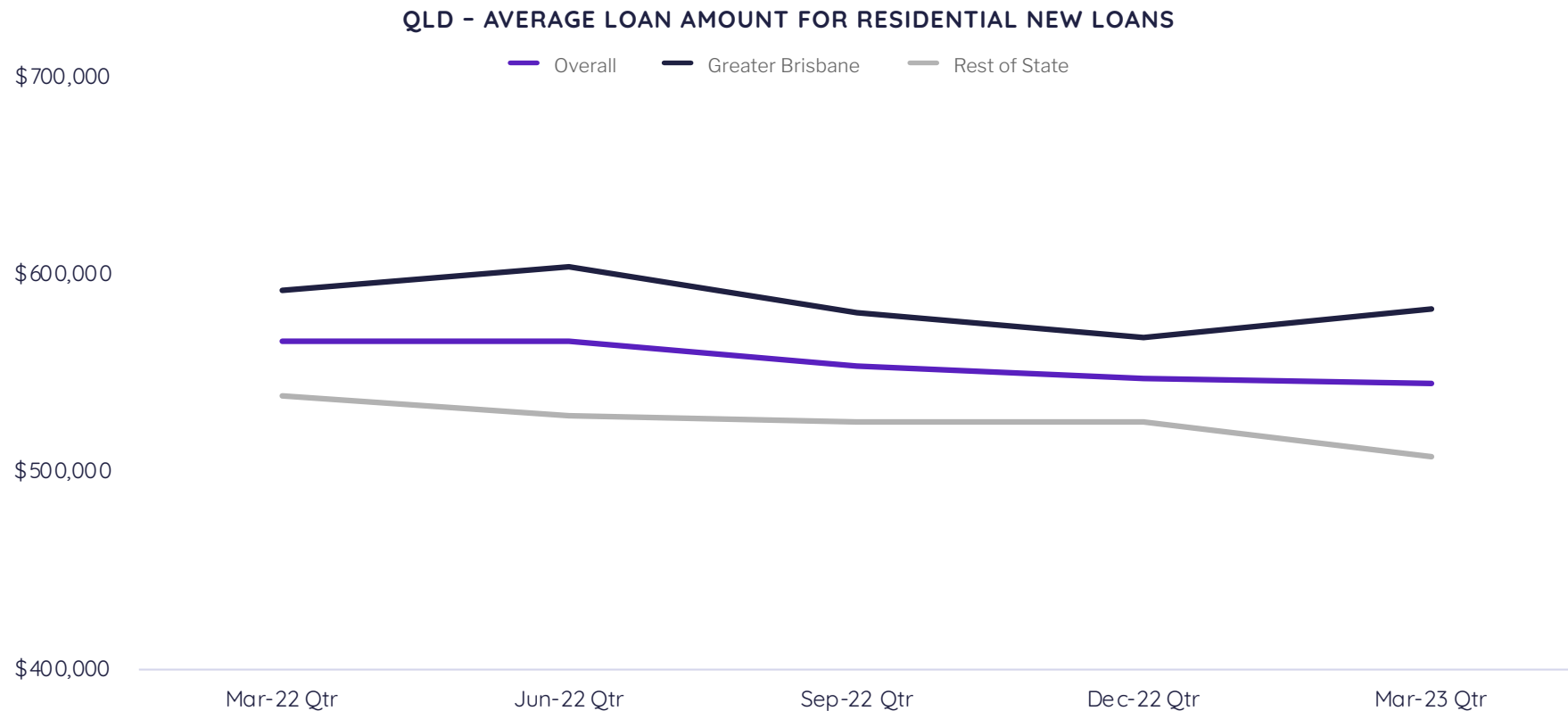
The average loan amount in Greater Melbourne was \$698,755 in the Mar-23 Qtr, up from \$670,769 in the Dec-22 Qtr



The *Average loan amount* (mean) is taken from the loan proceeds used in the property settlement on the buyer side. The average loan amount is reported for all residential property settlements with a new loan. It should be noted that the total loan amount issued by the lender may differ from the loan amount used in our calculation. This would be the case, for instance, if a buyer borrows additional funds, beyond what was required to fund the purchase. For example, if a buyer requires \$400K to settle the purchase of a property (after accounting for any deposit), but decides to take out a loan for \$450K with the intention to use the additional \$50K for future renovations, our calculation would use the \$400K loan proceeds used in the initial settlement and not the \$450K total loan amount.

The average loan amount in QLD was less volatile than NSW and VIC

Whilst trending downwards over the past 5 quarters, the average loan size in the state decreased by just over \$20K



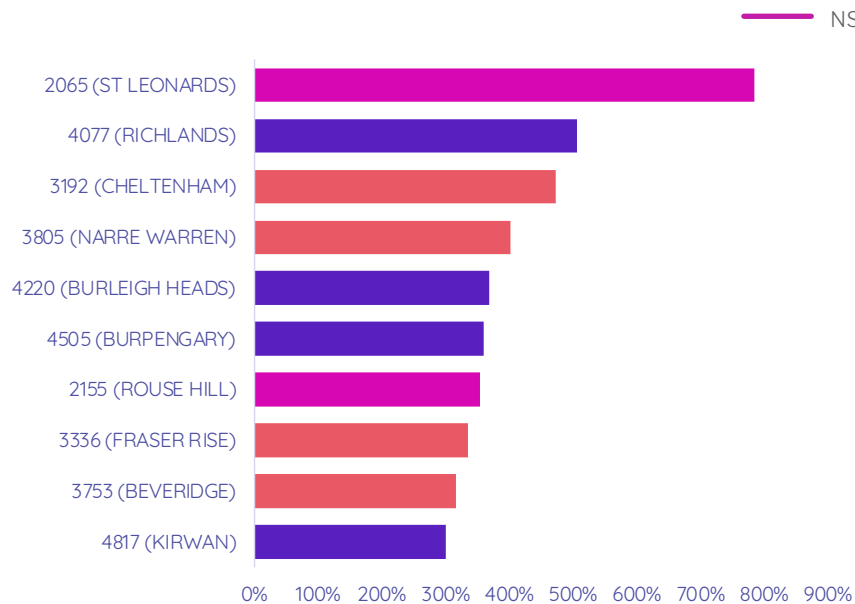
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Source: PEXA **Note:** Analysis only includes properties settled digitally through PEXA.

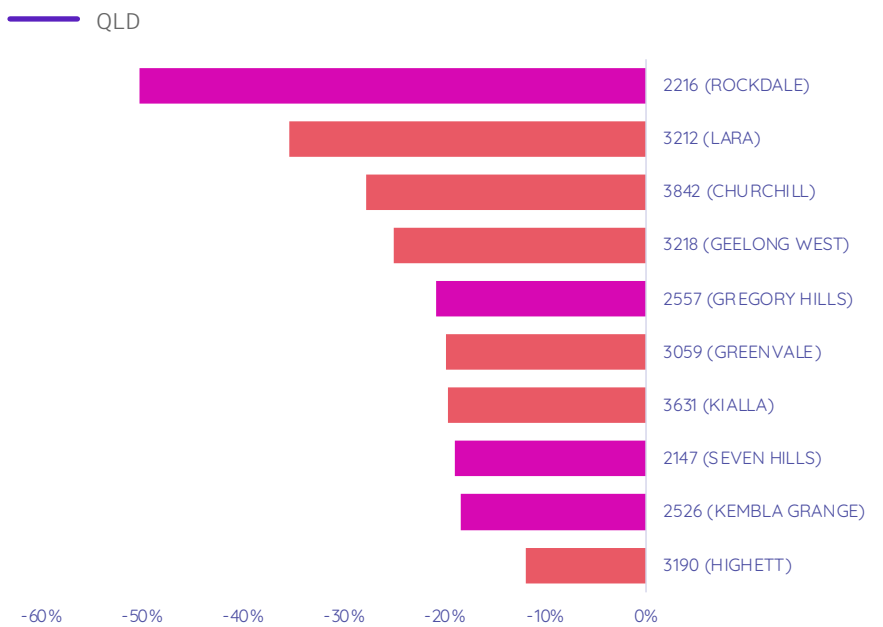
A range of established postcodes saw significant volume growth in the Mar-23 Qtr

Postcode 2065 (St Leonards) in NSW and 4077 (Richlands) in QLD topped the list.

TOP-10 POSTCODES FOR RESIDENTIAL NEW LOANS, 2022
(Change from the Dec-22 Qtr)



BOTTOM-10 POSTCODES FOR RESIDENTIAL NEW LOANS, 2022
(Change from the Dec-22 Qtr)



2065 (St Leonards) recorded 469 transactions in the Mar-23 quarter, reflecting the completion of new residential developments.

Many greenfield postcodes such as 3212 (Lara) and 3059 (Greenvale) experienced lower settlements volumes in the Mar-23 Qtr.

The building & construction industry has faced a number of challenges including the rising costs of material & labour and a number of high profile insolvencies. These factors may have dampened demand for land in many areas.

Refinances



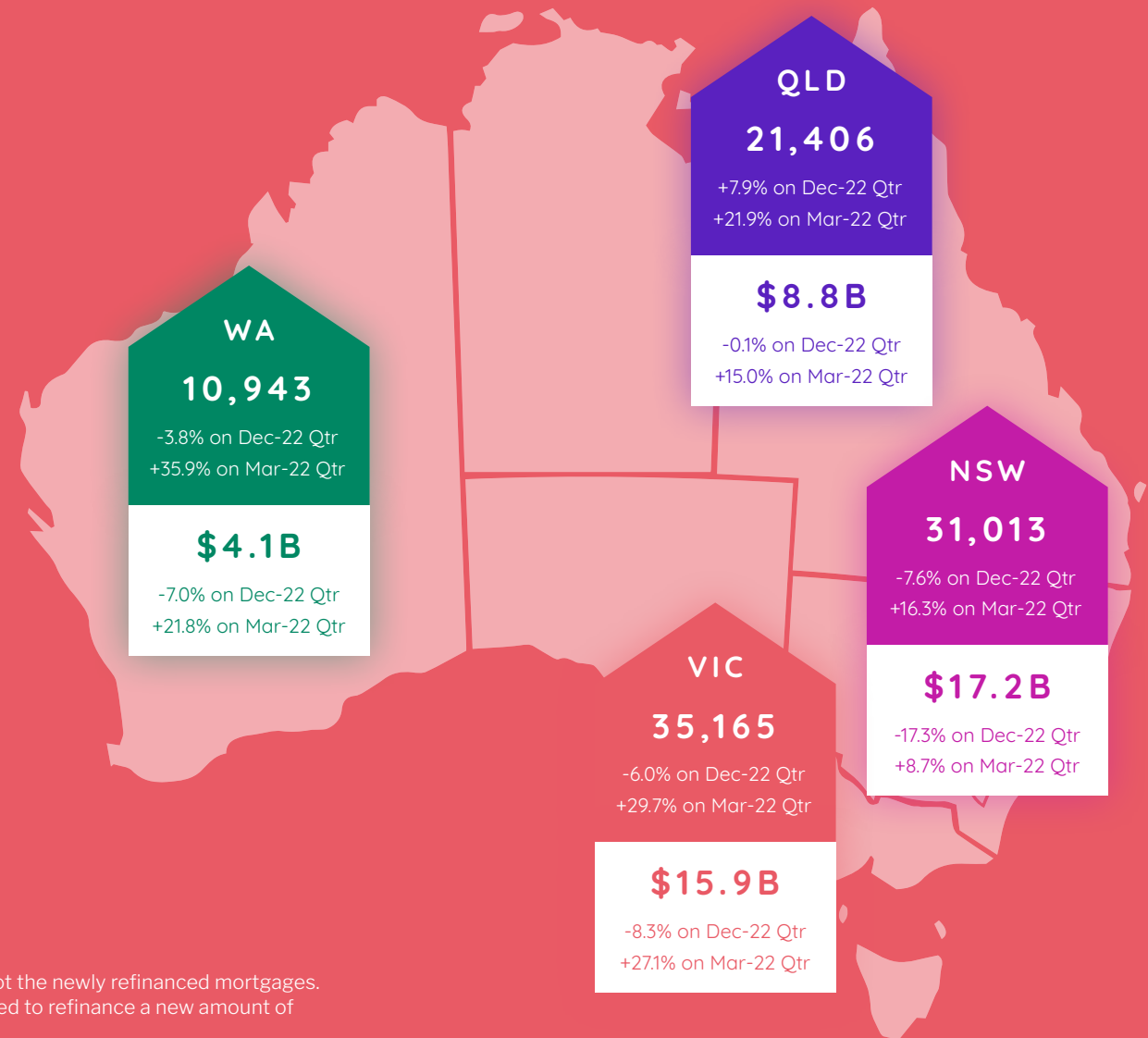
VIC recorded the most refinances in the Mar-23 Qtr

Over 35K refinances were completed in VIC which was up 29.7% year-on-year

WA experienced the highest year-on-year growth (+35.9%) with 10,943 refinances in the state.

QLD was the only state to record more refinances in the Mar-23 Qtr compared to the Dec-22 Qtr, up 7.9% to 21,406.

REFINANCES, MAR-23 QTR, TOTAL VOLUME AND AGGREGATE VALUE



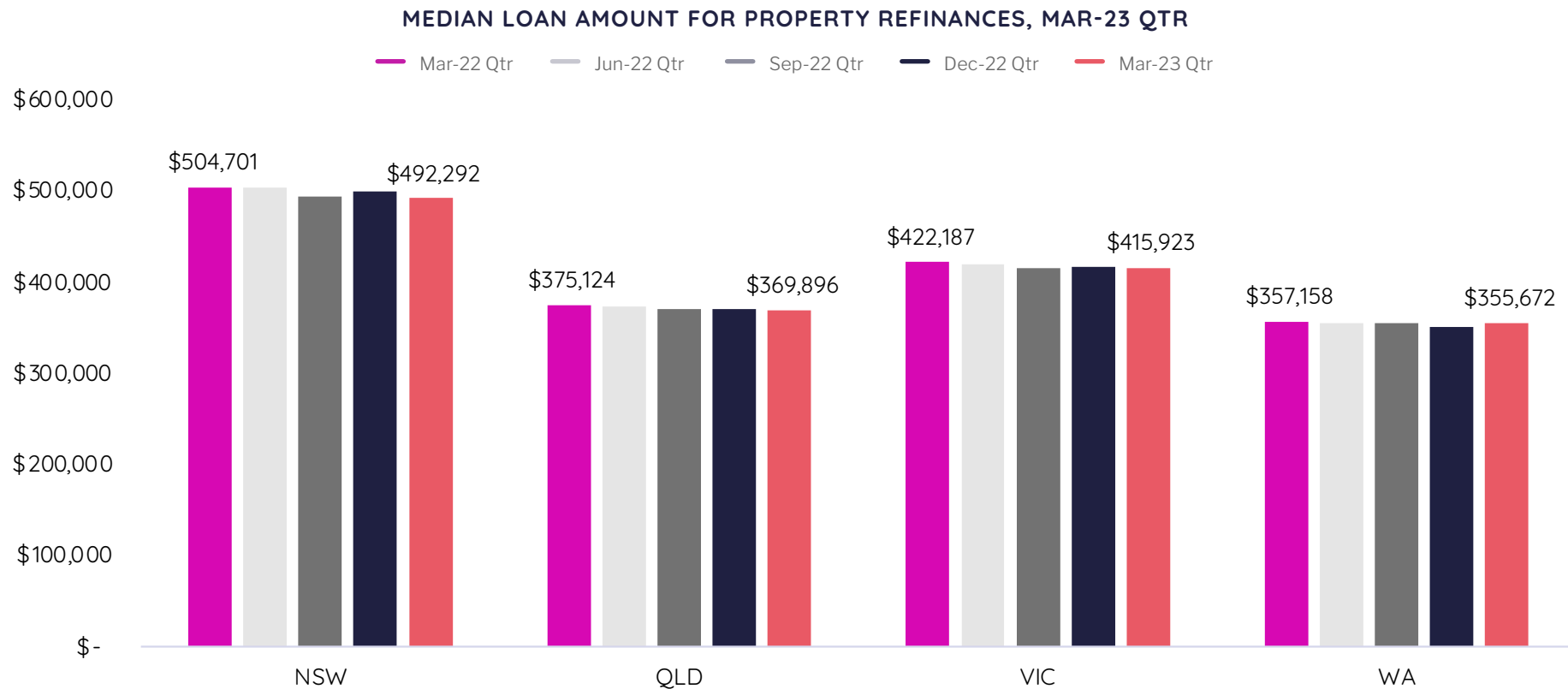
It should be noted that the median loan amount is of discharged mortgages, not the newly refinanced mortgages. For example if an owner had \$500K outstanding on their home loan and decided to refinance a new amount of \$550K, the \$500K is used for the calculation, not the \$550K.

Source: PEXA

Note: All states shown include both residential and commercial refinances.

The median refinanced loan amount across states remained largely unchanged over the past 5 quarters

NSW had the highest median at \$492K, and WA the lowest at \$355K



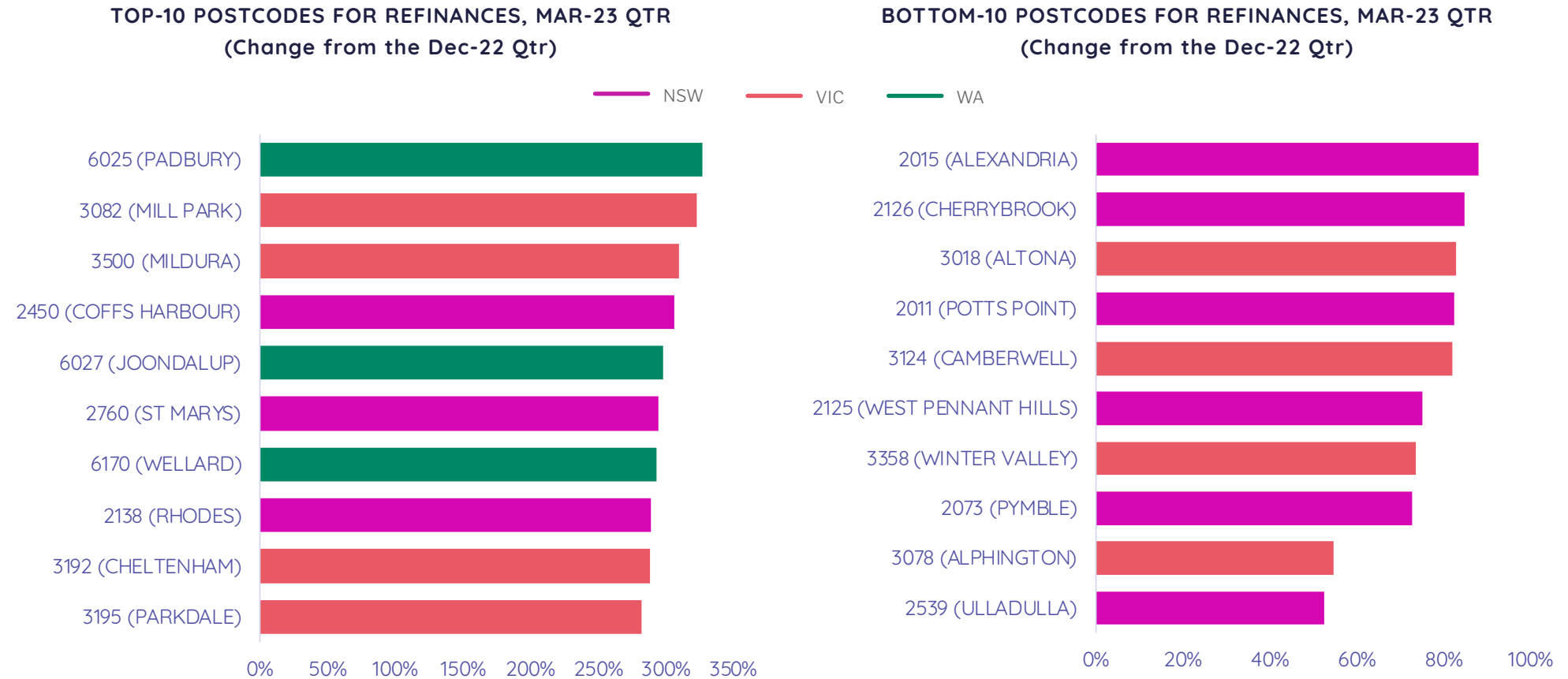
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Source: PEXA

Note: All states shown include both residential and commercial refinances.

Many WA postcodes topped the list for growth in refinances

6025 (Padbury) topped with rankings with 141 refinances in the Mar-23 Qtr, up 327%



Not available for QLD. Excludes postcodes with less than 30 transactions in the Dec-22 and Mar-23 quarters. Data analysed at postcode level with the prominent suburb in that postcode shown for convenience.

Source: PEXA

Although total refinance settlements fell by 3.6% from Dec-22, the bottom-10 postcodes have all grown as postcodes with less than 30 transactions in either the Dec-22 and Mar-23 quarters were excluded from this analysis.

For further enquiries and details about this report,
our insights offering or PEXA Data, please contact:



research@pexa.com.au



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