



# STATISTICS

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

September 2023 (released 5 December 2023)

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# Key messages

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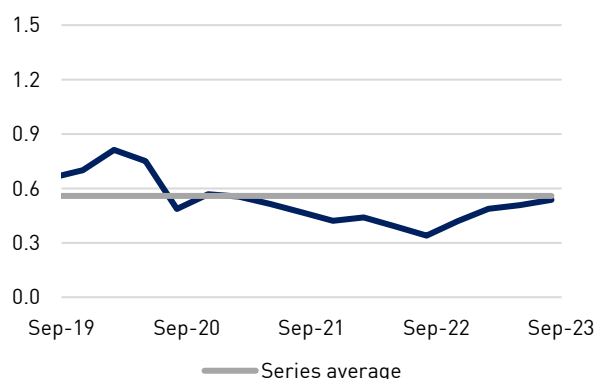
- **Mortgage refinancing reached a new high in absolute terms, in part driven by strong competition**, as borrowers changed lenders in search of lower lending rates and cash-back offers. Despite this competition, banks maintained prudent lending standards.
- **Borrowers showed resilience in the ability to service higher mortgage repayments** despite the impact of higher interest rates and cost of living pressures. Both arrears and non-performing loans remained at low levels, and offset balances continued to increase.
- **Early signs of stress have started to emerge in commercial real estate** as reflected in the increase in non-performing loans.

# Residential mortgages: credit outstanding

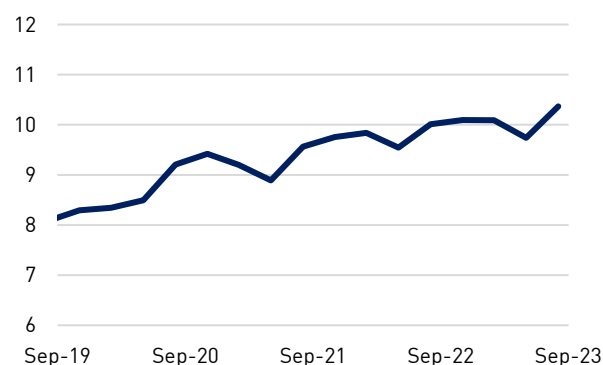
## Borrowers were able to meet higher loan repayments

- Borrowers continued to meet their required mortgage repayments despite continued cost of living pressures and increases in interest rates.
- Only 0.54 per cent of loans were 30-89 days past due in September 2023, marginally higher than June 2023. This early-stage arrears rate remained below pre-pandemic levels.
- Balances in offset accounts increased further in the quarter. These balances continue to provide a buffer against higher mortgage repayments.

Loans 30-89 days past due, share of credit outstanding (%)



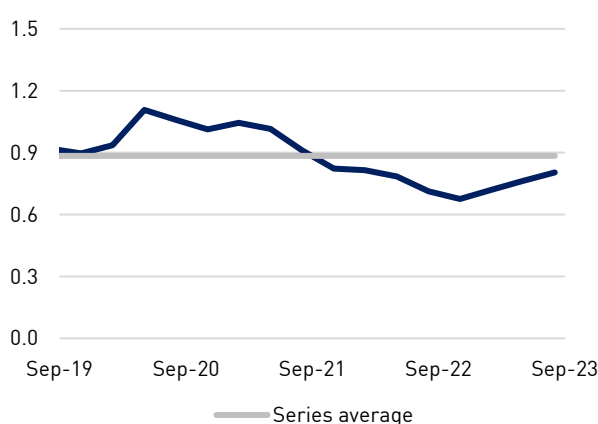
Balances in offset accounts, share of total credit limits (%)



## Housing loan performance remained strong

- Arrears and non-performing loan rates remained low, which reflected households' ability to continue to service their loans and growth in property prices.
- The non-performing loan ratio increased marginally to 0.80 per cent over the September 2023 quarter. It remained below pre-pandemic levels.
- The majority of non-performing loans have adequate security coverage to cover the outstanding debt. Only 14 per cent had a loan-to-valuation ratio greater than 90 per cent.

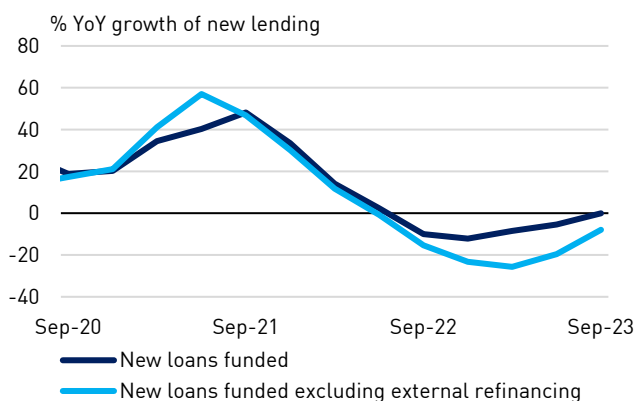
Non-performing loans, share of credit outstanding (%)



# Residential mortgages: new lending

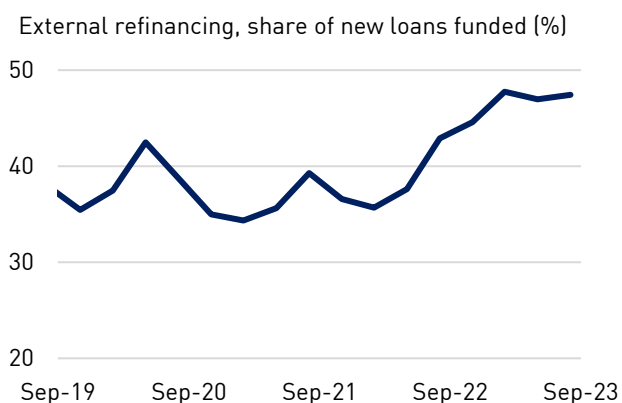
## New lending excluding refinancing continued to decline

- New lending continued to decline from its high in December 2021. Forward indicators, such as new loan commitments, suggest a return to growth in the near term.
- New lending excluding refinancing was 8 per cent lower than the same quarter last year.
- Total new housing lending was stable compared to the same quarter last year. Investor lending grew by 6.8 per cent over the same period. This was offset by owner-occupier lending, which fell by 2.8 per cent.



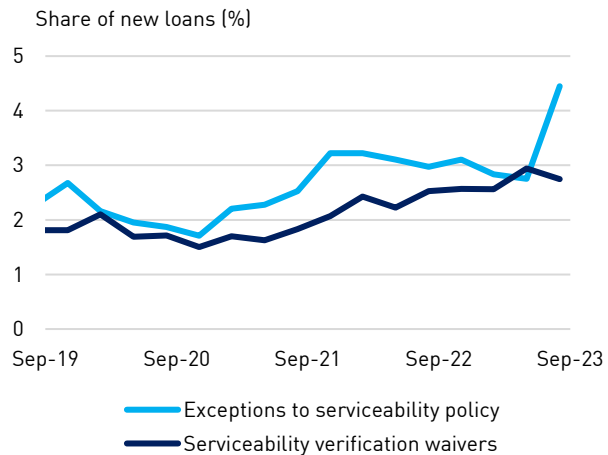
## Strong market competition drove refinancing activity to near record high levels

- Borrowers changed lenders at a record rate, attracted by lower interest rates and cash-back offers.
- External refinancing was at new highs in the September 2023 quarter in absolute terms. External refinancing was 47 per cent of new loans funded.



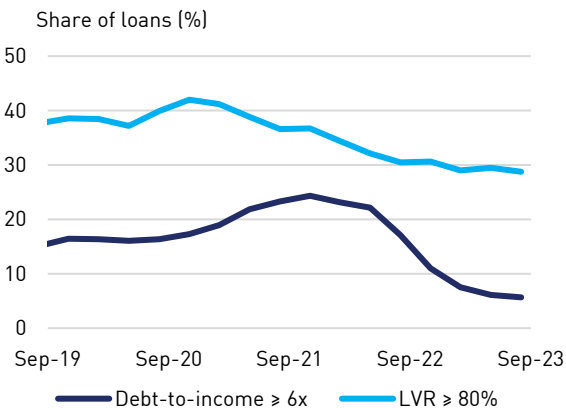
## Higher levels of refinancing drove an increase in bank policy exceptions

- Higher interest rates have made it difficult for some borrowers to refinance with another lender because they may no longer meet standard loan criteria. Some ADIs are applying exceptions to these criteria by considering other indicators of repayment capacity.<sup>1</sup>
- These specific exceptions drove a sharp increase in overall exceptions to serviceability policy. If these were excluded, exceptions to serviceability policy were stable.
- The level of exceptions to serviceability policy increased in the September quarter to 4.4 per cent of new lending, from 2.8 per cent in the June 2023 quarter.



## Despite strong competition, banks maintained prudent lending standards

- Lending standards have remained prudent. The share of new loans with a loan-to-value ratio greater than or equal to 80 per cent decreased to 28.7 per cent, which is its lowest level since the series began in March 2019.
- Borrowers are taking on less debt relative to their incomes, as higher interest rates have reduced borrowing capacity. The share of borrowers with total debt over six times their income declined to 5.7 per cent. This is also the lowest level reported for this series since the series began in March 2019.

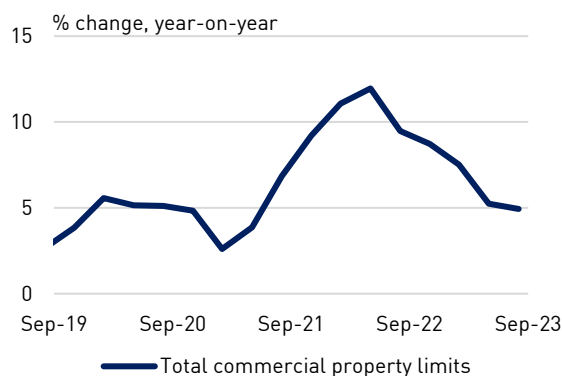


<sup>1</sup> Letter to all ADIs: [Housing lending standards: Reinforcing guidance on exceptions](#) | APRA 9 June 2023

# Commercial real estate

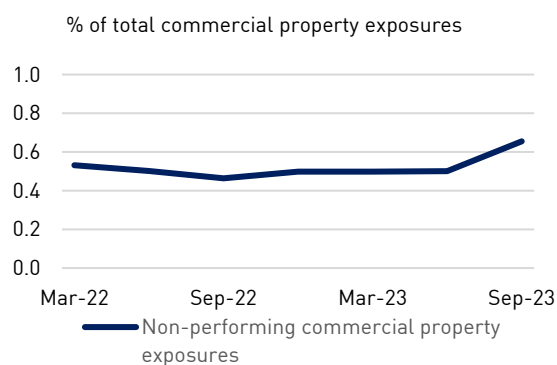
## Commercial real estate lending continued to grow

- Commercial real estate exposure limits grew by 4.9 per cent in the year to September 2023.
- Industrial property had the highest growth rate, of 13.2 per cent in the year to September 2023. This was driven in part by demand for warehousing.
- The tourism and leisure property sector was the weakest, with exposure limits decreasing by 1.1 per cent over the same period.



## Early signs of stress have started to emerge in commercial real estate

- Structural and economic trends since the pandemic have affected valuations and cash flows in many commercial real estate portfolios. This has resulted in a small increase in non-performing loans.
- Non-performing exposures increased to 0.65 per cent of total commercial property exposures over the September 2023 quarter, from 0.50 per cent in June 2023.
- Despite this increase, the non-performing rate in commercial real estate lending remained lower than for ADIs' overall lending.







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