

Home loan demand drops in December

Home loan demand took a tumble in December, according to new data by the Australian Bureau of Statistics.

The latest Housing Finance Data from the Australian Bureau of Statistics found 55,161 home loans were approved throughout December 2017, which represented a 2.3% drop from the month prior when 56,876 home loans were approved.

"While it is somewhat surprising to see a drop in activity in December, given that it is traditionally a strong month for home loan demand, today's results are very indicative of the market we are in," Mortgage Choice chief executive officer John Flavell said.

"If we look at years gone by, we tend to see a small bounce in home loan demand in December. This is because many borrowers are keen to buy property and move into their new home over the summer period when they are likely to have time off work.

"But this time around, the story was a little different. Of course, when you consider the fact that some of the heat has come out of the property market, the 2.3% drop in home loan demand seems reasonable."

Mr Flavell said recent data from CoreLogic found property price growth had eased considerably across most states and capital cities.

"Throughout December, property prices fell 0.4% across the combined capital cities," he said.

"In Sydney, prices fell by 0.9% throughout December, while Melbourne property prices fell by 0.2% over the same time frame.

"This drop in property values correlates closely with today's data from the Australian Bureau of Statistics.

"In December, the total value of all home loans approved fell by 1.6% to just under \$33 billion.

"Just over \$21 billion in owner occupied loans were approved throughout December - down 1% on the month prior, while almost \$12 billion in investment loans were approved - down 2.6% over the month."

Looking ahead, Mr Flavell said he wouldn't be surprised to see another drop in home loan demand as well as the total value of all home loans written.

"The market has definitely started to show signs of stagnation," he said.

"Of course, that said, it is still important to note that while home loan demand has eased slightly in recent weeks and may continue to ease, overall demand for home loans does remain strong by long term standards."

"I do not expect to see home loan demand fall off a cliff. The reality is, mortgage interest rates are still low and this should help to keep heat in the market."

Contacts

Lisa Stromborg

0403291996

mailto: lisa.stromborg@mortgagechoice.com.au