

Lendi Group 2023 Housing Report: A Year of Rising Costs, Stagnant Incomes and Falling Equity

Stagnant incomes, higher mortgage repayments, increased barriers to entry and stubborn lender loyalty tax are the key findings of the Lendi Group 2023 Home Loan Report. This unusual mix of cost pressures illustrates a year of sustained mortgage strain on current and prospective Australian homeowners.

The report, comprising data collected across Lendi, Aussie and Domain Home Loans from January to the end of November, provides a worrying snapshot of the lived Australian property experience in 2023 and the real impacts of sustained economic pressure on households.

Over the course of 2023, the median income for borrowers fell by 3% to \$95,000, despite variable mortgage rates for Owner Occupiers increasing by 40% across the year or \$528 a month on a \$500,000 variable, P&I loan.

Lendi Group Co-Founder & CEO David Hyman says this higher rate environment brought with it significant affordability challenges, particularly for the younger generation and those on an average wage.

“The data shows Australian’s have met unprecedented head winds in their fight for the Aussie dream, an environment not seen for the past 12 years, yet they are not giving up on the prospect of homeownership.

“The data tells of income stagnation coupled with rising costs, but it is all compounded by a loyalty tax to existing borrowers not making a lender switch. This is why it is crucial for homeowners to challenge the status quo and reclaim their agency, to ensure they are getting the best deal in a difficult market.

“Across all loan applications, the average age of single borrowers was 41 and for couples was 40, showing just how hard it is for the younger generation or those on lower incomes to make it in Australia’s property market under current market conditions.

“Our data shows just 20% of all home loan applicants this year were single and earned a median income of \$109,000 a year. This suggests you either need a dual income household or earn well above the Australian average wage to be able to afford a home loan, which locks out a considerable portion of the nation’s population.

“We also know First Home Buyers are being hit the hardest, bearing the brunt of the higher rate environment. Over 2023 we saw a 12% decrease in home loan applications among this cohort. Now, First Home Buyers account for just 35% of all loan activity, which is a significant fall on 2022.

“But despite these barriers to entry, new purchases are up 6%, even if affordability on what people can buy is down. This shows Australians are willing to give up on a lot of other things, before they give up on the dream of homeownership.”

The Home Loan report also illustrates a series of persistent market challenges for existing homeowners, with equity on the decline and average purchase value for new purchases in 2023 falling by 2% across the Nation.

“In 2022, 51% of Australian borrowers who refinanced owned more than 60% of their property, however this fell to 45% in 2023, which means more Australians own less of their homes.

“Seeing the amount of equity retreating in 2023 is disheartening. As Brokers we know equity is a powerful asset which not only provides homeowners a safety net and the ability to decrease mortgage payments but can be used to fund renovations and for parents, support their children to get their own foot into the housing market.

“We also saw fewer people refinancing, despite the number of homeowners rolling off their fixed-rate home loans rising, suggesting an increased level of apathy. Our message to these property owners is that there is still competition in the market and deals to be had, evidenced by the increasing number of borrowers switching to non-major banks.

“We also know Lender loyalty tax is still present and having a big impact on what borrowers are paying each month. Right now, existing borrowers are on average being charged rates 29 basis points higher than new borrowers. 29 basis points might not sound like life changing money, but refinancing and saving this can counteract an entire rate increase.”

Despite the difficulties faced by current and prospective homeowners in 2023, Lendi Group remains positive that the challenges in the market can be met and that more, regular Aussies can afford homes and challenge the institutions to do better, with an expert in their corner.

“Every rate increase in 2023 has led to more conversations between our brokers and people that have woken up to the difficulties of the current market. Now 71% of all mortgages in the market are facilitated by a broker, and everyday our teams are helping borrowers make decisive moves to either crack into the market or get a better deal and save on their household's bottom line.

“While we don't expect the challenging conditions of 2023 to vanish in 2024, our mortgage brokers expect to use every tool they have in the year ahead to equip borrowers to navigate these hard times and continue to create wealth through homeownership.”

ENDS

ABOUT LENDI GROUP

Aussie and Lendi were both founded as market disruptors with a common aim to help Australians get access to better deals, better rates and better information on their home loans.

David Hyman and his fellow co-founders, Sebastian Watkins, Martin Lam and Mark Kalajzich, started Lendi in 2013 with a mission to change the way Australians got home loans by challenging the status quo in the mortgage market. In 2016, the Lendi platform was launched.

Aussie was founded in 1992 by John Symond to bring competition to the Australian home lending industry and since then has helped over 1.5 million customers find a home loan.

In 2021, Lendi and Aussie merged to create Lendi Group. Today, Lendi Group is home to Australia's number one home loan platform, a network of over 1300 brokers, a head office team of more than 600, a loan book in excess of \$100 billion, a retail footprint of more than 236 stores across the country and writes 1 in 15 loans across the nation. Visit <https://lendigroup.com.au/> for more.

*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023

*2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022

2023 HOME LOAN REPORT

The 2023 Lendi Group Home Loan Report represents data collected across Lendi, Aussie and Domain Home Loans from January 2023 to November 2023.



2023 was a year of sustained mortgage pressure for Australian homeowners following an aggressive rate tightening cycle in 2022.

As of November 2023, the Reserve Bank of Australia had moved the official cash rate by an additional 1.25%, on top of the 3% hike experienced across 2022.

With this, the median variable mortgage rate available to Owner Occupiers rose 1.63% over the course of the year.

Loan Type	2022	2023
Variable	5.34%	6.97%
Fixed	5.38%	6.5%

Homeowners who took out a \$500,000 P&I, variable, 30-year home loan, following the full 1.63% increase, will be an additional \$528 out of pocket every month, than in 2022.

Monthly Repayments	2022	2023
\$500,000 Loan	\$2,788	\$3,316
\$750,000 Loan	\$4,183	\$4,974
\$1,000,000 Loan	\$5,577	\$6,632

As interest rates continue to creep higher, less borrowers are opting for Fixed Rate loans. In 2023, 90% of all borrowers chose a variable rate for their mortgage, an increase of 3% on 2022.

Last year, the rising-rate environment had a considerable impact on the type of activity in the loan market, with refinancing eclipsing new loans. While this trend continued in 2023, refinancing volumes fell 6% in favour of new loans.

Total Loan Activity	2022	2023
Refinancing	75%	69%
New Loans	25%	31%

Despite the mounting repayment costs posed by higher rates, less homeowners opted for an interest only loan, down 1% on 2022.

Loan Type	2022	2023
Interest Only	7%	6%

*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
*2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



This too is reflective of a dampened investor market, with 4% fewer investor loan applications in 2023. In total this year, investors seeking new loans accounted for 24% of all home loan applications.

INVESTOR LOAN APPLICATIONS

2022	2023
28%	24%

The median Australian property value for new purchases in 2023 was fairly steady, down 2% or \$14,000 in 2022.

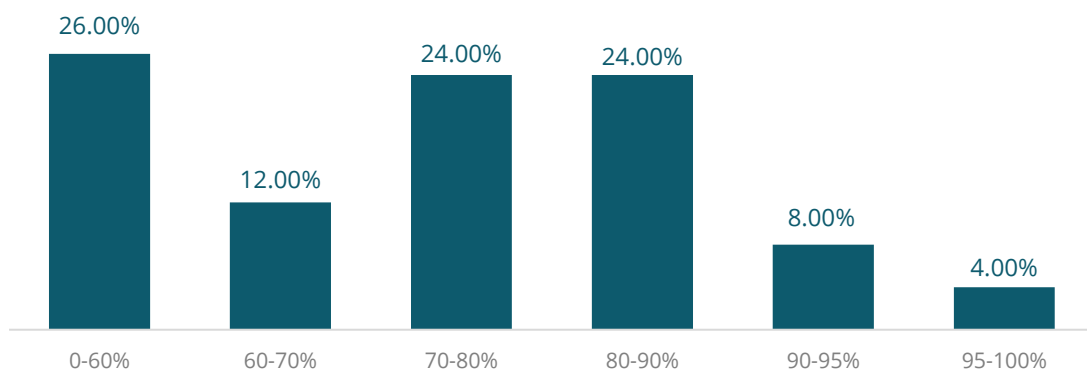
MEDIAN HOME LOAN

2022	2023
\$687,000	\$673,000

Loan to Value Ratios (LVR) for new purchases remained mostly unchanged.

2% more buyers purchased in the 70-80% LVR band than in 2022, while an additional 1% of borrowers stretched to an LVR of 95-100%.

LVR BANDS FOR NEW PURCHASES (2023)



*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
 *2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



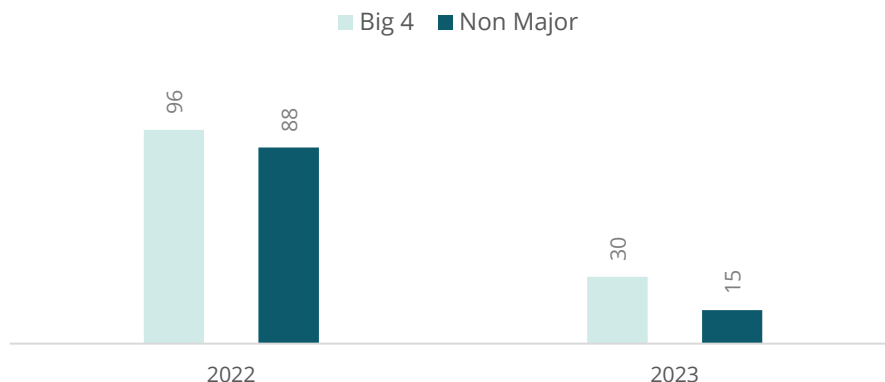
LENDI LOYALTY INDEX

The Lendi Loyalty Index shows banks and lenders continue to prioritise new business over existing clients.

As of November 2023, existing borrowers are on average still being charged rates 0.29 basis points higher than new borrowers, however, this is a substantial improvement on rates offered to existing borrowers in 2022, where the median lender Loyalty Tax across all lenders was 1.25bps.

During 2023 a .30bps Lender Loyalty difference applied to customers in the Big4 Banks, compared to .15bps for the Non Majors.

LOYALTY TAX INDEX



*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
*2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



LOAN DEMOGRAPHICS

In 2023, the median income of borrowers dropped from \$97,000 to \$95,000 despite mortgage repayments continuing to increase.

Single borrowers, who account for every 2 in 10 loans, earned well above the Australian average wage, with a median yearly income of \$109,000.

Household income also took a hit in 2023, down 3%. Couples earned an individual income of \$91,000 or combined income of \$182,000, compared to \$189,000 in 2022.

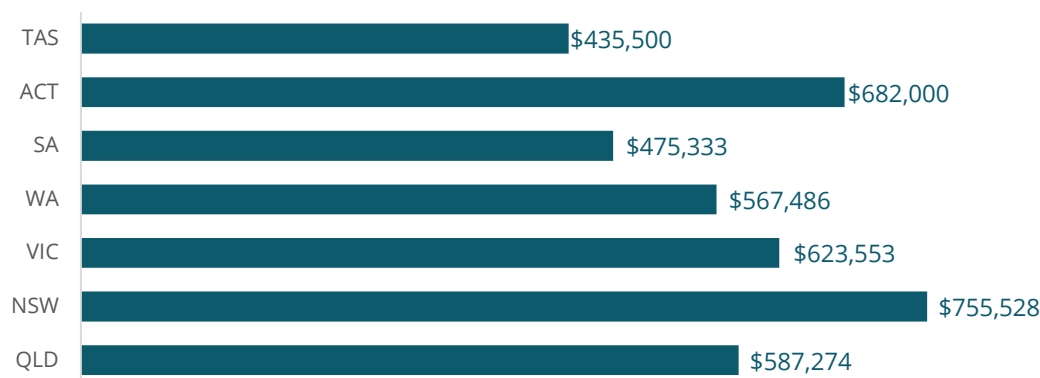
Applicant Type	Median Individual Income 2022	Median Individual Income 2023
All Applicants	\$96,943	\$94,952
Single Applicants	\$108,000	\$109,000
More than One Applicant	\$94,500	\$91,000

Homeownership continued to be a challenge for younger demographics. The median age of single home loan applicants was 41 years old, while the median age of couples was 40.

STATE BY STATE

There was a 2% decrease in median property values across Australia for new purchases in 2023. Values decreased in all States and except Tasmania and Western Australia which saw median price rises of 20% and 14% respectively.

AVERAGE PROPERTY PRICE BY STATE (2023)



Queensland experienced the largest decrease in property values for new purchases, with prices dropping 12% to November 2023, followed by the ACT and Victoria which saw a decline of 9% and 8% respectively.

*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
 *2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



The Top Suburbs for home purchases in 2023 were:

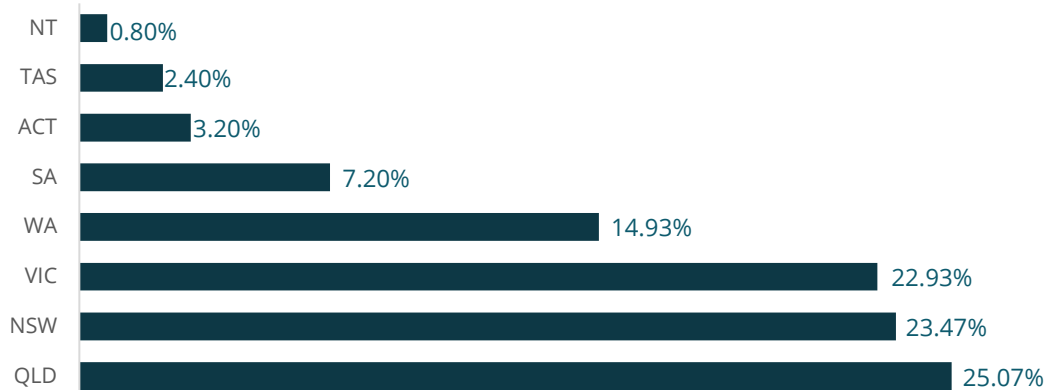
1. 3030, Point Cook, VIC
2. 4209, Coomera, QLD
3. 3064, Craigieburn, VIC
4. 2765, Marsden Park, NSW
5. 2560, Campbelltown, NSW
6. 3029, Hoppers Crossing, VIC
7. 6164, Beeliar, WA
8. 4207, Logan, QLD
9. 4300, Springfield, QLD
10. 3977, Cranbourne, VIC



As of November 2023, Queensland holds the highest proportion of customers who remain on a fixed rate, followed by New South Wales and Victoria.

In comparison, just 3.2% of homeowners in the ACT and 2.4% in Tasmania are on a fixed rate mortgage.

FIXED RATES BY STATE (2023)



*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
 *2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



FIRST HOME BUYERS

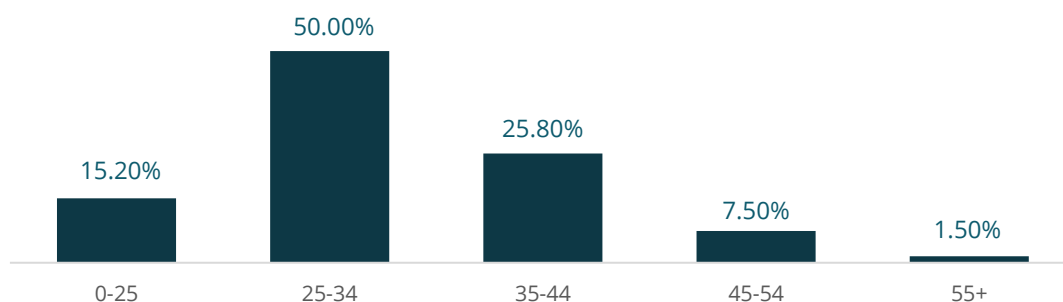
With rising rates, higher inflation and falling wages, the proportion of First Home Buyers able to crack into the property market decreased in 2023.

First Home Buyer loans accounted for 35% of all borrowing activity across the year, falling a considerable 12% on 2022.

2022	2023
47%	35%

Despite the difficulties posed to this cohort, there was a minor decrease in the median age of a First Home Buyer in 2023, down from 32 to 30 years old.

FIRST HOME BUYERS (2023) *BY AGE*

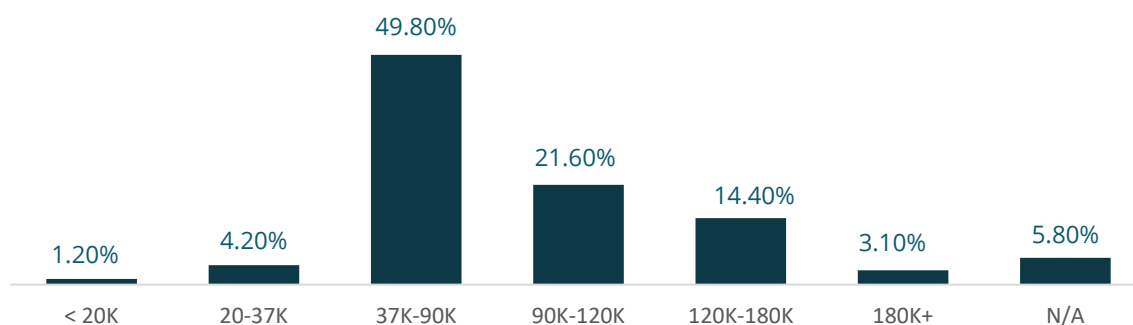


50% of First Home Buyers across Australia were in the 25 to 34 age category, followed by 26% in the 35 to 44 category. Under 25-year-olds accounted for just 15% of the total 2023 First Home Buyer market.

First Home ownership on one income continued to pose a significant challenge, with single buyers making up just 28% of all applicants in 2023.

The majority of First Home Buyers were either Married (35%) or in a De-facto relationship (35%).

FIRST HOME BUYERS (2023) *BY ANNUAL INDIVIDUAL INCOME*



*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
 *2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



Half of all First Home Buyers earned an individual salary of between \$37,000 and \$90,000 annually, while 22% earned between \$90,000 and \$120,000. The median individual income for a First Home Buyer was unchanged at \$88,643.

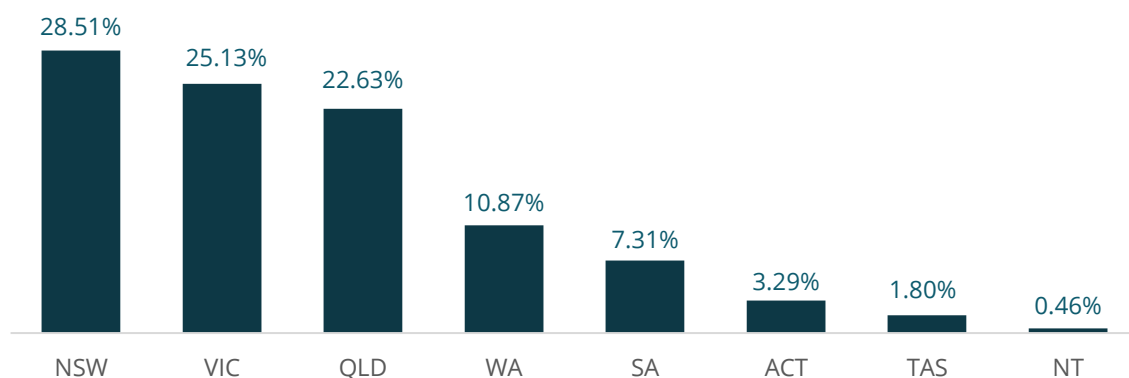
The average borrowing amount for First Home Buyers fell by 3% from \$510,000 in 2022, to \$495,000, in line with decreasing property prices.

In 2023, the highest proportion of First Home Buyer activity was centred in New South Wales, despite the State reporting the highest median property values across the Nation.

This was followed closely by Victoria with 25% of all First Home Buyer activity.

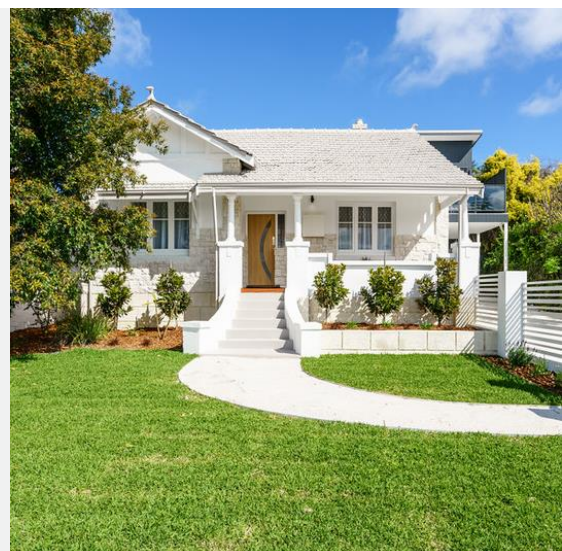
Just 0.5% of people purchased their first home in the Northern Territory.

FIRST HOME BUYERS (2023) *BY STATE*



In 2023, the top suburbs for First Home Buyers were:

1. 3029, Hoppers Crossing, VIC
2. 3064, Craigieburn VIC
3. 3030, Point Cook, VIC
4. 2765, Marsden Park, NSW
5. 4207, Logan, QLD
6. 3977, Cranbourne, VIC
7. 4300, Springfield, QLD
8. 4209, Coomera, QLD
9. 2560, Campbelltown, NSW
10. 6164, Beeliar, WA



*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
 *2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022



REFINANCING

As of November 2023, refinancing accounted for 69% of all loan activity across Lendi, Aussie and Domain Home Loans.

Throughout this period, the market share of the major banks continued to fall, as competition declined in the sector and aggressive tactics to attract customers such as cash backs, were dismantled.

More than 6 in 10 refinances took place outside of the Big Four banks across the year.

As of November 2023, non-major banks are still offering a median discount of 0.16 bps on their variable rate, compared to the Big Four.

Bank Type	2022	2023
Big Four Bank	44%	36%
Non-Big Four Bank	55%	63%

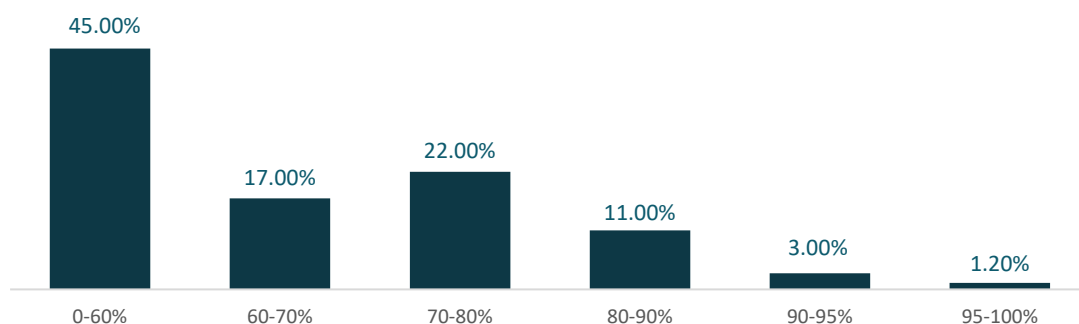
Despite the higher rate environment, Australia wide, the number of homeowners who refinanced in the 95-100% Loan to Value (LVR) band decreased by 0.2%.

Those in the 90-95% band held steady at 3%, while there was a 2% increase in the number of mortgage holders who pushed into the 80-90% LVR band.

In 2022, 51% of Australian borrowers who refinanced owned more than 60% of their home, however this fell to 45% in 2023.

Despite having the highest property values, borrowers in New South Wales had the lowest LVR's in the Nation.

LVR BAND FOR REFINANCES (2023)



*2023 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2023 to end of November 2023
 *2022 data is representative of loans and applications made across Lendi, Aussie and Domain Home Loans from January 2022 to December 2022