# STATISTICS

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

June 2022 (released 6 September 2022)

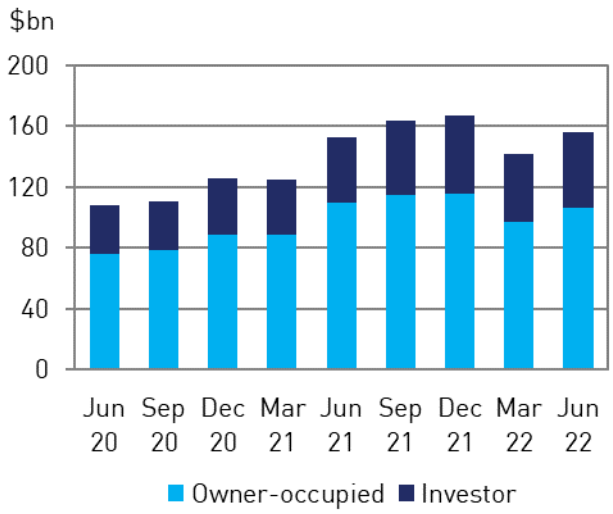
# Contents

# Residential mortgages

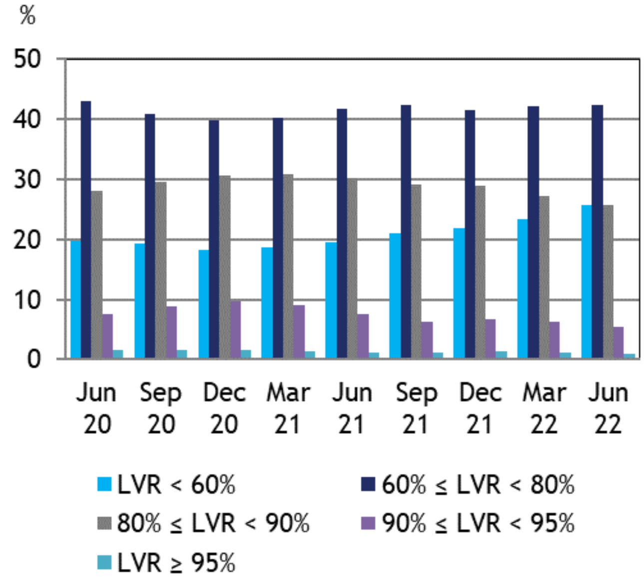
## New lending

- New residential mortgage lending activity remains high, with new loans funded in the June 2022 quarter increasing by 2.4 per cent compared to the June 2021 quarter. The increase was driven by a 13.9 per cent increase in investment lending, while new owner-occupied loans funded saw a 2.6 per cent decline over the same period (Chart 1).
- New lending at higher loan-to-valuation ratios (LVRs) remained low in the June 2022 quarter, continuing its declining trend. The share of new lending at LVRs greater than or equal to 90 per cent decreased to 6.4 per cent in the June 2022 quarter, from 7.3 per cent in the March 2022 quarter. The share of new lending at LVRs greater than or equal to 80 per cent declined to 32.1 per cent in the June 2022 quarter, from 34.4 per cent in the March 2022 quarter (Chart 2).

### Chart 1: New residential mortgage loans funded



### Chart 2: New residential mortgage term loans funded by LVR

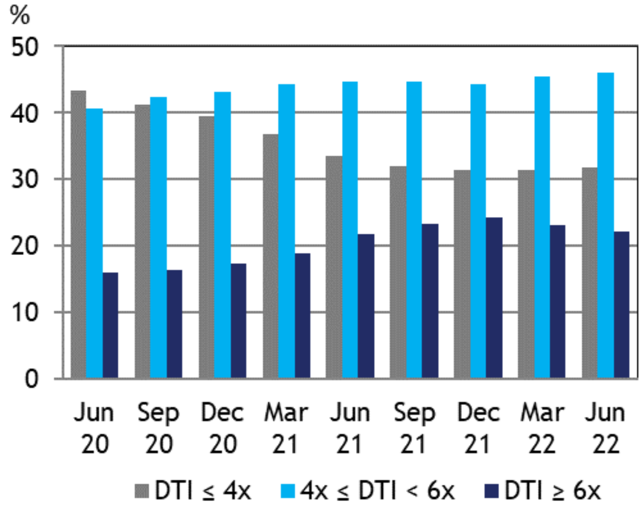



- The proportion of new residential mortgage loans with a high debt-to-income (DTI) ratio (DTI greater than or equal to 6 times) remains elevated but has started to trend down. High DTI lending fell to 22.1 per cent of new lending in the June 2022 quarter, from 23.1 per cent in the March 2022 quarter (Chart 3).

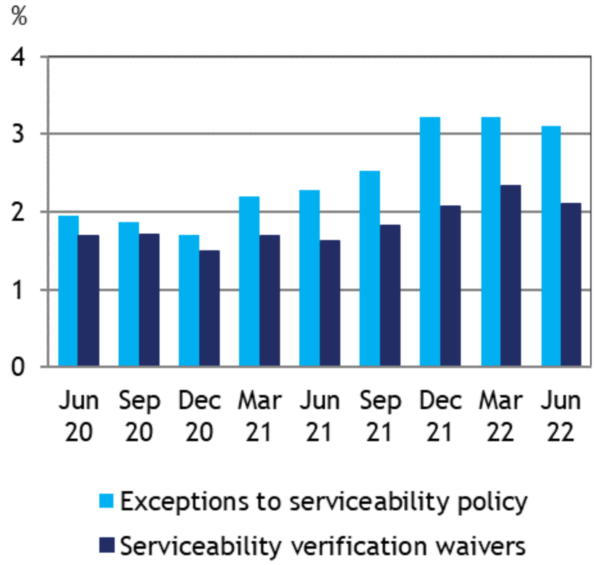
- The decline follows the move to a rising interest rate environment, the increase to the serviceability assessment buffer and lending policy changes within banks. High DTI lending remains above historical levels but is expected to continue to decline.

- The share of new residential mortgage loans approved as exceptions to serviceability policy fell to 3.1 per cent in the June 2022 quarter, from 3.2 per cent in the March 2022 quarter. The share of loans approved with serviceability verification waivers fell to 2.1 per cent in the June 2022 quarter, from 2.3 per cent in the March 2022 quarter (Chart 4).

### 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



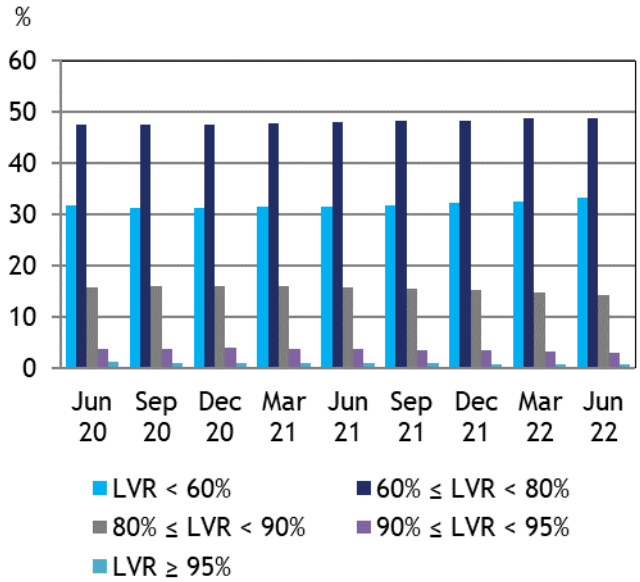
## Credit outstanding

- Total residential mortgage credit outstanding continued to grow in the June 2022 quarter, increasing by 7.3 per cent compared to the June 2021 quarter. This growth was driven by an 8.8 per cent increase in owner-occupied credit and a 6.5 per cent increase in investor credit.

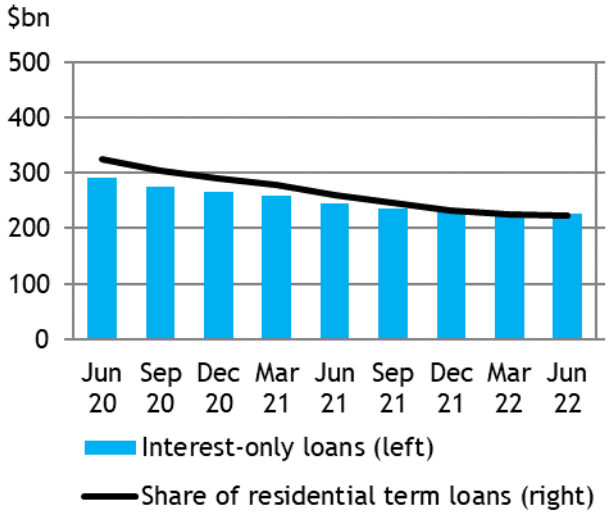
- The share of residential mortgages outstanding with LVRs greater than or equal to 80 per cent declined to 17.8 per cent in the June 2022 quarter, from 18.5 per cent in the March 2022 quarter (Chart 5).

- Interest-only loans as a share of outstanding loans declined to 11.1 per cent in the June 2022 quarter from 11.3 per cent in the March 2022 quarter, continuing its declining trend (Chart 6).

### Chart 5: Term loans credit outstanding – LVR breakdown



### Chart 6: Interest-only residential mortgage term loans



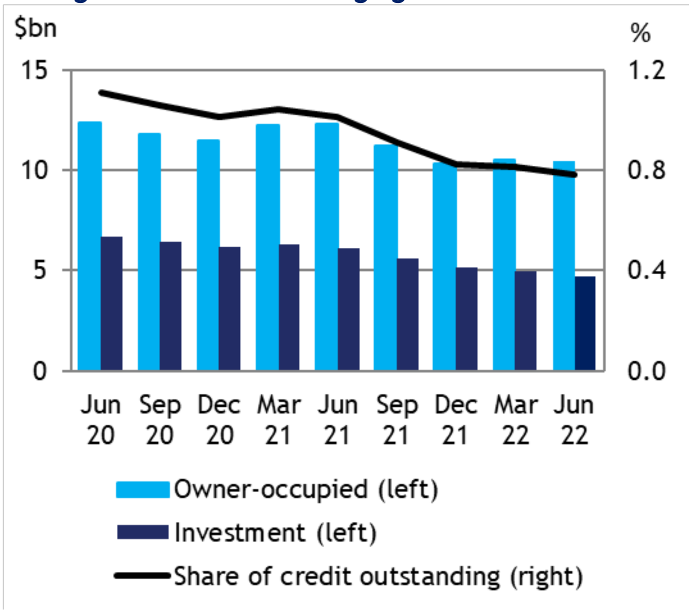

## Asset quality

- The overall asset quality of ADIs' residential mortgage lending portfolio continues to improve. Non-performing loans[1] as a share of total credit outstanding declined to 0.78 per cent in the June 2022 quarter, from 0.81 per cent in the March 2022 quarter (Chart 7).

- Non-performing investment loans as a share of total investment credit outstanding fell to 0.75 per cent in the June 2022 quarter, from 0.80 per cent in the March 2022 quarter. Over the same period, non-performing owner-occupied loans as a share of total owner-occupied credit outstanding declined to 0.77 per cent, from 0.79 per cent (Chart 8).

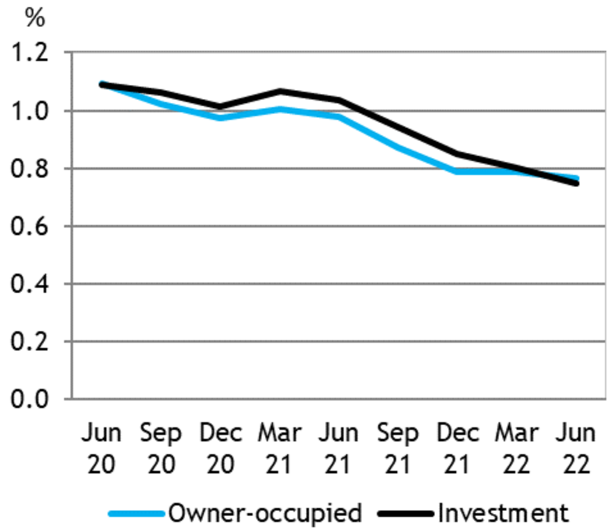
[1] The definition of 'non-performing' has changed since 1 January 2022, as a result of the implementation of the new prudential standard *APS 220 Credit Risk Management*. The previous definition of 'non-performing' (the sum of 'impaired' and '≥90 days past due') ceased in December 2021, while the current definition of 'non-performing' (any exposure that is in default) commenced in January 2022. For more details, please refer to the explanatory note, glossary and the APRA website: *Proposed revisions to the credit risk management framework for authorised deposit-taking institutions*.

### Chart 7: Non-performing residential mortgage loans




Note: the definition of 'non-performing' changed in the March 2022 quarter as a result of the implementation of *Prudential Standard APS 220 Credit Risk Management*.

### Chart 8: Non-performing loan ratios by borrower type



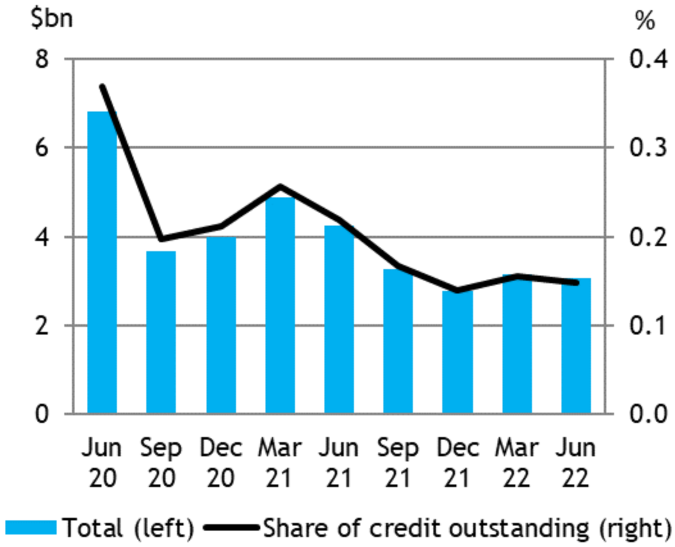

Note: the definition of 'non-performing' changed in the March 2022 quarter as a result of the implementation of *Prudential Standard APS 220 Credit Risk Management*.

- New non-performing loans as a share of total credit outstanding declined to 0.15 per cent in the June 2022 quarter, from 0.16 per cent in the March 2022 quarter (Chart 9).

- It is too early for the full impact of recent interest rate rises to be reflected in this asset quality data. There is generally a lag between banks' interest rate decisions and increases in variable rate borrowers' repayments. The first of the Reserve Bank of Australia's most recent cash rate increases occurred in May 2022, part-way through the June 2022 quarter. As such, a typical variable rate loan would have only experienced one month of repayments that reflected the 0.25 basis point increase in May, and experienced less than one month of repayments that reflected the 0.50 basis point increase in June.

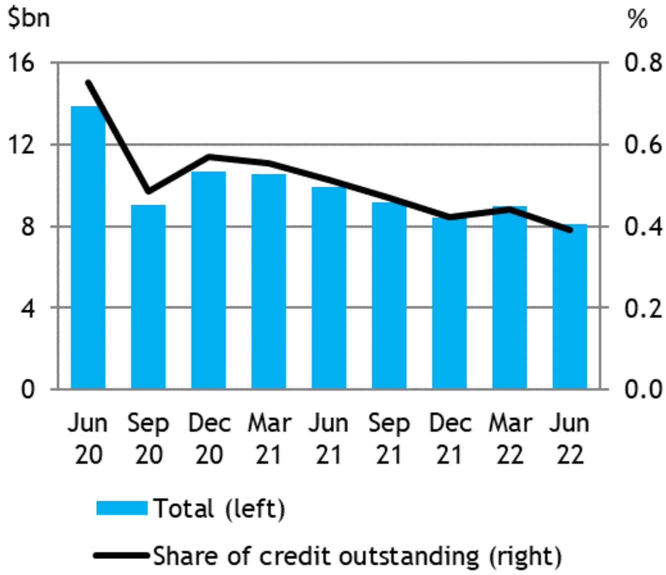
- *Prudential Standard APS 220 Credit Risk Management* sets out the requirements for recognising a loan as non-performing. These include, but are not limited to, when a borrower is 90 days past due on payments. Residential mortgages between 30 and 89 days-past-due can therefore be viewed as a leading indicator for loans that may become non-performing. These were 0.4 per cent of total credit outstanding in the June 2022 quarter, unchanged from the March 2022 quarter (Chart 10).

## Chart 9: New non-performing loans during the quarter




Note: the definition of 'non-performing' changed in the March 2022 quarter as a result of the implementation of *Prudential Standard APS 220 Credit Risk Management*.

### Chart 10: Residential mortgage loans 30-89 days past due



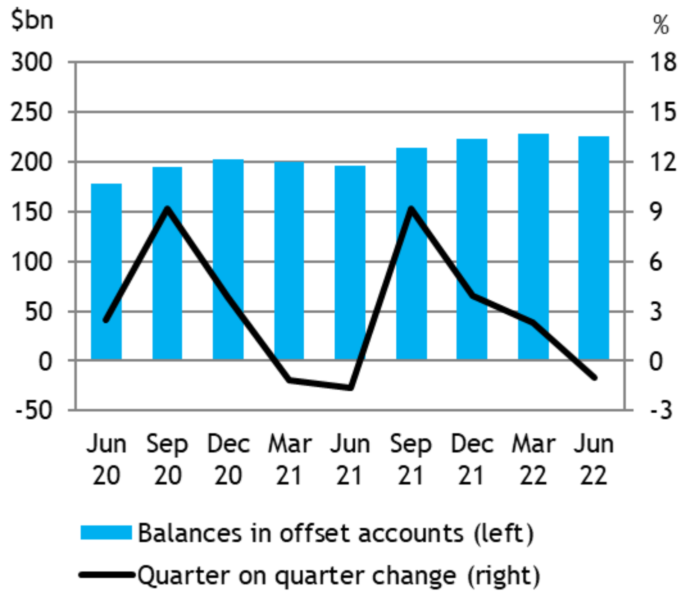

## Other residential mortgage indicators

- The value of funds in offset accounts decreased by 1.0 per cent to $225.7 billion in the June 2022 quarter, from a peak of $228.0 billion in the March 2022 quarter (Chart 11).

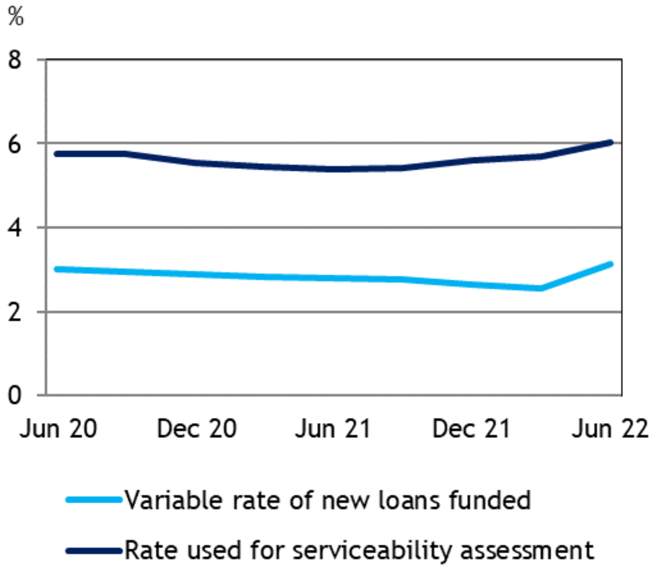
- The weighted average variable interest rate of new housing loans rose to 3.1 per cent in the June 2022 quarter, from 2.5 per cent in the March 2022 quarter. The rise follows two cash rate increases in May and June 2022.

- The weighted average interest rate applied by ADIs to serviceability assessments increased to 6.0 per cent in the June 2022 quarter, from 5.7 per cent in the March 2022 quarter.

## Chart 11: Balances in offset accounts




## Chart 12: New residential mortgage loans – weighted average interest rates



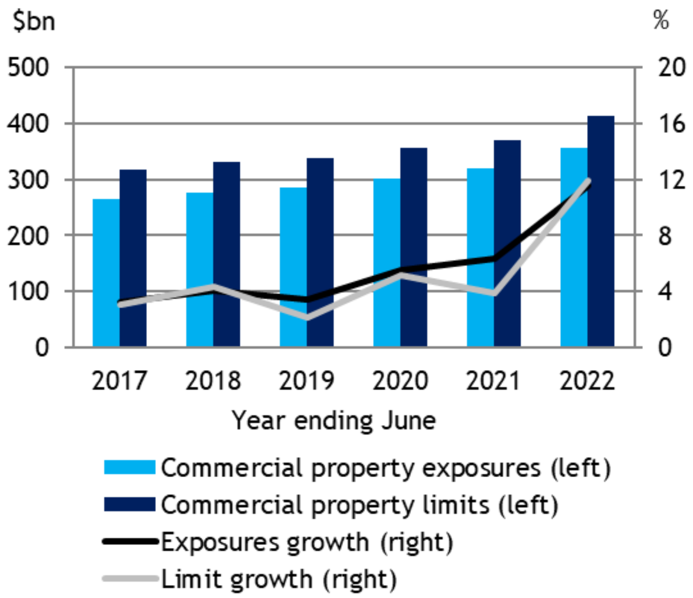
# Commercial Real Estate

- Commercial property lending continued to trend upwards in the June 2022 quarter. Compared to the June 2021 quarter, exposure limits increased by 12.0 per cent to $413.7 billion, while actual exposures increased by 11.6 per cent to $357.4 billion.

- Actual exposures for land developments and subdivisions saw the largest increase in the year to June 2022, rising 23.4 per cent compared to June 2021. This was followed closely by industrial sector actual exposures, which grew by 20.8 per cent over the same period.

- Non-performing commercial property loans as a share of total commercial property actual exposures were 0.5 per cent in the June 2022 quarter, unchanged from the from the March 2022 quarter. Specific provisions as a share of non-performing commercial property exposures declined to 13.1 per cent in the June 2022 quarter, from 13.3 per cent in the March 2022 quarter.

### Chart 13: Commercial property exposures and limits



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