



# STATISTICS

## Quarterly authorised deposit-taking institution property exposure statistics - highlights

March 2021 (released 8 June 2021)

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# Residential mortgages

## New lending

- New residential mortgage lending declined by 0.8 per cent in the March 2021 quarter, partly reflective of seasonally lower levels of lending in the first three months of the year. Compared with the previous year, new residential mortgage lending increased by 34.4 per cent. Lending to owner-occupiers has grown more rapidly than lending to investors over the year, with growth of 37.7 and 29.7 per cent, respectively. This result is consistent with favourable borrowing conditions including a historically low interest rate environment and government measures supporting first home buyers and new home building.
- New lending at higher loan-to-valuation ratios (LVRs) declined slightly, with the share of new lending at LVRs greater than or equal to 80 per cent decreasing to 41.1 per cent in the March quarter from 42.0 per cent in the previous quarter. New lending at lower LVRs remains high, with over half (58.8 per cent) of all new loans funded at LVRs less than 80 per cent in the March quarter. The share of new lending at higher LVRs also remains below levels seen over the past decade.

Chart 1

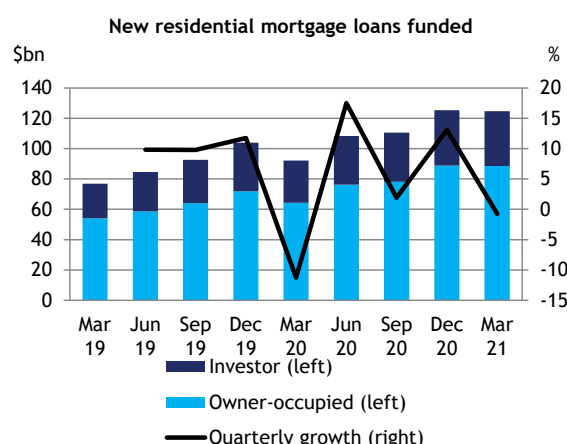
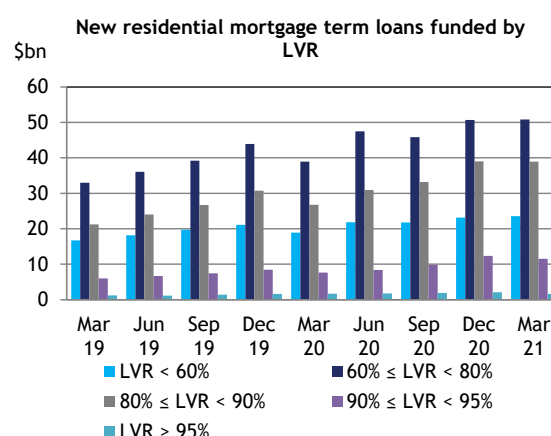
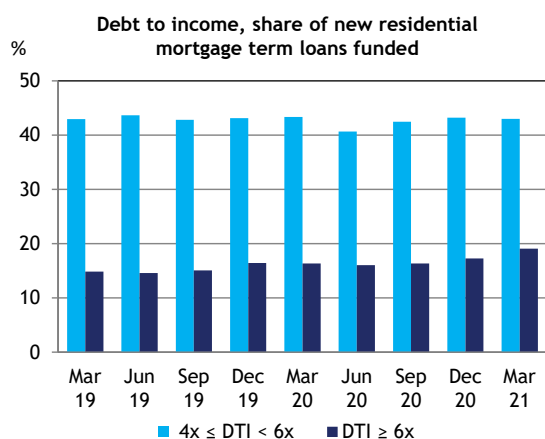


Chart 2

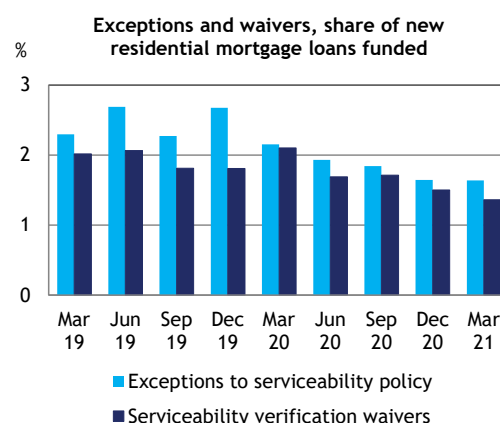


- The proportion of new residential mortgage loans with high debt-to-income (DTI) ratios rose over the March 2021 quarter. The share of new loans with DTI  $\geq 6x$  grew by 1.8 percentage points to 19.1 per cent of new lending in the March quarter, while those with DTI ratios of between 4 and 6 decreased by 0.2 percentage points.
- The share of new residential mortgage loans approved as exceptions to serviceability policy remained constant in the March quarter at 1.6 per cent, while the share of loans approved with serviceability verification waivers decreased marginally by 0.1 percentage points to 1.4 per cent.

### Chart 3



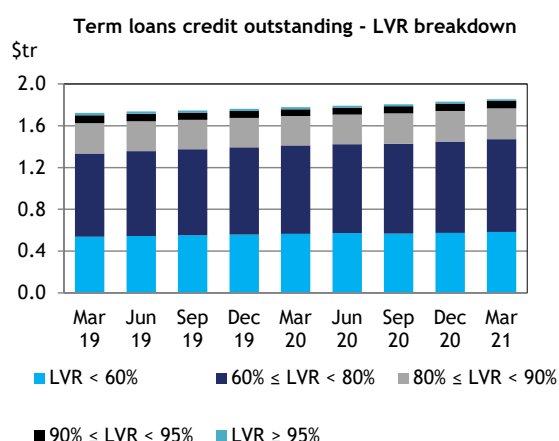
### Chart 4



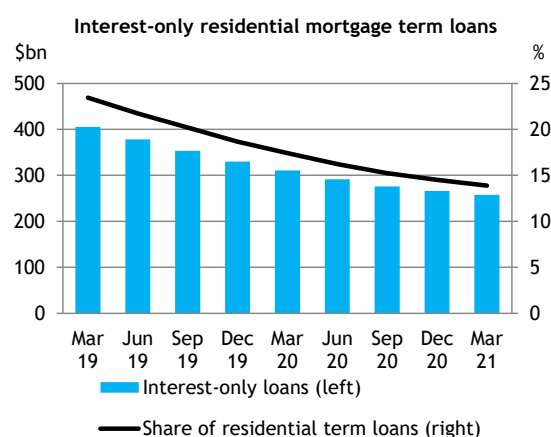
## Credit outstanding

- Total residential mortgage credit outstanding increased by 1.2 per cent over the quarter and by 3.6 per cent over the year to March 2021. The increase continues to be driven by owner-occupied credit, which expanded by 7.4 per cent over the year. While investment credit declined by 0.6 per cent over the year, the pick-up in investor activity over recent months has resulted in a quarterly increase of 0.2 per cent.
- The overall LVR profile of ADIs' housing lending remains strong, with most outstanding residential mortgages well covered by collateral. The share of residential mortgages outstanding with LVRs greater than or equal to 90 per cent decreased incrementally from 4.8 per cent to 4.7 per cent over the March 2021 quarter, while the share with LVRs less than 80 per cent increased slightly from 78.9 per cent to 79.2 per cent of mortgages outstanding.
- The interest-only share of outstanding residential mortgage term loans continues to decline, falling from 14.6 per cent in December 2020 to 14.0 per cent in March 2021.

### Chart 5



### Chart 6



## Non-performing loans

- Asset quality in residential mortgage lending remains stable, with non-performing loan ratios consistent with pre-pandemic levels. The residential mortgage non-performing loan (NPL) ratio increased slightly from 1.04 per cent as at December 2020 to 1.07 per cent as at March 2021. The outlook for NPLs remains uncertain with the expiration of repayment deferrals programs at the end of March, and as some government support measures (including JobKeeper) cease. However, these factors may be offset by continued improvement in the economy and the labour force, and relatively low interest rates.

Chart 7

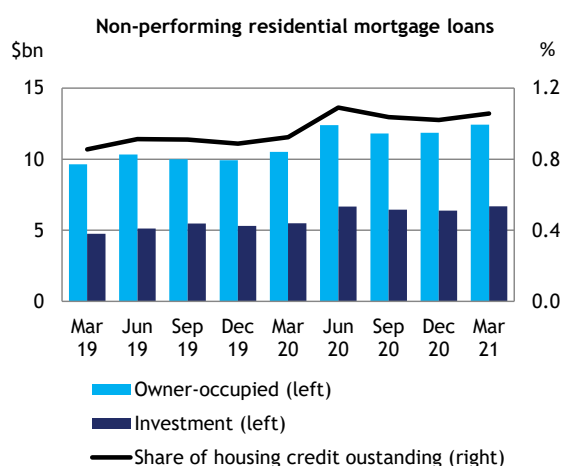
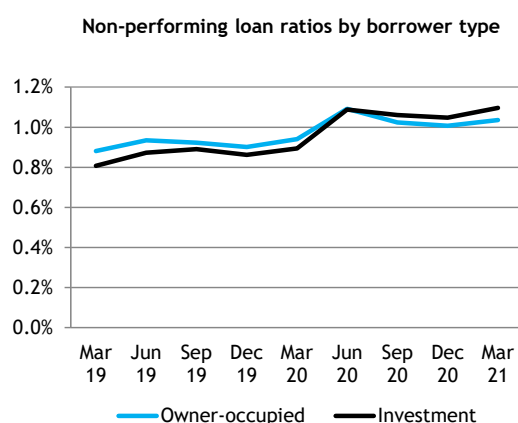
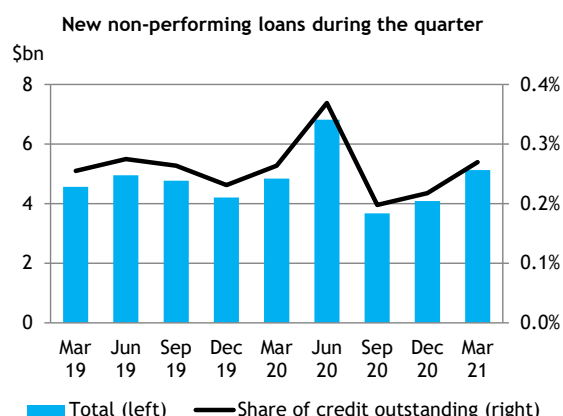


Chart 8

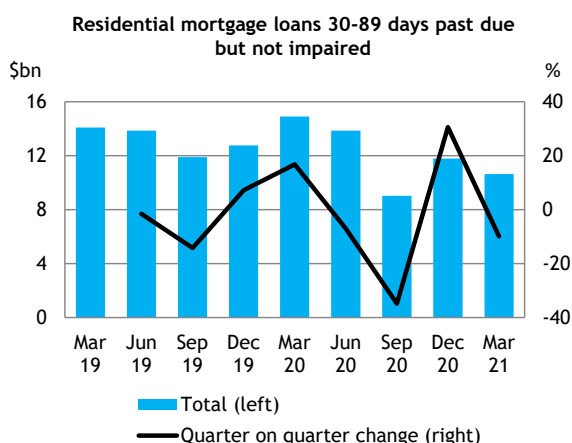


- New housing NPLs increased from \$4.1 billion in the December 2020 quarter to \$5.1 billion in the March 2021 quarter. Despite this, new NPLs remain at a very low level in comparison to credit outstanding, increasing from 0.22 per cent in December 2020 to 0.27 per cent in March 2021.
- Loans which are between 30-89 days-past-due but not impaired – which may be viewed as a leading indicator of loans that may become non-performing – totalled \$10.6 billion as at March 2021. This represented a 9.8 per cent decrease over the quarter and 28.7 per cent decrease over the year. Overall, these loans remain low on a relative basis (0.6 per cent of total residential mortgage loans outstanding) and below pre-COVID-19 levels. Loans in this category may increase in the June quarter as those borrowers who had previously taken up repayment deferrals readjust to making repayments.

### Chart 9



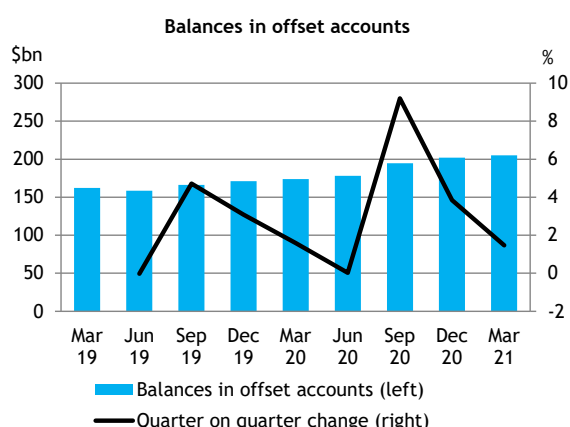
### Chart 10



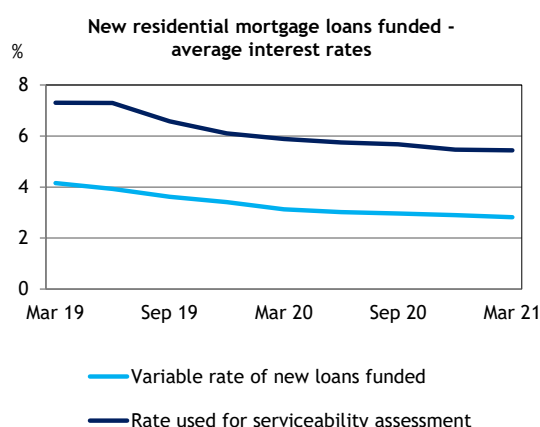
## Other residential mortgage indicators

- Funds in offset accounts increased over the quarter to March 2021, but the growth rate has slowed, increasing by 1.5 per cent compared to 3.8 per cent in the December 2020 quarter. This may be reflective of consumer spending habits returning to pre-COVID-19 levels, and government support payments bolstering household deposit balances. Overall, funds in offset accounts grew by 17.9 per cent over the year to \$205.1 billion at 31 March 2021.
- The declining cash rate over recent years has been associated with a steady downward trend in the average variable interest rate of new housing loans. The weighted average interest rate applied by ADIs in serviceability assessments has tightened slightly from 5.5 per cent in the December 2020 quarter to 5.4 per cent in the March 2021 quarter.

### Chart 11



### Chart 12



# Commercial real estate

- The impact of COVID-19 on ADIs' commercial real estate lending is muted, with commercial property limits increasing by 0.9 per cent to \$362.4 billion over the March 2021 quarter. The commercial property impairment rate (impaired assets to exposures) remained stable over the quarter at 0.2 per cent. The outlook for impairment rates moving forward remains uncertain, 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. The outlook for exposures to the tourism and leisure sector may improve, considering the government's recent stimulus measures to support the sector.

Chart 13

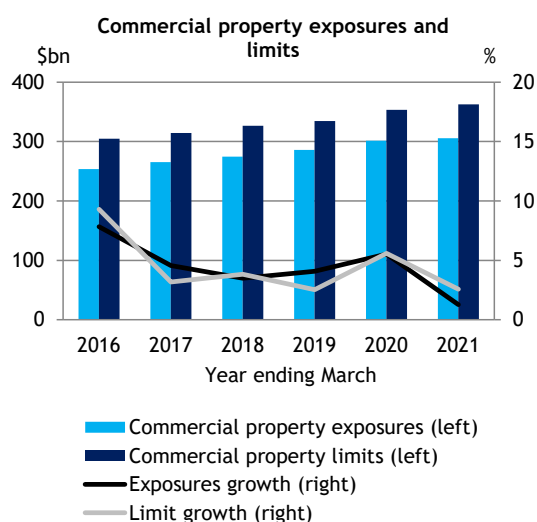
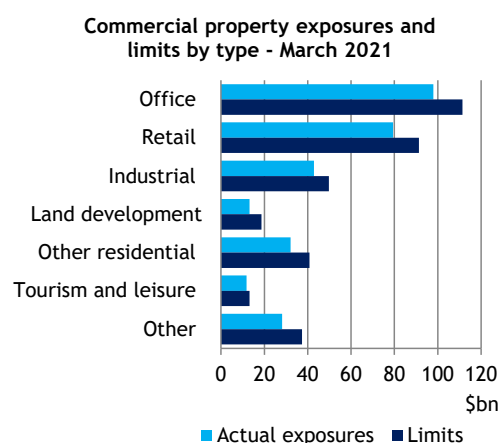


Chart 14







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