STATISTICS

Quarterly authorised deposit-taking institution property exposure statistics - highlights

September 2021 (released 7 December 2021)

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Residential mortgages

New lending

- New residential mortgage loans funded totalled $167.8 billion in the September 2021 quarter, representing an increase of 7.7 per cent over the quarter and 48.2 per cent compared to the same quarter last year (Chart 1). Growth in new lending to investors exceeded growth in new lending to owner-occupiers for the first time since the December 2019 quarter, increasing by 13.6 per cent and 5.1 per cent respectively over the September quarter. This result is consistent with favourable borrowing conditions including a historically low interest rate environment and strong performance in the housing market.

- New lending at higher loan-to-valuation ratios (LVRs) continued to decline for the third consecutive quarter. The share of new lending at LVRs greater than or equal to 90 per cent decreased to 7.5 per cent in the September quarter from 8.6 per cent in the previous quarter (Chart 2). New lending at lower LVRs remains high and continue to increase, with 63.2 per cent of all new loans funded at LVRs less than 80 per cent in the September quarter.

Chart 1: New residential mortgage loans funded

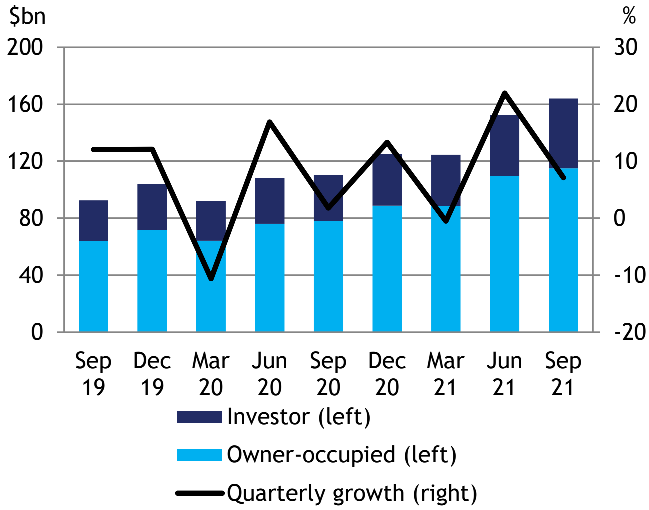
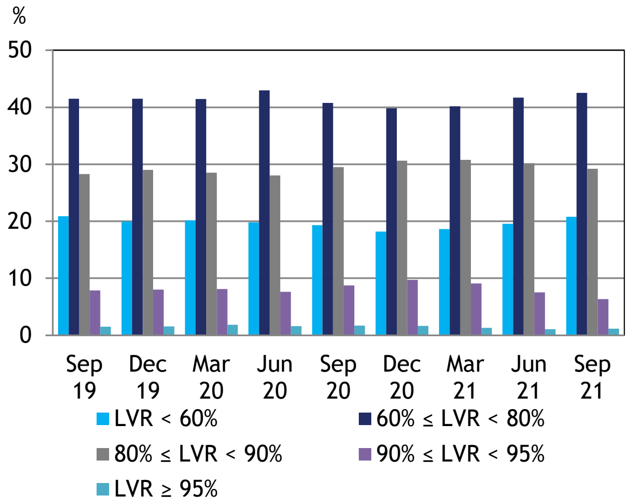


Chart 2: New residential mortgage term loans funded by LVR



- The proportion of new residential mortgage loans with high debt-to-income (DTI) ratios again rose over the September quarter. The share of new loans with DTI ⩾ 6x increased by 1.9 percentage points to 23.8 per cent of new lending in the September quarter. This reflects increased house prices, continued low interest rates and relatively low wage growth.

- On 6 October 2021, APRA announced a 50 basis points increase to the minimum interest rate buffer used in ADI serviceability assessments. APRA now expects that ADIs will assess a new borrower's ability to meet their loan repayments at an interest rate that is at least 3.0 percentage points above the loan product rate, from 1 November 2021 (see the announcement).

- The share of new residential mortgage loans approved as exceptions to serviceability policy increased slightly by 0.2 percentage points in the September quarter to 1.8 per cent, while the share of loans approved with serviceability verification waivers increased marginally by 0.1 percentage points to 1.4 per cent (Chart 4). However, these both remain below historical averages.

Chart 3: Debt to income, share of new residential mortgage term loans funded

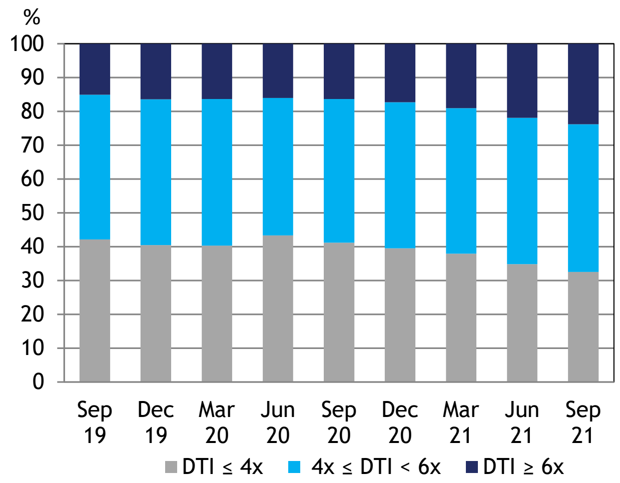
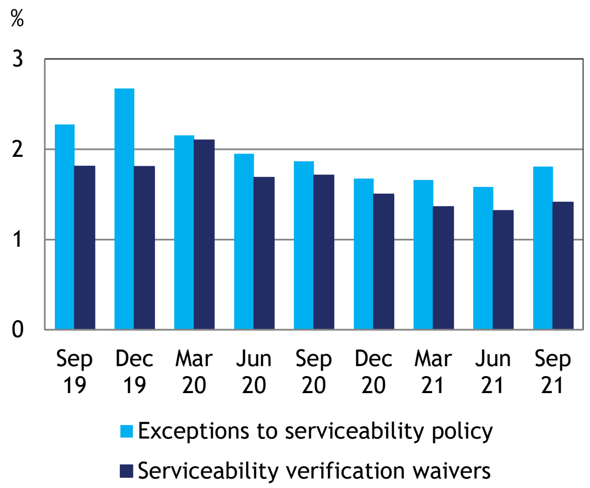


Chart 4: Exceptions and waivers, share of new residential mortgage loans funded



Credit outstanding

- Total residential mortgage credit outstanding increased by 1.4 per cent over the quarter and by 5.7 per cent over the year to September 2021 (Chart 5). The increase continues to be driven by strong growth in owner-occupied credit, which expanded by 9.6 per cent over the year. Investment credit accelerated its growth, increasing by 1.0 per cent over the year, supported by the pick-up in new investor lending over the September quarter.

- With the decrease in new high LVR lending in recent quarters, the overall LVR profile of ADIs' housing lending remains strong. The share of residential mortgages outstanding with LVRs greater than or equal to 90 per cent continues to decrease, from

4.6 per cent in June 2021 to 4.3 per cent in September 2021, while the share of loans with LVRs less than 80 per cent increased slightly from 79.5 per cent to 80.1 per cent of mortgages outstanding (Chart 5).

- The interest-only share of outstanding loans continues to trend downwards to 12.3 per cent in the September quarter from 13.0 per cent in the June quarter (Chart 6).

Chart 5: Term loans credit outstanding – LVR breakdown

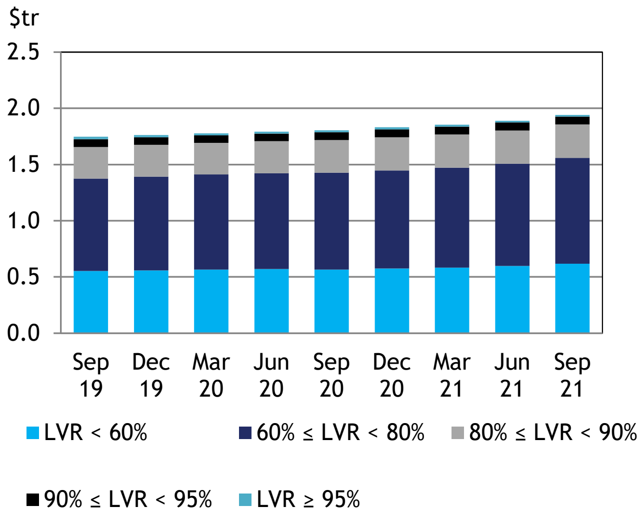
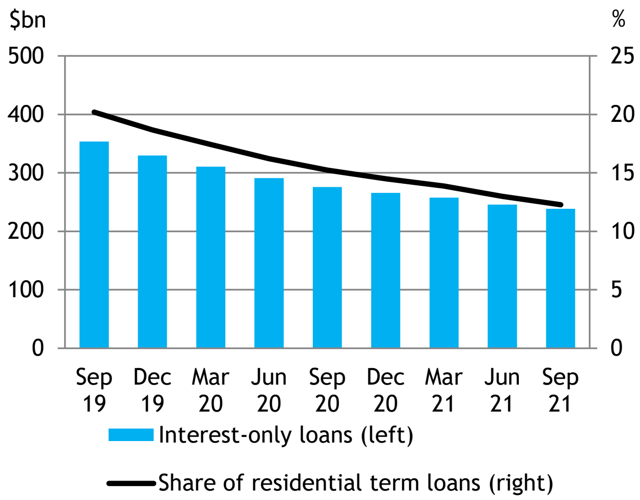


Chart 6: Interest-only residential mortgage term loans



Non-performing loans

- Asset quality in residential mortgage lending remains stable, with non-performing loan ratios decreasing notably over the quarter, from 1.01 per cent as at June 2021 to 0.91 per cent as at September 2021 (Chart 7). This trend is the case for both owner-occupied and investment loans over the same period, decreasing from 0.98 per cent to 0.87 per cent, and from 1.03 per cent to 0.94 per cent respectively. This mainly reflects the low interest rate environment and government support, with the re-introduction of concessional capital treatment on eligible repayment deferrals offered by ADIs also providing support for a small proportion of loans impacted by the recent lockdowns.

Chart 7: Non-performing residential mortgage loans

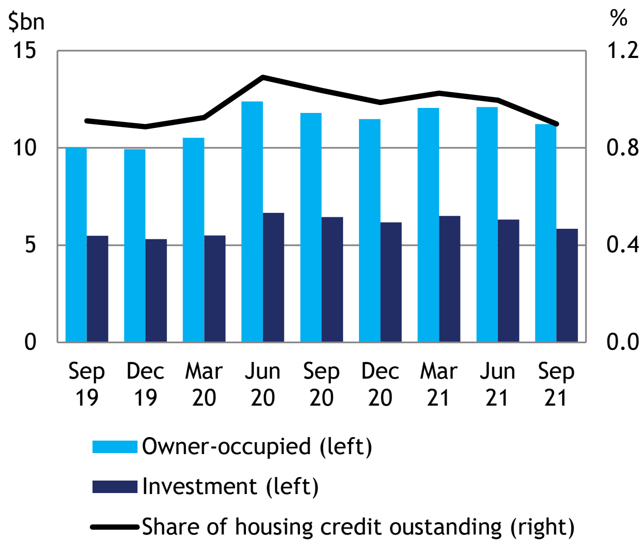
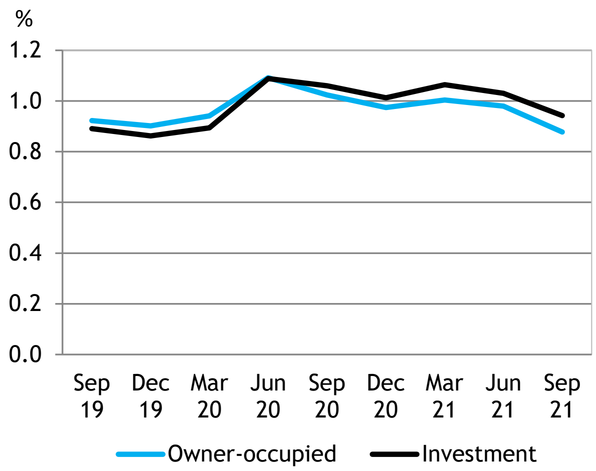


Chart 8: Non-performing loan ratios by borrower type



- Newly non-performing housing loans decreased significantly from $4.2 billion in the June quarter to $3.3 billion in the September quarter. New NPLs remain at a very low level in comparison to credit outstanding, decreasing from 0.22 per cent in the June quarter to 0.17 per cent in the September quarter, the record lowest since March 2019 (Chart 9).

- Loans which are between 30 and 89 days-past-due but not impaired - which can be viewed as a leading indicator of loans that may become non-performing - totalled $9.2 billion as at September 2021 (Chart 10). This represented a 7.7 per cent decrease over the quarter, partially reflecting the re-introduction of repayment deferral programs to 'stop the clock' on the counting of arrears. Overall, these loans remain low on a relative basis (0.5 per cent of total residential mortgage loans outstanding) and below pre-COVID-19 levels.

Chart 9: New non-performing loans during the quarter

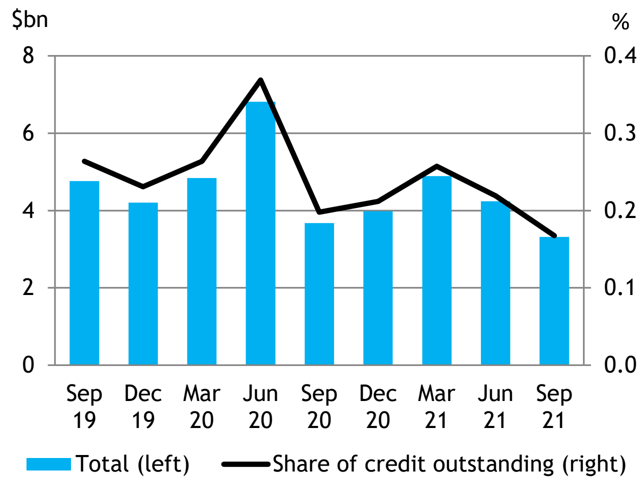
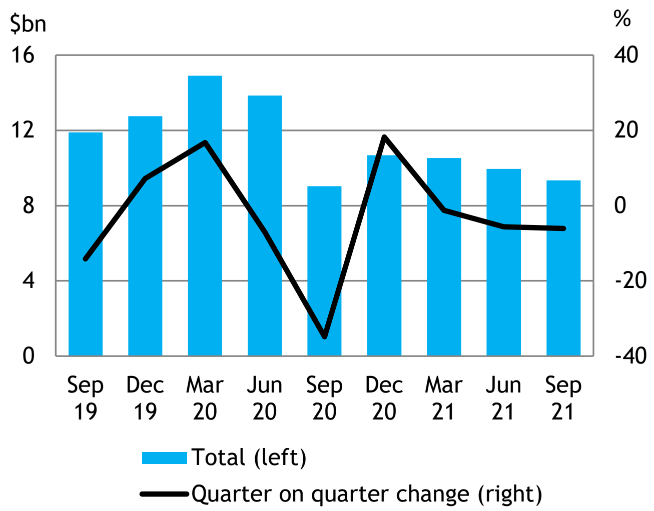


Chart 10: Residential mortgage loans 30-89 days past due but not impaired



Other residential mortgage indicators

- The value of funds in offset accounts increased significantly by 9.7 per cent over the quarter and 14.0 per cent over the year to a historical high of $221.9 billion as at September 2021. Growth in these accounts is supported by reduced consumer spending, tax refunds and government support payments associated with the COVID-19 lockdowns.

- The weighted average variable interest rate of new housing loans decreased slightly by 0.1 percentage point to 2.7 per cent over the September quarter. The weighted average interest rate applied by ADIs in serviceability assessments has remained steady at 5.4 per cent over the quarter to September 2021 (Chart 12). Interest rates used in serviceability assessments are expected to increase over the December 2021 quarter with APRA's announcement of an increase in the serviceability assessment rate buffer coming into effect from 31 October 2021.

Chart 11: Balances in offset accounts

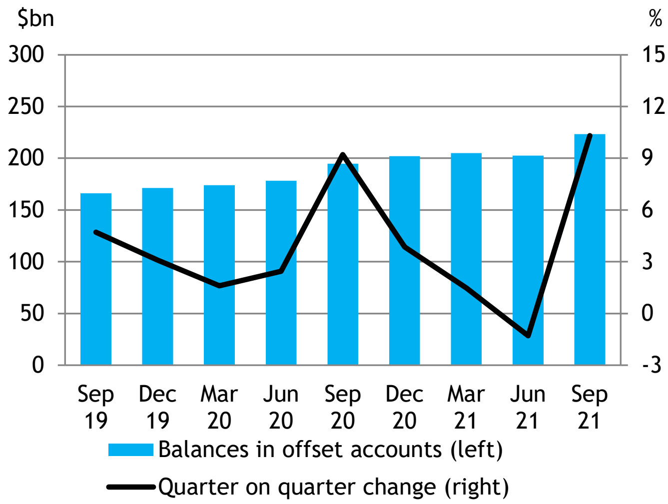
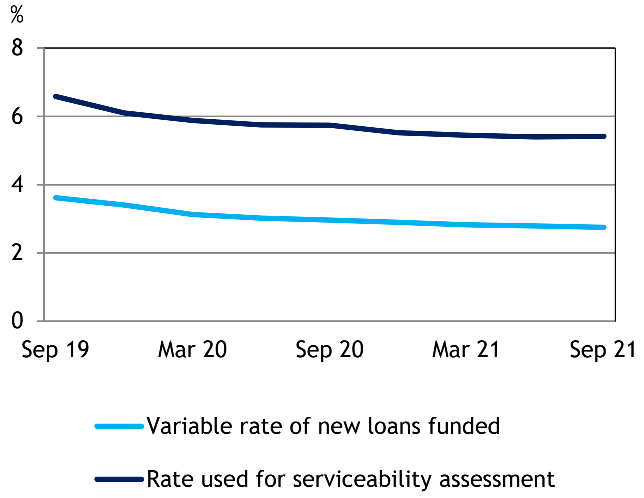


Chart 12: New residential mortgage loans funded – average interest rates



Commercial real estate

- Despite COVID-19 lockdowns in several states over the September 2021 quarter, ADIs' commercial real estate lending continued to grow. Growth in commercial property limits accelerated from 1.8 per cent in the June 2021 quarter to 3.3 per cent over the September 2021 quarter, with total limits reaching $381.2 billion as at 30 September 2021. The commercial property impairment rate (impaired assets to exposures) remained stable over the quarter at 0.2 per cent.

Chart 13: Commercial property exposures and limits

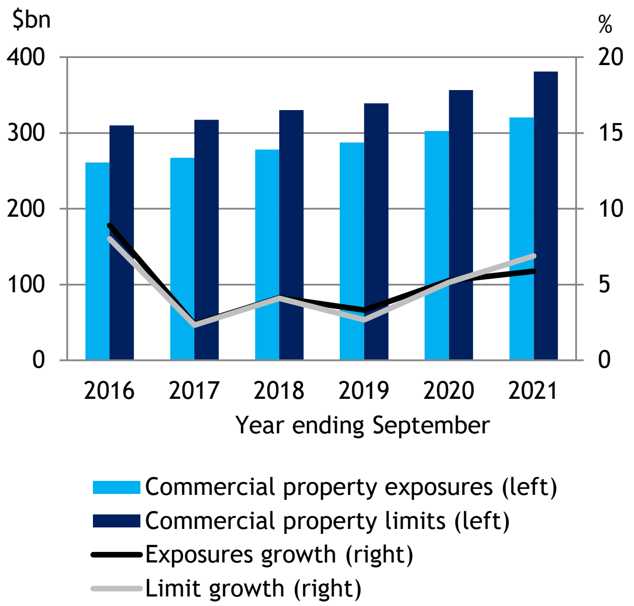
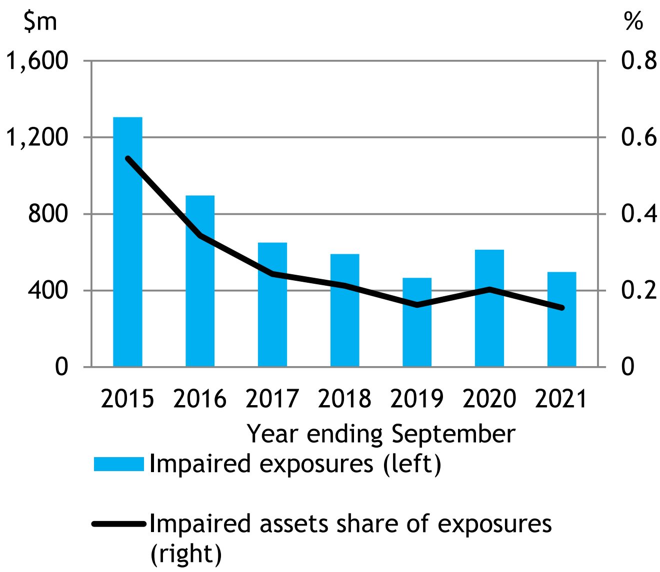


Chart 14: Commercial property impaired exposures



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