STATISTICS

Quarterly authorised deposit-taking institution property exposure statistics - highlights

December 2020 (released 16 March 2021)

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Residential mortgages

New lending

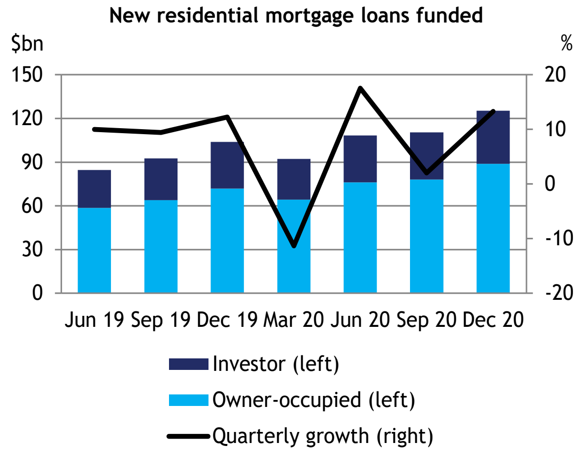
New residential mortgage lending totalled $128.1 billion in the December 2020 quarter, representing an increase in new lending of 13.1 per cent over the quarter and 20.2 per cent compared to the same quarter last year. The increase over the quarter was driven by owner-occupied and investment lending growing by 13.7 per cent and 12.4 per cent, respectively. This is consistent with favourable borrowing conditions including a historically low interest rate environment and government initiatives such as the First Home Loan Deposit Scheme (FHLDS) and the HomeBuilder grant.

According to the available indicators, there is no evidence to suggest a material relaxation in lending standards is accompanying the significant increase in new lending. Lending at higher loan-to-valuation ratios (LVRs) increased slightly, with the share of new lending at LVRs greater than or equal to 80 per cent increasing to 42.0 per cent in the December 2020 quarter from 39.9 per cent in the previous quarter, likely reflective of an increase in first-home buyer activity. Despite this increase, new lending at lower LVRs remains strong, with over half (58.0 per cent) of all new loans funded with LVR < 80 in the December 2020 quarter. The share of new lending at higher LVRs also remains below levels seen over the past decade.

The proportion of new owner-occupied and investment loans with high debt-to-income (DTI) ratios rose marginally over the December 2020 quarter. The share of new loans with 4x ≤ DTI < 6x increased by 0.7 percentage points over the quarter to 43.1 per cent. Similarly, the share of new loans with DTI ≥ 6x grew by 0.9 percentage points to 17.2 per cent, over the same period. The share of high DTI lending in the December 2020 quarter is within its historical average, and does not indicate a significant change in lending conditions.

The share of new residential mortgage loans approved as exceptions to serviceability policy and serviceability verification waivers fell slightly over the December quarter from 1.8 per cent to 1.6 per cent and 1.7 per cent to 1.5 per cent, respectively.

Figure 1.



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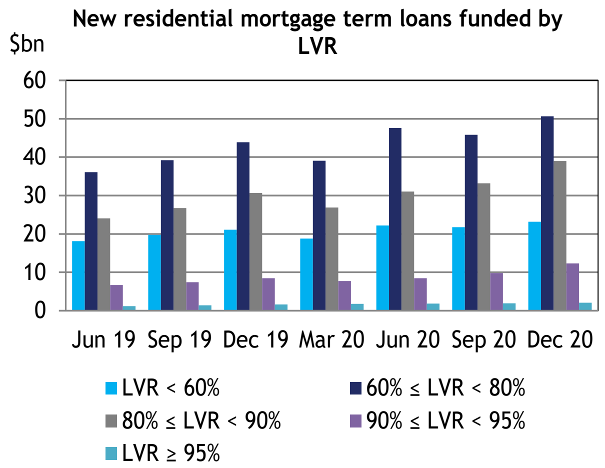

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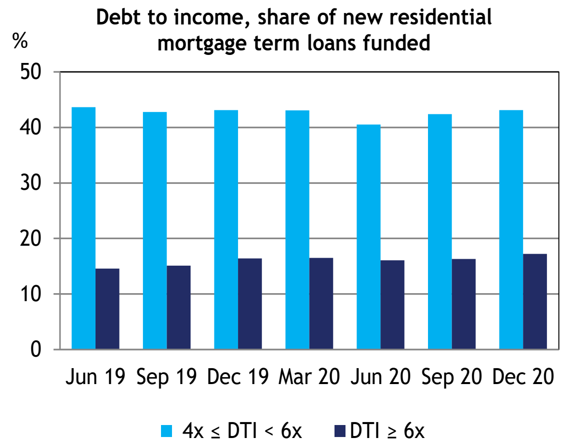

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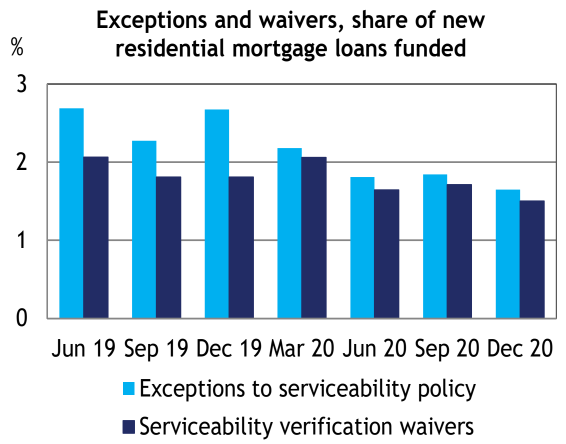


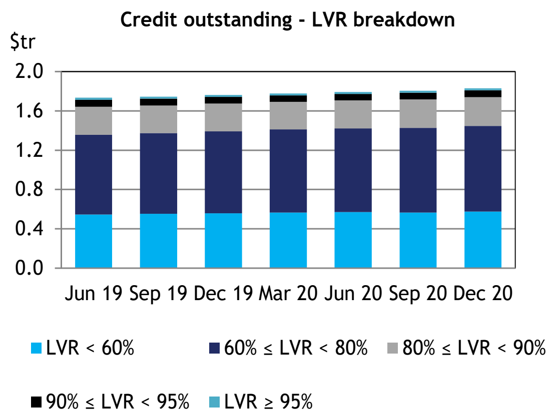
Credit outstanding

Total residential mortgage credit outstanding increased by 1.2 per cent over the quarter and by 3.1 per cent over the year to December 2020. The increase is driven by owner-occupied credit, which expanded by 6.9 per cent over the year, while investment credit declined by 1.0 per cent though has started to increase on a quarterly basis.

Despite the increase in new higher LVR lending in the December 2020 quarter, the majority of outstanding residential mortgage loans remain well covered by collateral. The share of residential mortgages outstanding with LVRs greater than or equal to 90 per cent increased from 4.8 per cent to 4.9 per cent over the December 2020 quarter, while the share with LVRs less than 80 per cent remained stable at 78.9 per cent of term mortgages outstanding.

The interest-only share of outstanding term loans continues to trend downwards to 14.5 per cent from 15.2 per cent in the previous quarter.

Figure 5.



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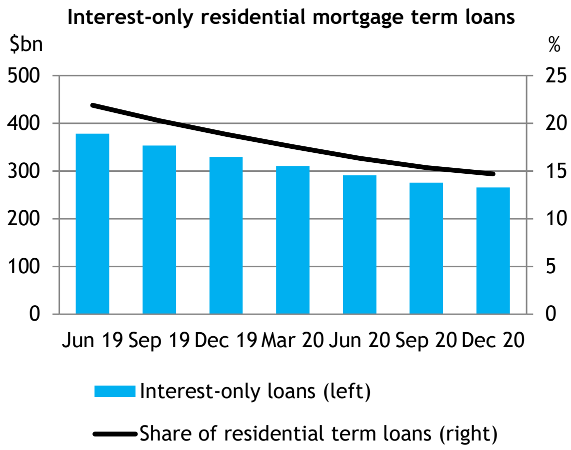

Non-performing loans

The asset quality of housing loans in Australia is stable, with the residential mortgage non-performing loan (NPL) ratio falling slightly from 1.1 per cent in September to 1.0 per cent in the December 2020 quarter. Several factors are driving this outcome including a better than previously-expected economic recovery, government support measures, low interest rates, loan repayment deferrals and the continued strength of the housing market.

Loans which are between 30-89 days-past-due – which may be viewed as a leading indicator of loans that may become non-performing – totalled $11.8 billion as at December 2020, representing a 30.6 per cent increase over the quarter. These loans remain low on a relative basis (0.6 per cent of total loans outstanding) and over a longer historical time period (7.6 per cent lower than December 2019).

New housing NPLs increased from 0.20 per cent of credit outstanding in the September 2020 quarter to 0.22 per cent in the December 2020 quarter. This is a stronger result than seen pre-COVID, where new NPLs represented 0.23 per cent of credit outstanding in the December 2019 quarter.

Overall, residential mortgage asset quality could deteriorate over coming quarters as repayment deferrals expire and government stimulus changes, however some of these impacts may be offset by continued improvement in the economy and low interest rates.

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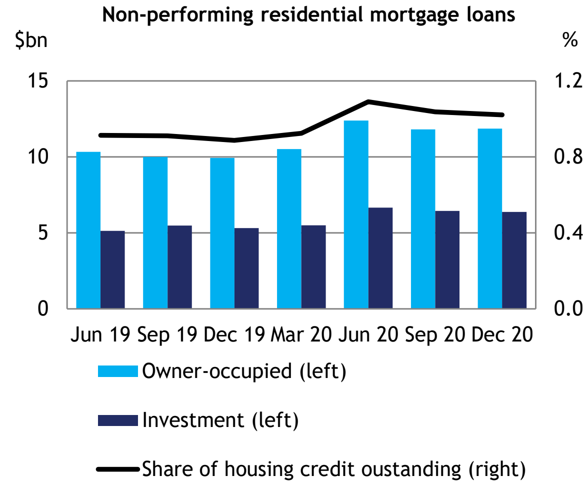

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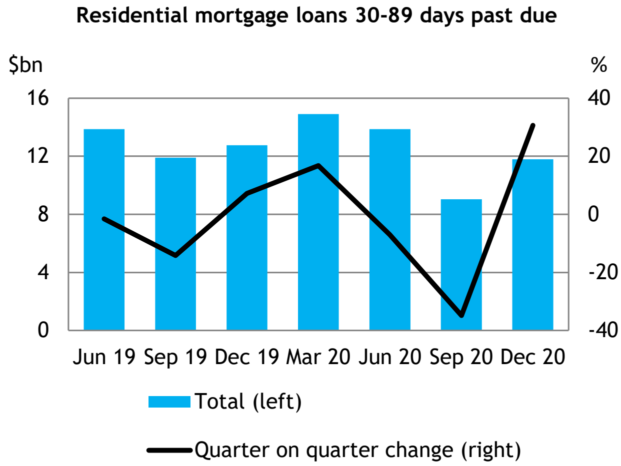
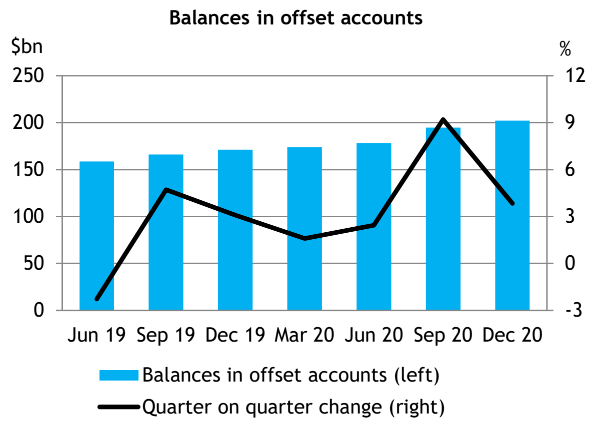


Other residential mortgage indicators

Funds in offset accounts increased by 3.8 per cent over the quarter and 18.0 per cent over the year to $202.1 billion as at 31 December 2020. Continued growth in these accounts is likely due to consumer spending below pre-COVID levels and government support payments increasing household deposit balances.

The declining cash rate over recent years has been associated with a steady decrease in the average variable interest rate of new housing loans. The interest rates applied by ADIs in serviceability assessments have also decreased over this period to average 5.5 per cent in the December 2020 quarter.

Figure 9.



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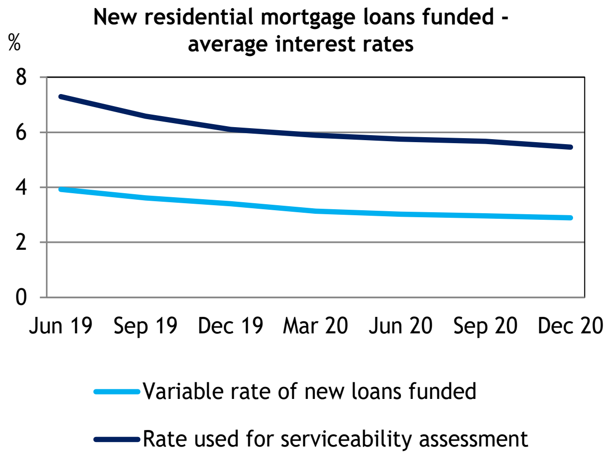

Commercial real estate

Commercial property lending limits increased by 0.7 per cent to $359.1 billion over the December 2020 quarter. Correspondingly, commercial property lending exposures rose by 0.1 per cent to $302.7 billion. The commercial property impairment rate (impaired assets to exposures) remained low at 0.2 per cent, with no substantial impacts of COVID-19 reflected in the data to date. Impairment rates may increase moving forward, particularly for exposures to office and retail properties where weak rental conditions and structural changes (online retail and remote working arrangements) are likely to provide ongoing challenges.

Figure 11.

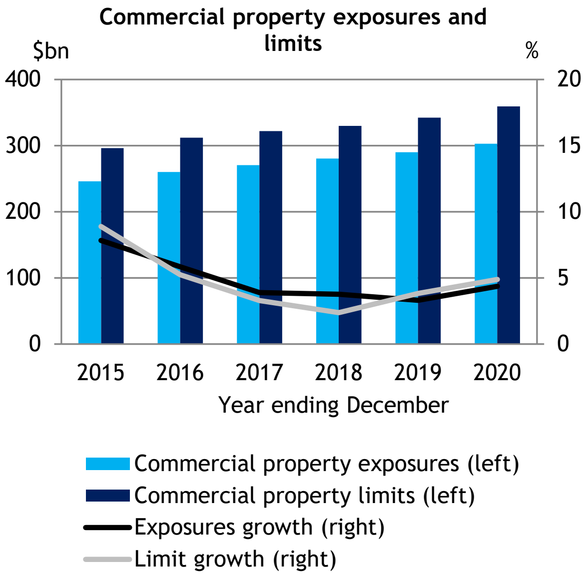

Figure 12.