



National Mortgage Report

How borrowers are
reshaping the market

August 2025

Over the past few months, one thing's become clear: borrower behaviour is shifting and quickly.

Our latest report highlights a real turning point. First Home Buyers are coming back into the market in a big way, while demand from upgraders and investors is starting to soften.

This isn't just a short-term bounce. It's a sign that Australians are adapting to a new lending environment where affordability, confidence and strategy are beginning to find balance again.

At the heart of these insights is our Loan Market Group (LMG) network. With over 6,000 brokers servicing around 15% of the mortgage market, we're in a unique position to see what's really happening on the ground.

While new loan activity is picking up, particularly among younger buyers, overall credit growth is still under pressure. And our data helps explain why. Despite recent RBA rate cuts, only around 1 in 10 borrowers have lowered their repayments. Most are choosing to keep their payments high to get ahead on their loans. Offset balances are growing too, showing a clear shift towards flexibility and reducing risk over chasing short-term savings.

Thank you to every broker, team member and client who helped shape these insights. This report is for you - a practical resource to help make sense of a changing market and making decisions with confidence.

Ewen Stafford

Executive Director & CEO, LMG



First Home Buyers surge as upgrader momentum slows

Key Findings:

- (1) June quarter Mortgage approvals (ex refi, s.a.) were soft, -2.5% (Q/Q).
- (2) However, during the month of June approvals jumped 5% (M/M s.a). June was the second-strongest month on record.
- (3) First Home Buyers (FHB) have rushed back into the market. In June FHB spiked by 35% (M/M s.a) following a soft May. FHB were also up 36% pcp. This was led by Victoria.
- (4) FHB accounted for 13% of all approvals (ex refi, s.a.) the highest in this data series. Owner Occupied Upgraders were 53% and Investors 34%.

It is hard to say whether the spike in June was due to post election bounce or the start of a new cycle. However, with rate cuts, a rise in real income and pent-up demand, this is a positive sign for the housing market.

Drilling into the Loan Market Group data

We have undertaken a detailed review of LMG data for lending flows through to the end of June. Back-testing to 2017 found LMG approvals growth to be ~87% correlated with ABS data (seasonally adjusted, ex refi), with growth slightly above system due to market share gains. We believe the LMG data gives a timely sample of the mortgage market.

Weak lending approvals during 2Q25

Lending volumes appeared weak in 2Q25, contracting -2.5% on the March quarter (total approvals ex refi, s.a.). However, this was due to weakness during April and May, with total approvals picking up in June.

But FHB drive a bounce in the month of June

The month of June saw a solid bounce in mortgage approvals, up 5% (ex refi, s.a.). This growth is mainly attributed to FHB which picked up 35% (M/M s.a.) and 36% vs pcp. Growth in other segments was more subdued.

Owner Occupied Upgraders were +1.5% (M/M s.a.) but fell -4.7% (Q/Q s.a.), while Investors were broadly stable at +1.2% (M/M s.a.) and 0.7% (Q/Q s.a.).

- Victoria has been the leader in FHB activity, accounting for all 39% of applications (\$ weighted). In VIC during June: 18% of all applications were for FBH (by \$), 55% for Upgraders and 27% for Investors.
- Queensland had 21% share of FHB in June. These FHB accounted for 13% of all QLD applications, consistent with the national average
- By comparison, NSW is underweight FHB, which accounted for just 18% national share. These FHB made up only 8% of all NSW applications (by \$), compared to 53% for Upgraders and 39% for Investors.
- The regions with the largest dollar value of FHB mortgage application were: Melb East, Melb Inner, Greater Brisbane, Melb West, Coastal Sydney and GWS.
- By comparison the regions with the highest percentage of application by FHB were: FNQ 22%, Rest of WA 21%, West Melb 21%, Hobart 21%, Perth 20% and Melb East 19%.

We view the pick-up in FHB applications positively, although it is hard to say whether the jump in June applications is due to a post election bounce or the start of a new cycle. That said, with interest rates falling, real incomes rising and many young Australians looking to buy a home, this is a positive sign of the housing market.

Impact on credit growth

A pickup in housing approvals is generally positive for the banks via stronger housing credit growth. However, there are a number of moving parts.

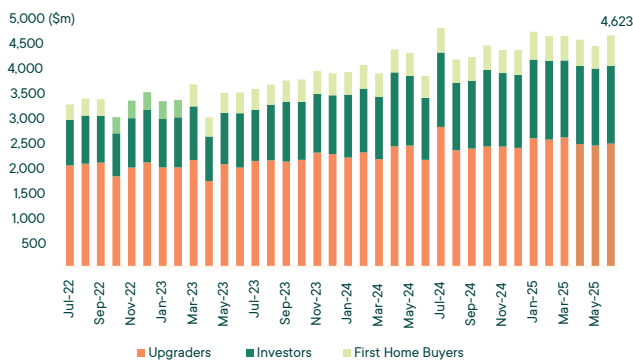
Firstly, the major banks have indicated that only ~10% of existing mortgage customers have elected to reduce their variable rate mortgage repayments following the RBA rate cuts. The vast majority have left their dollar repayments unchanged, preferring to paydown their debts. If the RBA cash rate falls to ~3%, and 25% of customers eventually reduce their variable mortgage payments, the accelerated paydown rate will reduce total housing credit growth by ~1%.

New mortgage lending (flow) will need to rise by ~7% to offset the increased paydowns, and leave housing credit growth unchanged. This would push approvals (ex refi) back to peak levels seen during the pandemic zero-interest-rate-policy.

Additionally, mortgage offset accounts continue to grow strongly. As a result, despite solid 5.8% growth in housing credit, housing credit growth net of offset accounts (which drives NII) is up ~4.5% (Y/Y).

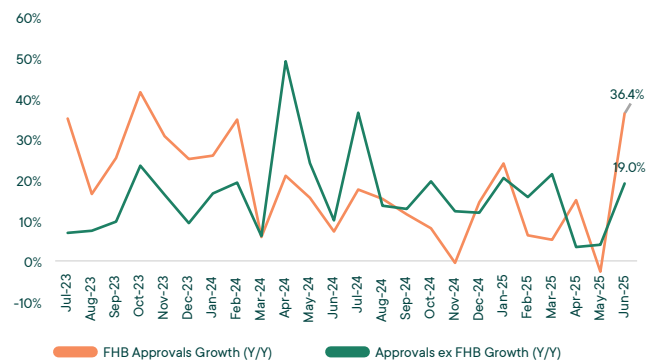
Therefore, unless there is a material acceleration in new lending flows, we do not expect housing credit growth to provide a significant earnings tailwind for the banks.

Figure 1 - Loan Market Group Approvals (\$m)



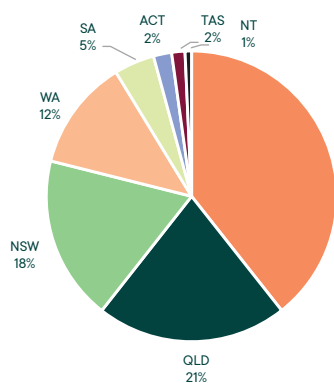
Source: Loan Market Group

Figure 2 - Loan Market Group Approvals Growth (Y/Y, %)



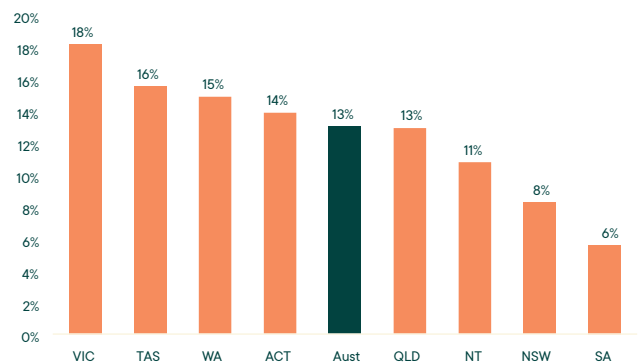
Source: Loan Market Group

Figure 3 - Loan Market Group Share of FHB by State (as at Jun-25)



Source: Loan Market Group

Figure 4 - FHB % of Total Approvals by State (as at Jun-25)

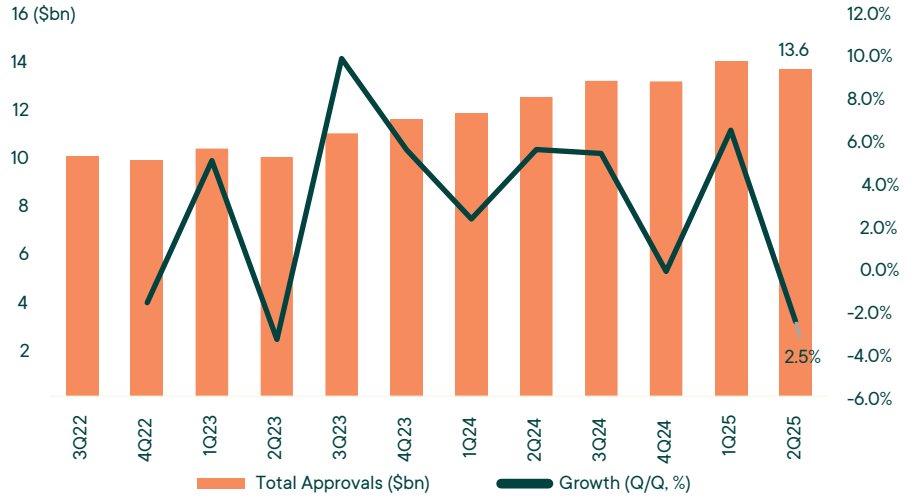


Source: Loan Market Group

First Home Buyers

Total Approved Lending appears down during 2Q25, at -2.5% (Q/Q) to \$13.6bn compared to \$13.9bn in 1Q25.

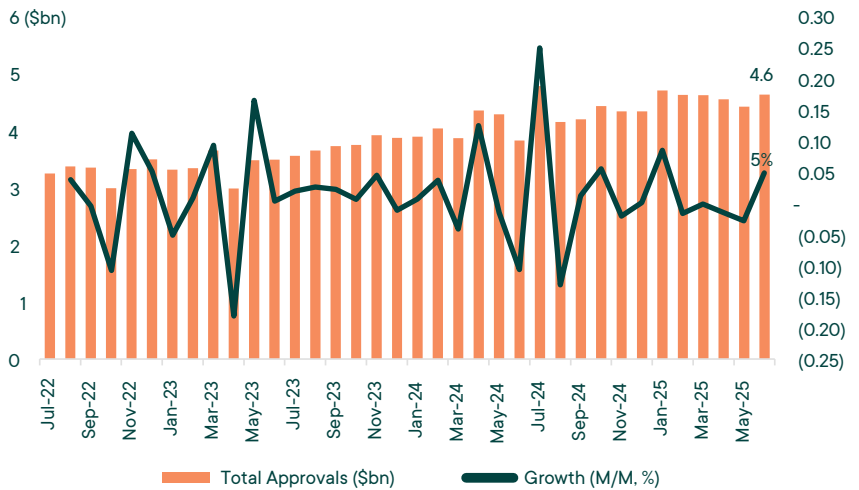
Figure 5 - Loan Market Group Approvals - ex refi (Quarterly, Seasonally Adjusted) (\$bn)



Source: Loan Market Group

However, this was due to a weaker period in April and May, with total approvals picking up again in the month of June.

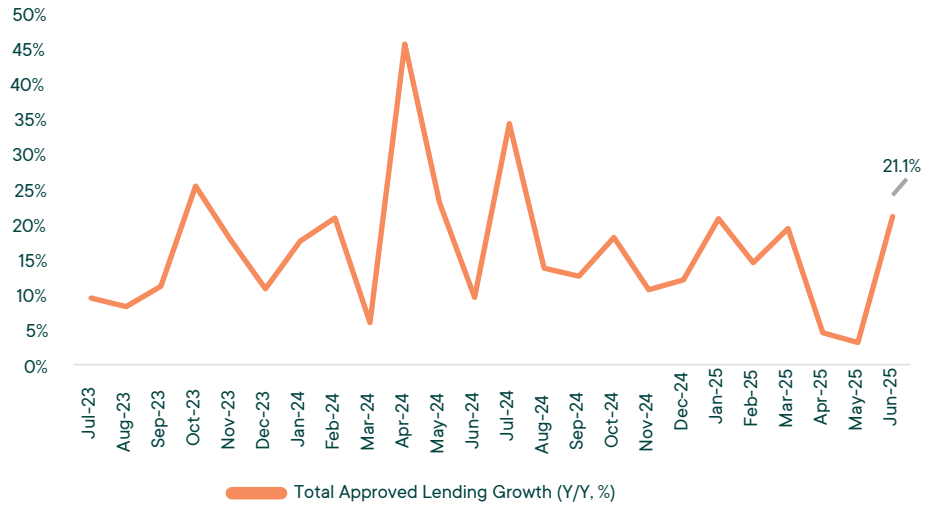
Figure 6 - Loan Market Group Approvals - ex refi (Monthly, Seasonally Adjusted) (\$bn)



Source: Loan Market Group

Total approvals grew at 21.1% in June (Y/Y).

Figure 7 - Loan Market Group Approvals - ex refi Growth (Seasonally Adjusted) (Y/Y, %)



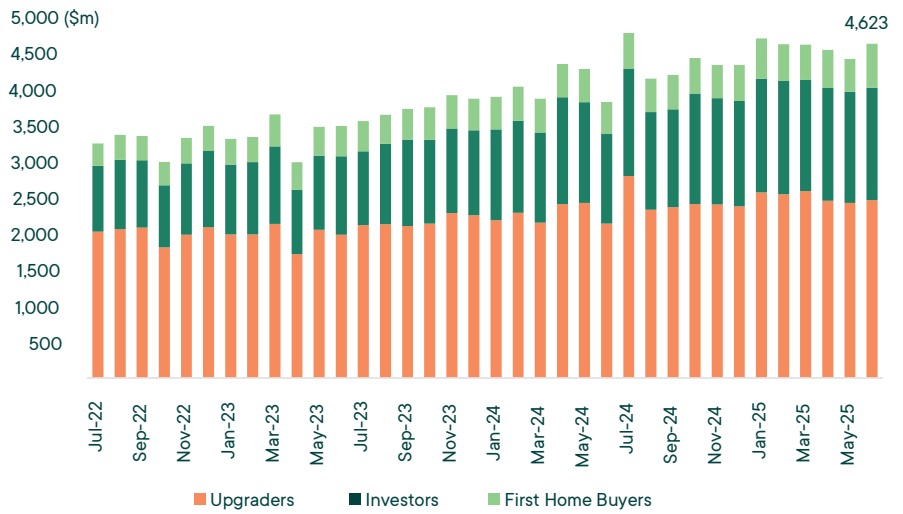
Source: Loan Market Group

What drove the spike in June?

Total Approvals bounced in June after weakness in April and May (seasonally adjusted)

The bounce in First Home Buyers (FHB) was the key driver

Figure 8 - Loan Market Group Approvals (\$m)

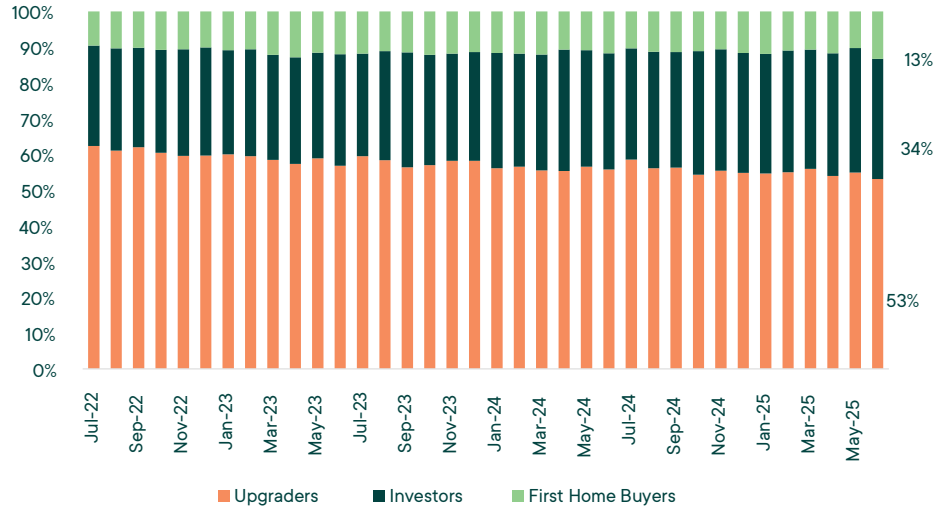


Source: Loan Market Group

FHB are now making up 13% of total Approvals (ex ref). This is the highest since this data series began in 2022.

This has been offset by a steady reduction in the proportion of approvals by Owner Occupied Upgraders

Figure 9 - Loan Market Group Approvals (%)

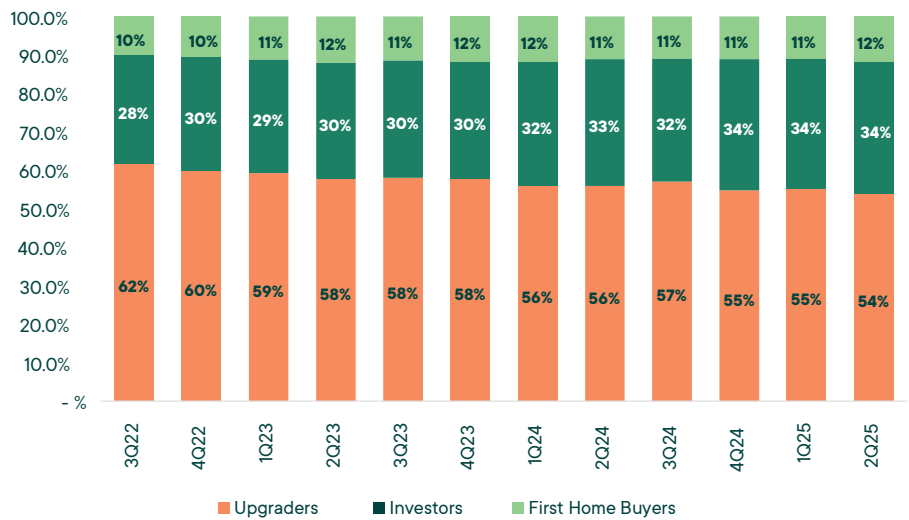


Source: Loan Market Group

Upgraders have fallen to 54% of Approvals (down from 62% in 3Q22).

There has been a steady increase in the proportion of approvals by Investors

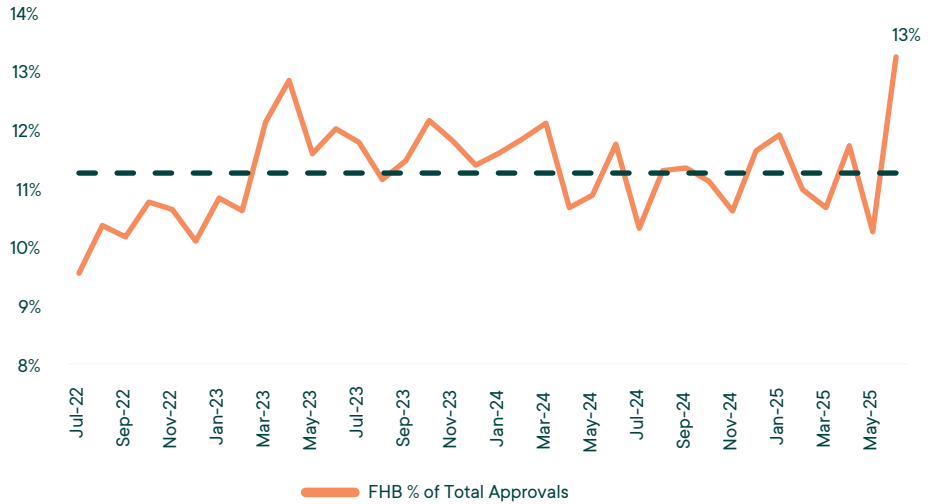
Figure 10 - Loan Market Group Approvals (%)



Source: Loan Market Group

...First Home Buyers have seen an increase of its % of total portfolio now at 13%, compared to its average of 11%.

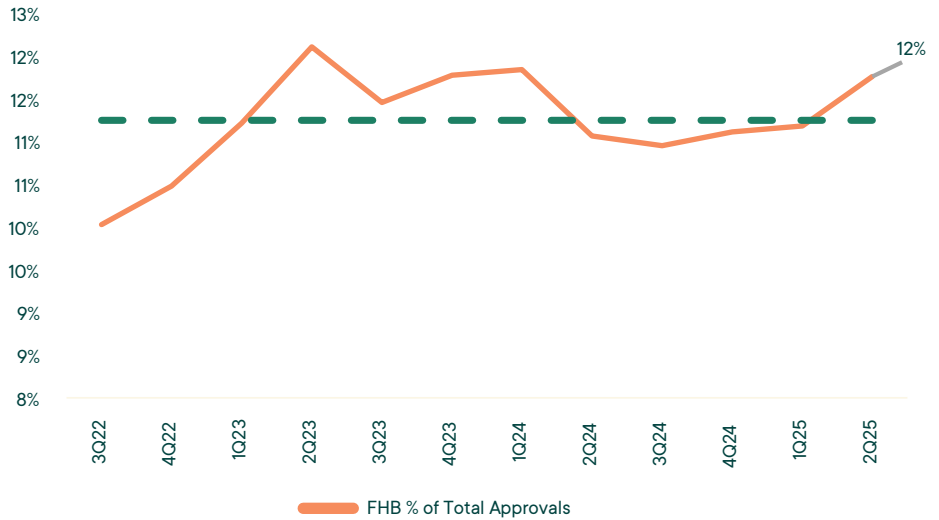
Figure 11 - FHB as a % of Total Approvals



Source: Loan Market Group

The pick-up in FHB was less extreme over the June Quarter due to weakness in April and May.

Figure 12 - FHB as a % of Total Approvals

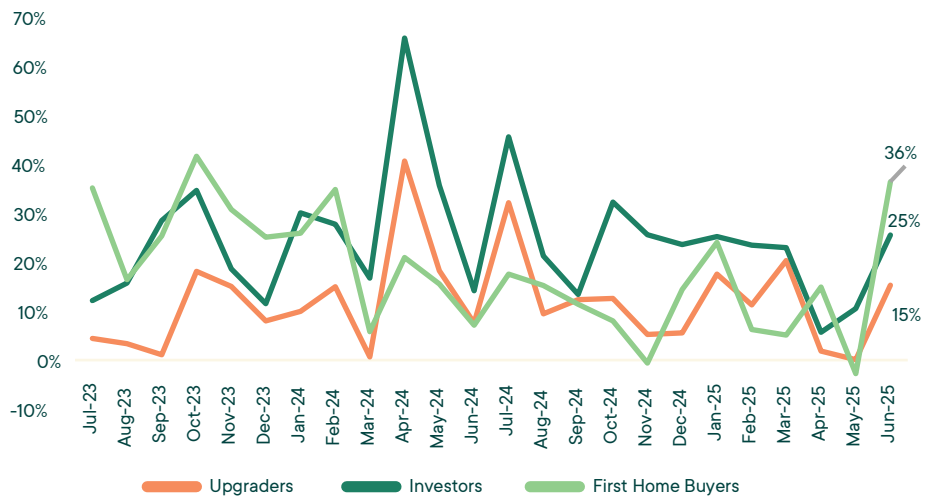


Source: Loan Market Group

In June, LMG saw a large increase in First Home Buyers entering the market, growing at 36% in June (Y/Y). This compares to investors at 25% and Upgraders at 15%.

This shows that the growth in the month was more a result of a pickup in FHB.

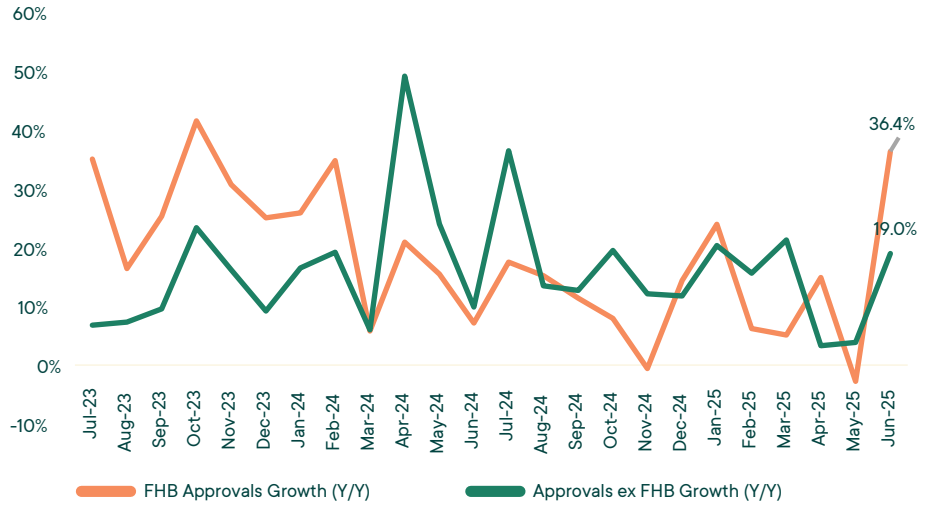
Figure 13 - Loan Market Group Approvals Growth (Y/Y, %)



Source: Loan Market Group

Approvals ex FHB grew at 19% in June (Y/Y)

Figure 14 - Loan Market Group Approvals Growth (Y/Y, %)

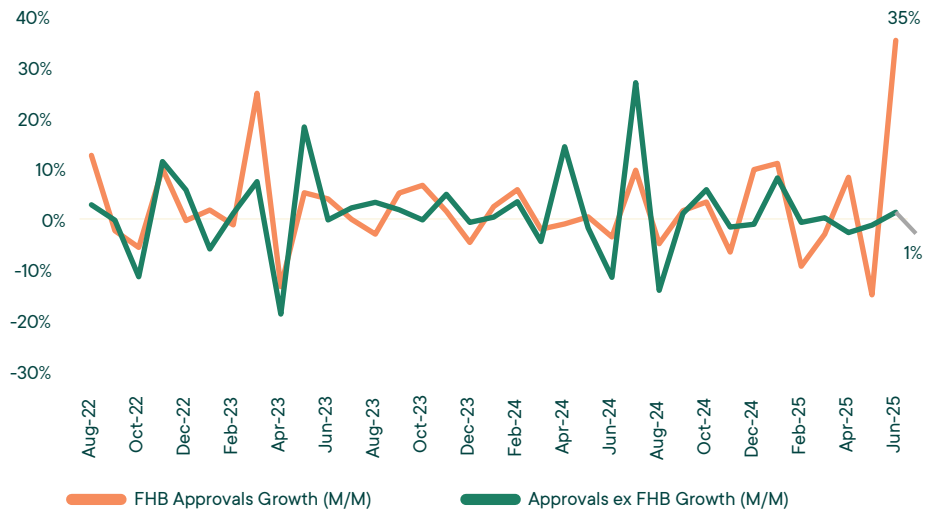


Source: Loan Market Group

This spike in June saw FHB approvals rise by 35% over May (seasonally adjusted)

This compares to just 1.3% bounce in Approvals ex FHB during June

Figure 15 - Loan Market Group Approvals Growth (M/M, %)

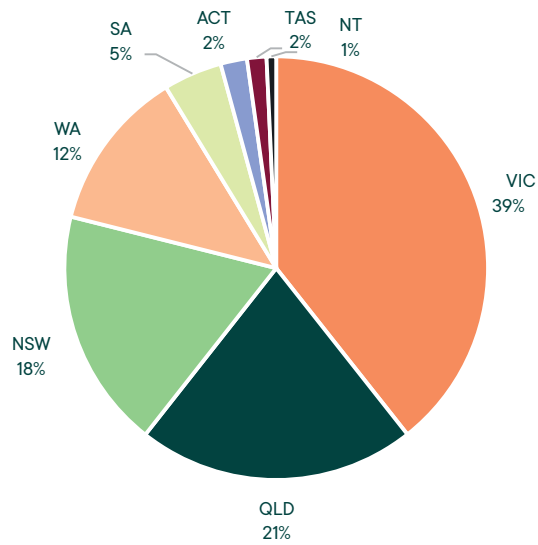


Source: Loan Market Group

Victoria has the largest share of FHB at 39%. This is followed by QLD at 21% and NSW at 18%.

Where are the first home buyers?

Figure 16 - Loan Market Group Share of FHB by State (as at Jun-25)



Source: Loan Market Group

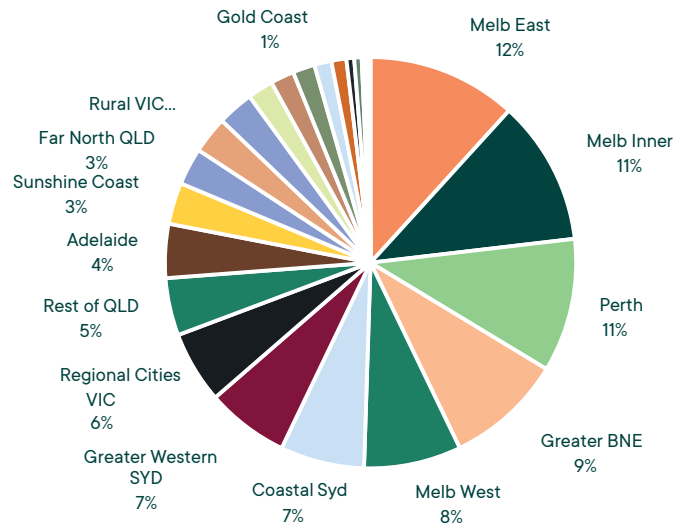
With VIC holding the largest share of FHB at 39%, Melbourne East account for 12% of all national FHB approvals in June. Melbourne Inner accounted for a further 11.4%. This is followed by Melb West at 7.7% with Regional Cities of VIC and Rural VIC holding less share at 5.7% and 2.9% respectively.

QLD holds the second-largest share in FHB approvals at 21%, with the majority of activity in Greater BNE at 9.2%. The remaining regions of QLD each hold less than 5% share of FHB approvals.

The most populated state NSW accounted for only 18% share of FHB approvals. Coastal Sydney contributed 6.6% and Greater Western Sydney 6.5% (dollar weighted, likely to be a smaller share of loan count). The remaining areas of NSW hold less than 3% share.

WA also holds a sizeable share of FHB approvals at 12%. This is heavily concentrated in Perth with 10.5% share (compared to 13% for the whole of Sydney) and the remaining regions of WA at less than 2%.

Figure 17 - Loan Market Group Share of FHB by SA4 Region (as at Jun-25)



Source: Loan Market Group

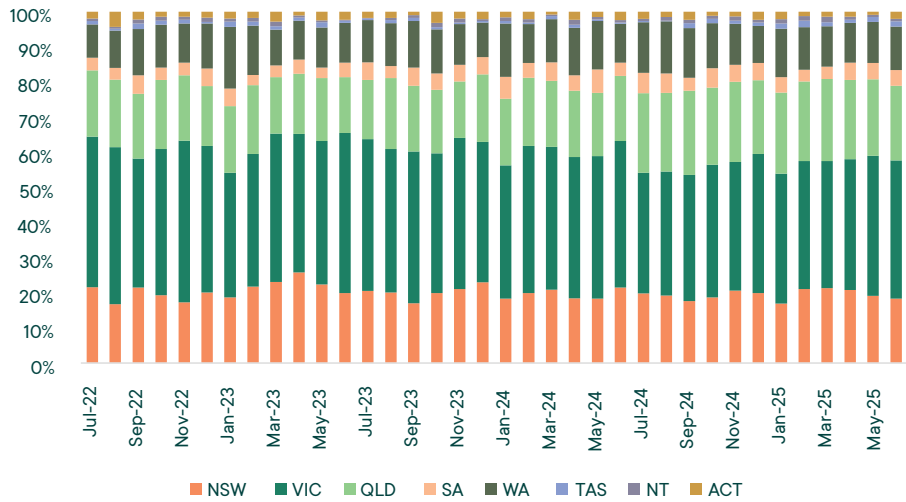
Although VIC holds the highest share, this has declined from 43% in Jul-22 to 39% in Jun-25.

Similarly, NSW share has fallen by ~3% from 21.6%.

WA and QLD have increased its market share by 2.9% and 2.3% respectively.

SA, ACT, TAS and NT market share has remained relatively stable since Jul-22.

Figure 18 - Loan Market Group Share of FHB (as at Jun-25)



Source: Loan Market Group

As a % of total portfolio, VIC has the highest portion of its portfolio as FHB at 18%. TAS at 16%, WA at 15%, and ACT at 14%. This compares to total Australia at 13%.

NSW (8%) and SA (6%) are underweight FHB

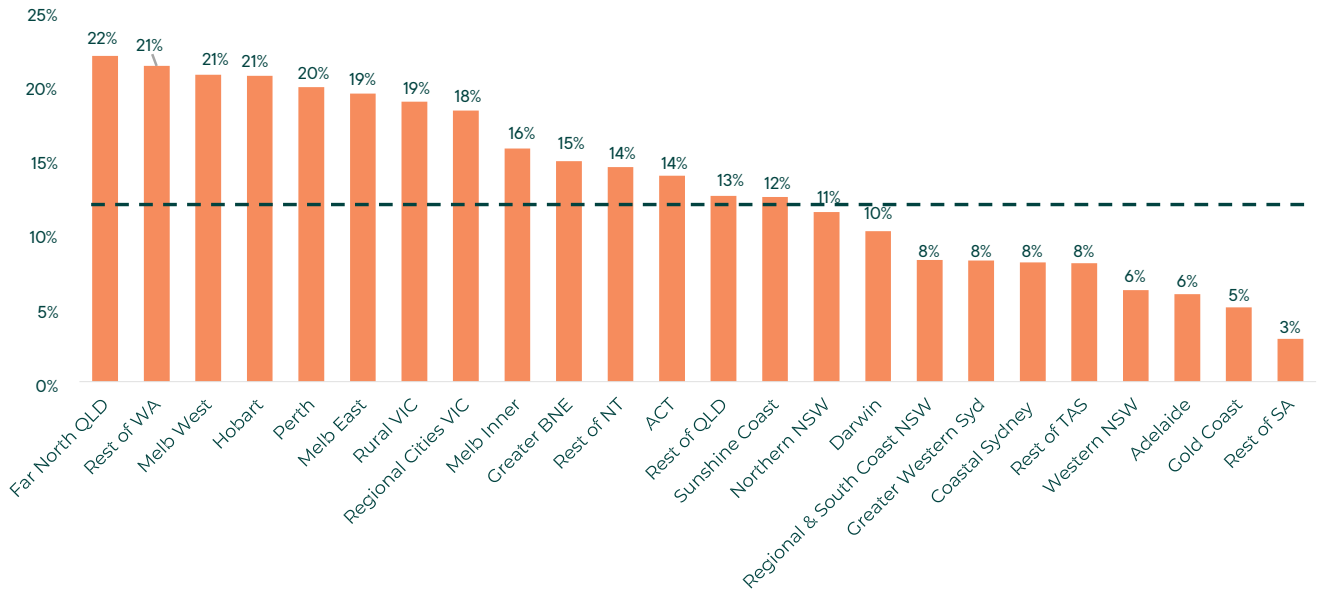
Figure 19 - FHB as a % of Total Approvals by State (as at Jun-25)



Source: Loan Market Group

At a SA4 region, Far North QLD has the largest portion of its portfolio as FHB at 22%. This is followed by Rest of WA at 21%, Melb West at 21%, Hobart at 21% and Perth at 20%.

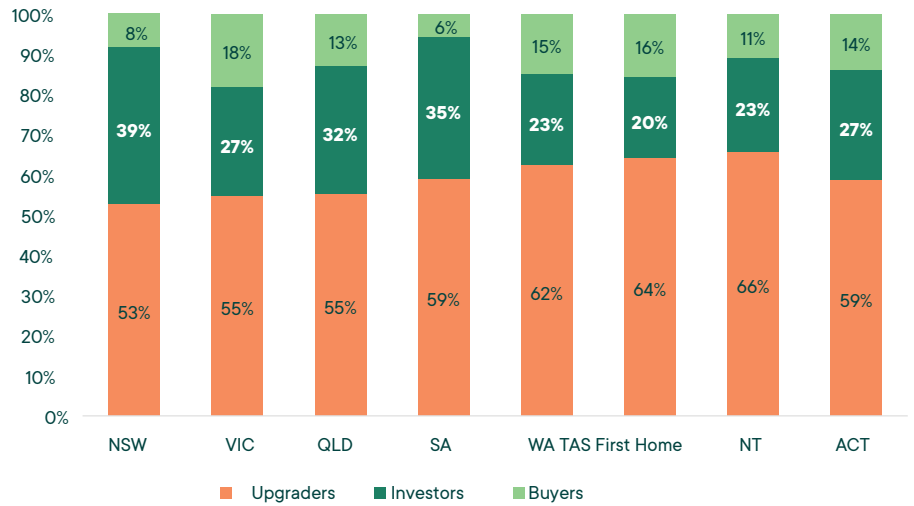
Figure 20 - FHB as a % of Total Approvals by SA4 Region (as at Jun-25)



Source: Loan Market Group

VIC has a lower portion of its approved loans from investors than other states at just 27%, and a higher % of FHB. NSW has a lower portion of upgraders at 53%, and a higher portion of investors at 39%.

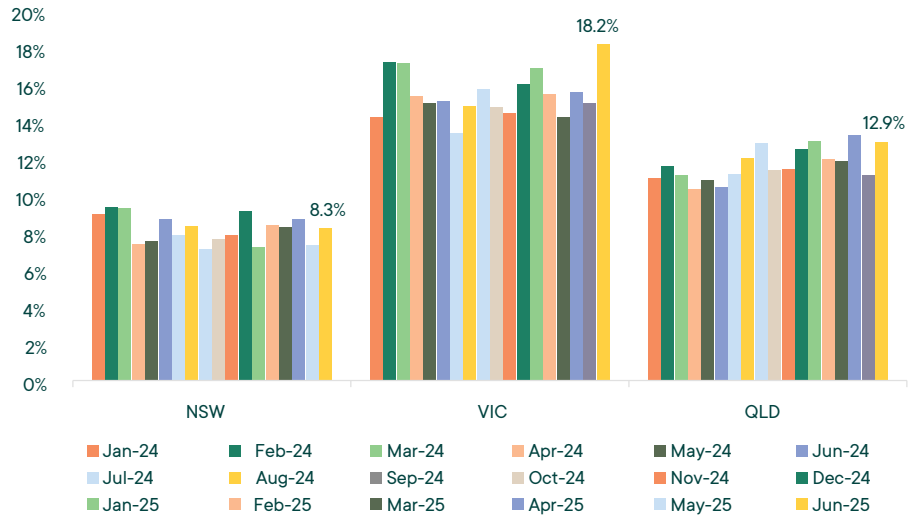
Figure 21 - Loan Market Group Approvals Breakdown as at Jun-25 (%)



Source: Loan Market Group

During June, NSW, VIC and QLD all saw FHB increase as a % of its total portfolio.

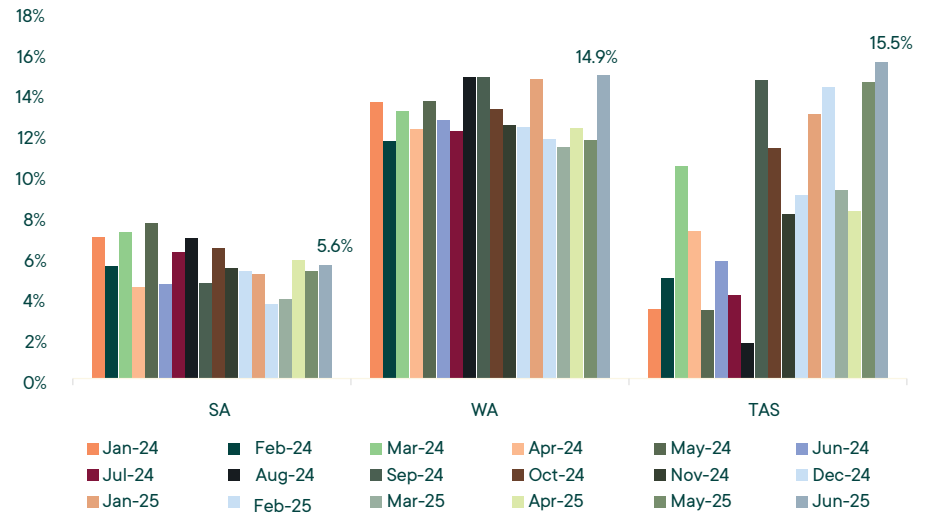
Figure 22 - FHB % of Total Approvals by State



Source: Loan Market Group

During June, WA and TAS saw FHB increase as a % of its total portfolio. SA broadly flat.

Figure 23 - FHB % of Total Approvals by State



Source: Loan Market Group

To find out more about LMG
visit img.broker