STATISTICS

Quarterly authorised deposit-taking institution property exposure statistics - Highlights

March 2020 (released 9 June 2020)

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Highlights (Quarterly authorised deposit-taking institution property exposures – March 2020)[1]

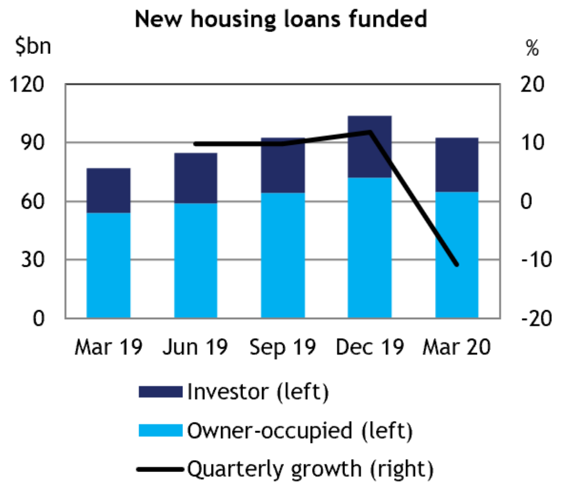
Residential mortgages

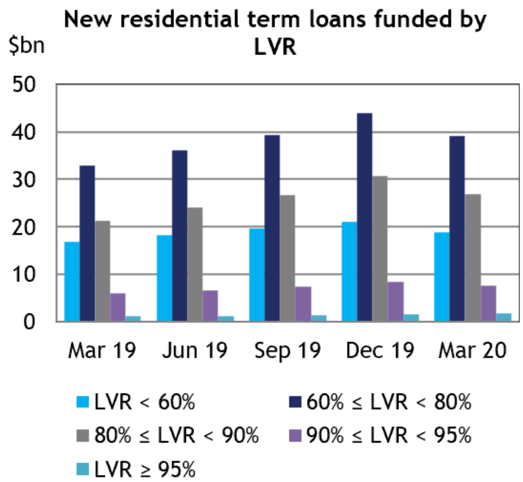
New lending:

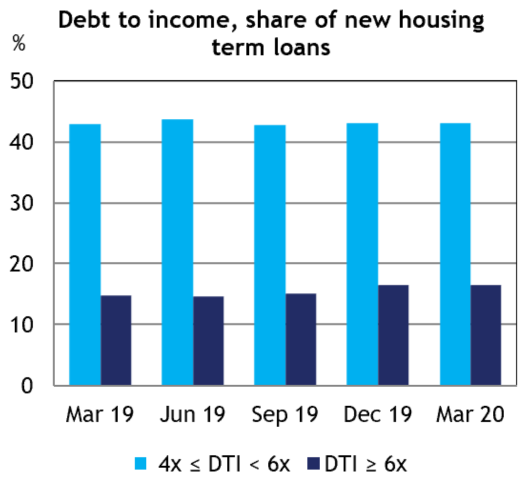
- New residential mortgage lending totalled $95.0 billion in the March 2020 quarter, an increase of 20.1 per cent from the March 2019 quarter. However, this also represented a 10.9 per cent decrease from the December quarter. This likely reflects the seasonality of the housing market and potential early changes in borrower sentiment with the onset of COVID-19.

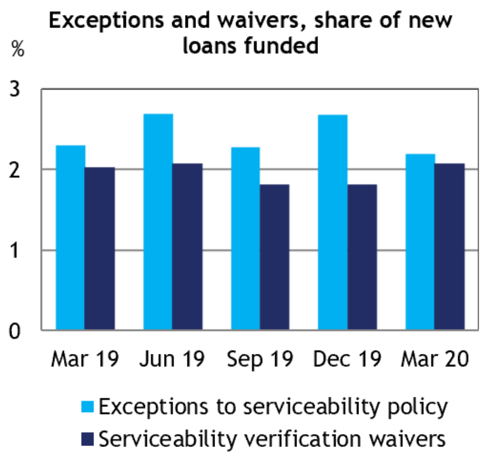
- The distribution of loan-to-valuation ratios (LVRs) for new loans remained relatively steady throughout the year to March 2020. During this period, the highest growth in percentage terms was in loans with LVR ≥ 95 per cent, though this remains a very small segment of the market (1.9 per cent of total as at 31 March 2020). Given the current heightened risk environment, a shift in new lending away from higher LVRs is possible.

- The proportion of new owner-occupied and investor loans with high debt-to-income (DTI) ratios is broadly stable. The share of new loans with 4x ≤ DTI < 6x increased by 0.1 percentage points from the March 2019 quarter, to 43.1 per cent for the March 2020 quarter. New loans with DTI ≥ 6x increased by 1.7 percentage points to 16.5 per cent, over the same period.







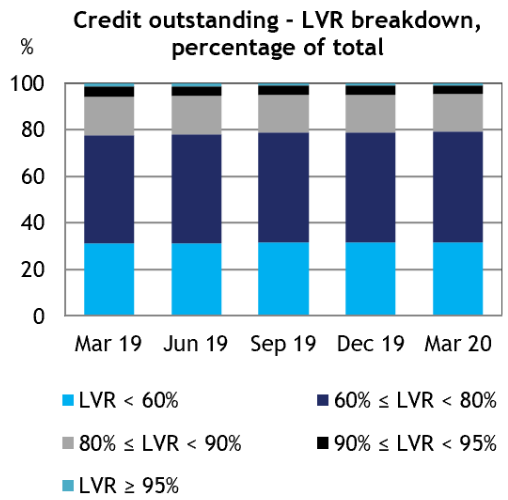


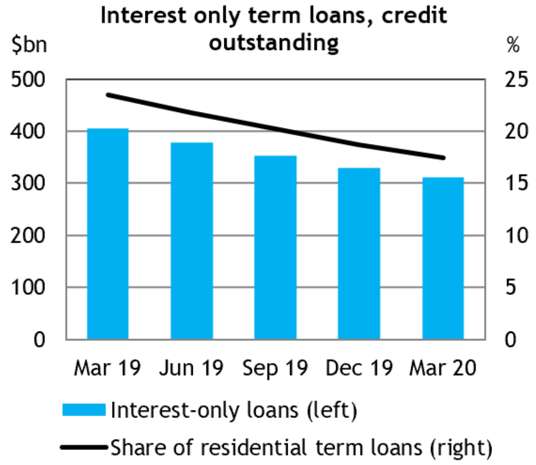
[1] Note: Does not include 'Other ADIs'. Foreign branches are not included in residential mortgage lending data.

Credit outstanding:

- The majority of outstanding housing loans remained well covered by collateral. As at 31 March 2020, 79.2 per cent of all loans outstanding had LVRs below 80 per cent, with only 4.8 per cent of loans having LVRs greater than or equal to 90 per cent.

- The interest-only lending share of outstanding loans has fallen over consecutive quarters to 17.4 per cent in March 2020. However, the interest-only portion of newly funded loans has increased for the first time since the June 2019 quarter, and comprised 18.0 per cent of new lending in the March 2020 quarter. Further shifts to interest-only lending are likely, with borrowers seeking flexibility in their loan conditions to meet repayments during COVID-19.

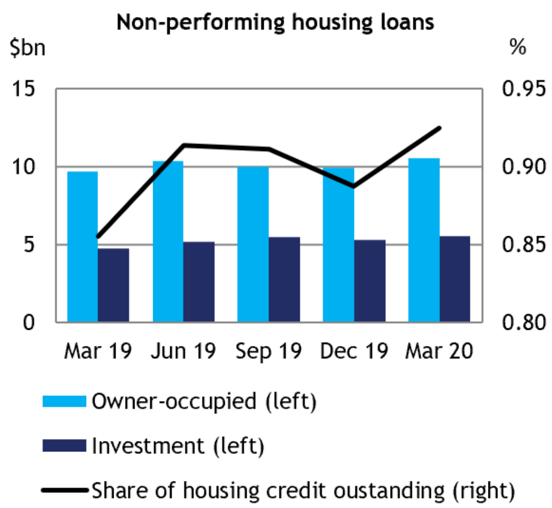


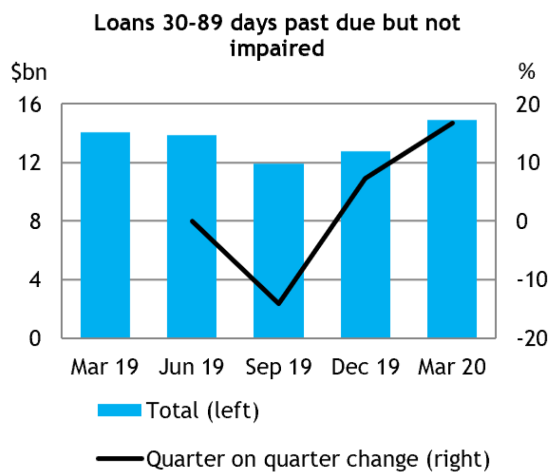


Non-performing loans:

- The housing non-performing loan (NPL) ratio increased slightly to 0.92 per cent at the end of March 2020 (7 basis points increase from March 2019), with newly impaired or past due loans increasing by 6.1 per cent over the same period. Loans 30-89 days past due increased to $14.9 billion in the March 2020 quarter, representing growth of 16.8 per cent from the December 2019 quarter or 5.8 per cent from the March 2019 quarter.

- Owner-occupied lending continued to have a higher rate of non-performance compared to investment lending, though this relationship could be challenged in the current COVID-19 scenario. An increase in non-performance across loans can be expected as unemployment increases, although the recent introduction of relief measures such as repayment deferrals may dull this impact going forward.

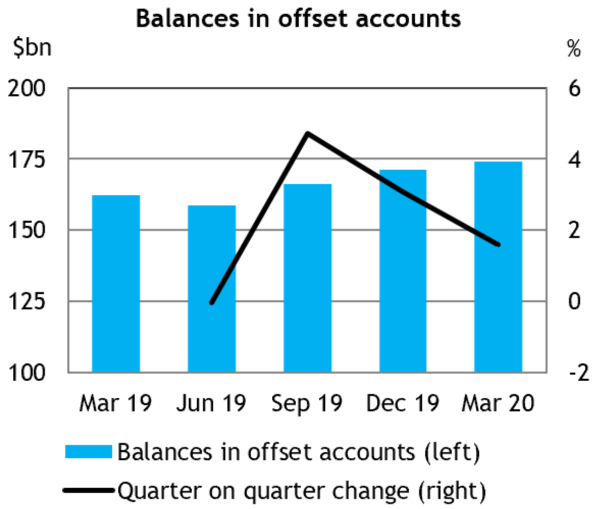


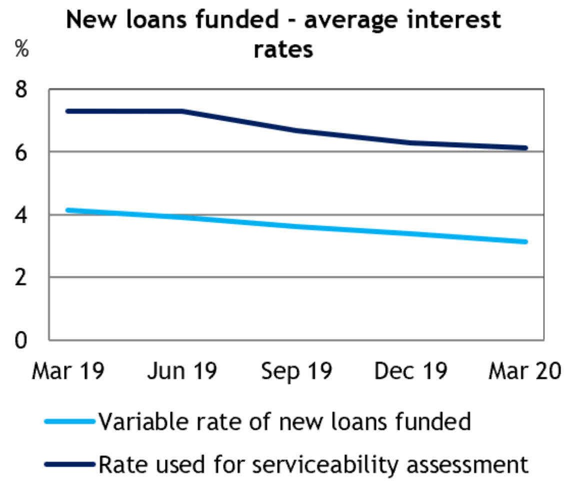


Other residential mortgage indicators:

- Funds in offset accounts have been increasing since the June 2019 quarter, although more recently at a slower rate. Offset account balances totalled $174.0 billion as at 31 March 2020, an increase of 7.2 per cent from March 2019. This is likely somewhat due to decreasing interest rates, enabling households to build larger buffers.

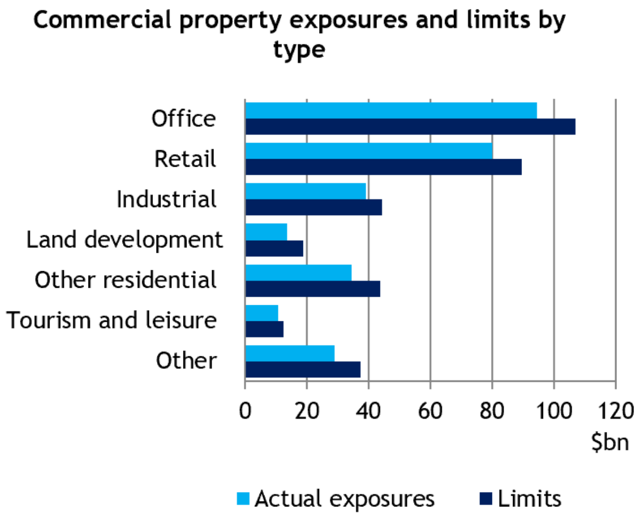
- Average variable interest rates of newly funded loans have continued to fall alongside decreases in the RBA cash rate. APRA's removal of the serviceability assessment rate floor in early 2019 has also lowered average rates used in serviceability assessments.

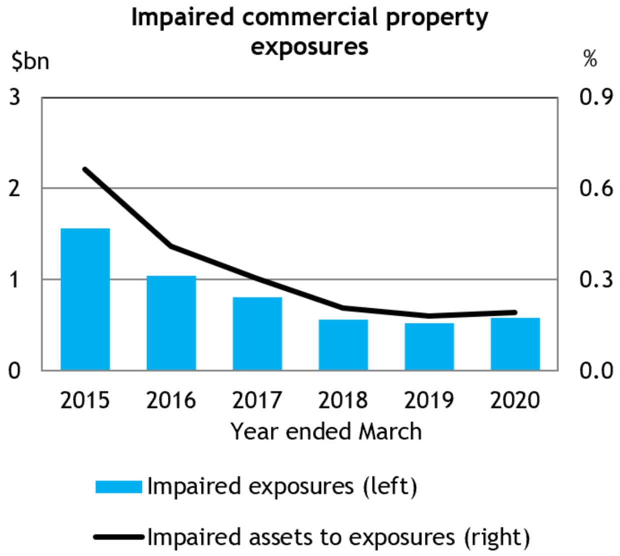




Commercial real estate

- Commercial property exposure limits increased by 5.5 per cent from the March 2019 quarter, to $353.0 billion at the end of March 2020. As at 31 March 2020, the impairment rate remained low at 0.2 per cent, with specific provisions and security held to impaired exposures at a high 99.4 per cent. Given recent economic disruptions, impairment rates will likely increase, particularly for exposures to industries heavily affected by COVID-19.





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