

Australia Mortgage Lending Market Size Analysis Report - Market Share, Forecast Trends and Outlook (2025-2034)

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Report description:

Australia Mortgage Lending Market TrendsThe growth of the Australia mortgage lending market is supported by the country's stable economy, which ensures predictable interest rates and mortgage growth. Competitive rates offer borrowers affordable financing, while low default rates provide security for lenders. Government schemes, such as the First Homeowner Grant, help first-time buyers. A strong regulatory environment minimises systemic risks, reinforcing the mortgage market. In November 2024, Commonwealth Bank of Australia (CBA) reported first-quarter earnings exceeding market expectations, driven by increased home loan volumes and household deposits, despite competition over deposit prices. The bank's cash net profit remained steady at AUD 2.50 billion, with CEO Matt Comyn acknowledging sluggish economic growth due to high interest rates and global uncertainty. The Australia mortgage market revenue is impacted as it presents various loan options, including fixed, variable, and interest-only loans. Flexible terms cater to different financial needs, and high loan-to-value ratios allow borrowers to purchase homes with smaller deposits. Refinancing options help homeowners secure better rates or access equity, enhancing financial flexibility.

Australia Mortgage Lending Market GrowthOpportunities in the Australia mortgage market foster property investment, offering investors valuable prospects. Fixed interest rate loans provide payment certainty, while rising property values increase equity. A positive credit rating system ensures better loan terms, and the securitisation market encourages competitive lending, creating a dynamic mortgage landscape. ANZ Group Holdings Ltd. will become the third-largest player in Australia's AUD 2.2 trillion home loan market following its acquisition of Suncorp Group Ltd.'s banking arm. The Australian Competition Tribunal approved the deal, enabling ANZ to raise its market share to 15.9%, trailing Commonwealth Bank and Westpac. The demand for the Australia mortgage market is driven by efficient processing, enhancing customer experience. Digital solutions simplify loan applications, while homeowners can leverage home equity for further growth. Strong consumer protections shield borrowers from unfair practices, and the market's stability and long-term growth potential attract global investment, supporting economic prosperity.

Australia Mortgage Lending Market Insights- According to ABS, in September 2024, new loan commitments for business property purchases rose 2.9% (seasonally adjusted) and 1.7% in trend terms. This growth indicates increasing confidence in the business property sector, offering opportunities for lenders to cater to businesses seeking property financing amid a stable market.- ABS reported that in September 2024, external refinancing for total housing increased by 2.1%, reaching \$16.4 billion

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(seasonally adjusted). This rise reflects a growing trend of homeowners refinancing their mortgages, providing opportunities for lenders to offer competitive refinancing products and attract customers looking for better terms in a fluctuating market.- According to industry reports, in September 2024, new loan commitments for construction finance dropped 8.2% (seasonally adjusted) after a rise of 7.7% in August, while increasing 1.9% in trend terms. This trend signals a potential cooling of construction activity, presenting an opportunity for lenders to adjust strategies for financing in the construction sector.

Australia Mortgage Lending Market Drivers

Digital Transformation in Mortgage Lending

Embracing digital solutions is influencing the Australia mortgage lending market dynamics and trends. Online platforms and apps simplify loan applications, processing, and approvals, enabling borrowers to complete everything from home loan applications to document verification digitally. Lenders are using AI-driven tools for credit assessments, enhancing efficiency and reducing errors. This shift also allows consumers to easily compare rates and access tailored loan options. Consequently, lenders are investing significantly in technology to improve customer experience, lower operational costs, and stay competitive in an increasingly tech-savvy market. In April 2024, Bank of Queensland (BOQ) confirmed its plans to introduce digital mortgages in the second half of 2024 as part of its ongoing digital transformation, which includes migrating ME Bank's home loans to a new platform. CEO Patrick Allaway noted that this digital shift aims to resolve legacy issues and improve online banking capabilities.

Increased Focus on Sustainability and Green Mortgages

Sustainability is becoming a significant trend in the Australia mortgage lending market, with increasing interest in green and energy-efficient mortgages. Lenders are now providing home loans with preferential rates for borrowers buying energy-efficient homes or adopting sustainable building practices. These "green loans" cater to both environmental objectives and consumers' desire for cost-effective, eco-friendly solutions. As awareness of climate change grows, more Australian borrowers are seeking homes with lower environmental impacts. This trend reflects the wider move towards sustainability in Australian housing, encouraging lenders to include environmentally friendly criteria in their offerings. In April 2022, Bank Australia introduced its Eco Plus Clean Energy Home Loan, offering CEFC-backed interest rate discounts for homes with a 7.5-star rating or higher and a solar system, available for up to five years.

Opportunities in the Australia Mortgage Lending Market

The growth of the Australia mortgage lending market has been driven by government initiatives aimed at assisting first-time homebuyers in entering the property market. Schemes such as the First Homeowner Grant (FHOG) and the First Home Loan Deposit Scheme (FHLDS) have been introduced to lower upfront costs and make home ownership more accessible. As a result, a significant share of mortgages is now being granted to first-time buyers. Lenders are adapting their mortgage products to cater to these buyers, offering low-deposit loans and flexible repayment options to ease the financial burden. For FHLDS, single applicants with a taxable income of up to USD 125,000 per annum and couples earning up to USD 200,000 per annum were eligible for applications made between 1 July 2021 and 30 June 2022.

Market Restraints

The Australia mortgage lending market faces several challenges that could hinder its growth. Rising interest rates increase borrowing costs, leading to reduced demand for home loans and mortgage stress. Housing affordability remains a significant issue, particularly in cities like Sydney and Melbourne, making it difficult for first-time buyers. Tightened lending regulations limit access to credit, especially for those with non-traditional income sources. Economic uncertainties, high household debt, and property market volatility add further risk, potentially leading to defaults and slower market growth. Additionally, inflation, limited housing supply, and competition from less regulated non-bank lenders contribute to the complexities facing the market.

"Australia Mortgage Lending Market Report and Forecast 2025-2034" offers a detailed analysis of the market based on the following segments:

- Market Breakup by Type- Conventional Mortgage Loans- Jumbo Loans- Government-insured Mortgage Loans- Others
- Market Breakup by Mortgage Loan Terms- 30-year Mortgage- 20-year Mortgage- 15-year Mortgage- Others
- Market Breakup by Interest Rates- Fixed-rate Mortgage Loan- Adjustable-rate Mortgage Loan
- Market Breakup by Provider- Primary Mortgage Lender- Secondary Mortgage Lender
- Market Breakup by Region- New South Wales- Victoria- Queensland- Australian Capital Territory- Western Australia- Others

Australia Mortgage Lending Market Share

Market Analysis by Type

According to the Australia mortgage lending market analysis, conventional mortgage loans dominate, offering competitive interest rates, flexible terms, and the possibility of lower monthly repayments. These loans are not government-backed, meaning borrowers generally need a higher credit score and larger deposit, making them ideal for financially secure individuals. Research shows that Australia's big four banks have earned over USD 200,000 from the average Australian home loan, primarily due to limited competition. For the 2023-2024 period, profits from owner-occupier loans reached USD 17.6 billion. Jumbo loans cater to borrowers seeking larger amounts than standard conventional mortgages allow. These loans enable the purchase of higher-value properties, with lenders offering bespoke terms. While interest rates may be slightly higher, jumbo

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loans provide access to premium properties in affluent markets. Jumbo loans in Australia exceed the limits set by traditional lenders and are typically used for luxury properties or in competitive markets, not eligible for purchase by government-backed entities. The Australian mortgage lending market has been bolstered by government-insured mortgage loans, such as those supported by the National Housing Finance and Investment Corporation (NHFIC), which assist borrowers with smaller deposits or lower credit scores. These loans offer lower deposit requirements, reduced lender's mortgage insurance (LMI) costs, and simplified qualification, benefiting first-time buyers and those facing financial challenges. By September 2024, nearly a third of first-home buyers in Australia were utilising the federal government's Home Guarantee Scheme, allowing them to buy a home with a deposit of less than 20% without incurring LMI fees, improving access to home ownership. Market Analysis by Interest Rates According to the Australia mortgage lending market report, a fixed-rate mortgage loan in Australia provides the advantage of consistent monthly payments, as the interest rate remains unchanged for the duration of the loan. This offers financial stability and safeguards against interest rate fluctuations, making it suitable for borrowers who prefer long-term repayment certainty. In the Australia mortgage lending market, an adjustable-rate mortgage loan presents an opportunity for borrowers to benefit from lower initial interest rates, making it an appealing option for those seeking reduced early repayments. The rate is typically adjusted at regular intervals based on market conditions, which may result in lower payments in the short term, although rates could rise over time. Market Analysis by Provider According to the Australia mortgage lending market analysis, primary mortgage lenders, such as banks or credit unions, offer direct loans to borrowers. The advantages of working with a primary lender include personalised service, competitive rates, and direct communication. These lenders typically provide a broad range of mortgage products and flexible terms tailored to individual needs. Bendigo and Adelaide Bank are targeting young savers and potential homeowners to drive growth. Its subsidiary, Up, has reached 1 million customers with a USD 1 billion loan book. CEO Richard Fennell highlights innovation and digital products as key strategies for future growth. The demand for the Australia mortgage lending market is also boosted by secondary mortgage lenders, who buy loans from primary lenders or offer refinancing options. This helps increase market liquidity by providing additional funding options. Borrowers benefit from competitive rates, particularly if primary lenders have strict eligibility requirements. Secondary lenders also diversify the range of loan products available across different market segments. Pepper Money, a prominent non-bank lender, has introduced a 40-year mortgage, allowing borrowers to reduce monthly payments, though this extension leads to higher overall interest costs. Other lenders are expected to adopt similar trends soon. Australia Mortgage Lending Market Regional Insights New South Wales Mortgage Lending Market Overview New South Wales, particularly Sydney, serves as a key financial services hub due to its large population and strong connectivity to consumer and investor markets, making it an attractive location for lenders. In 2024, property possession filings in the Supreme Court of NSW reached a five-year high of 1,632, a significant rise from 616 in 2020, reflecting increased financial stress among homeowners. Queensland Mortgage Lending Market Trends The Queensland mortgage lending market benefits from increased competition among lenders, offering borrowers competitive interest rates and flexible loan options. Government schemes like the First Homeowner Grant (FHOG) help first-time buyers, boosting affordability and market growth. First home buyers accounted for 3.9% of investor loans in Queensland, with over 1,500 loans, a 60% rise compared to pre-COVID levels. This indicates a growing trend of 'rentvesting' in the state. Western Australia Mortgage Lending Market Dynamics Western Australia's mortgage market is shaped by its unique economic activities, such as mining and resources, which influence housing demand and lending patterns. Regional areas in Western Australia saw a 3.6% rise in housing values during the September 2024 quarter, leading regional housing trends across the country. Competitive Landscape The Australia mortgage lending market key players offer a wide range of financial services, including retail, business, and institutional banking. Their services encompass home loans, credit cards, investment products, and insurance. These banks are renowned for innovation and digital banking leadership. With operations in Australia and internationally, they maintain a strong global presence. Their focus on customer service, financial stability, and digital transformation has helped cement their leadership in the Australian banking industry. Key Industry Players Commonwealth Bank of Australia: Headquartered in Sydney, Australia, the Commonwealth Bank of Australia (CBA) was established in 1911. It is one of the country's largest banks, offering a range of financial services, including retail, business, and institutional banking. CBA has a strong presence in Australia and internationally. Westpac Banking Corporation: Founded in 1817, Westpac Banking Corporation is based in Sydney, Australia. It provides a wide array of banking services, including personal, business, and wealth management. With a history spanning over two centuries, Westpac is one of Australia's leading banks and has a significant international footprint. National Australia Bank Limited: Established in 1893, National Australia Bank (NAB) is headquartered in

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Melbourne, Australia. It is one of the largest financial institutions in Australia, offering banking products for individuals, businesses, and corporations. NAB is committed to providing innovative financial solutions and has a presence in several global markets.

Australia and New Zealand Banking Group Limited (ANZ): Headquartered in Melbourne, Australia and founded in 1835, ANZ is one of the largest banking groups in Australia. The bank offers a broad range of services, including retail banking, business banking, and wealth management. ANZ operates in over 30 markets globally, with a strong presence in the Asia-Pacific region. Other key players in the Australia mortgage lending market report are ING Bank (Australia) Limited, Mortgage Providers, Bluestone, Resimac Group, ATHENA MORTGAGE PTY LTD, and Firstmac Limited, among others.

Recent Developments February 2025 Treasurer Jim Chalmers instructed regulators to relax how HECS debts are treated in mortgage serviceability tests. Banks will now exclude HECS repayments when assessing loan eligibility, improving access to home loans for Australians with student debt. This decision aims to support first-time buyers.

November 2024 Commonwealth Bank of Australia reported a flat first-quarter profit of AUD 2.5 billion for the three months ending September 2024. The bank increased mortgage lending by AUD 8.6 billion, outpacing industry growth. The profit remained steady compared to the same period last year, reflecting stable financial performance.

Table of Contents:

- 1 Preface
- 2 Report Coverage - Key Segmentation and Scope
- 3 Report Description
 - 3.1 Market Definition and Outlook
 - 3.2 Properties and Applications
 - 3.3 Market Analysis
 - 3.4 Key Players
- 4 Key Assumptions
- 5 Executive Summary
 - 5.1 Overview
 - 5.2 Key Drivers
 - 5.3 Key Developments
 - 5.4 Competitive Structure
 - 5.5 Key Industrial Trends
- 6 Market Snapshot
- 7 Opportunities and Challenges in the Market
- 8 Asia Pacific Mortgage Lending Market Overview
 - 8.1 Key Industry Highlights
 - 8.2 Asia Pacific Mortgage Lending Historical Market (2018-2024)
 - 8.3 Asia Pacific Mortgage Lending Market Forecast (2025-2034)
- 9 Australia Mortgage Lending Market Overview
 - 9.1 Key Industry Highlights
 - 9.2 Australia Mortgage Lending Historical Market (2018-2024)
 - 9.3 Australia Mortgage Lending Market Forecast (2025-2034)
- 10 Australia Mortgage Lending Market by Type
 - 10.1 Conventional Mortgage Loans
 - 10.1.1 Historical Trend (2018-2024)
 - 10.1.2 Forecast Trend (2025-2034)
 - 10.2 Jumbo Loans
 - 10.2.1 Historical Trend (2018-2024)
 - 10.2.2 Forecast Trend (2025-2034)
 - 10.3 Government-insured Mortgage Loans
 - 10.3.1 Historical Trend (2018-2024)

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- 10.3.2 Forecast Trend (2025-2034)
- 10.4 Others
- 11 Australia Mortgage Lending Market by Mortgage Loan Terms
 - 11.1 30-year Mortgage
 - 11.1.1 Historical Trend (2018-2024)
 - 11.1.2 Forecast Trend (2025-2034)
 - 11.2 20-year Mortgage
 - 11.2.1 Historical Trend (2018-2024)
 - 11.2.2 Forecast Trend (2025-2034)
 - 11.3 15-year Mortgage
 - 11.3.1 Historical Trend (2018-2024)
 - 11.3.2 Forecast Trend (2025-2034)
 - 11.4 Others
- 12 Australia Mortgage Lending Market by Interest Rates
 - 12.1 Fixed-rate Mortgage Loan
 - 12.1.1 Historical Trend (2018-2024)
 - 12.1.2 Forecast Trend (2025-2034)
 - 12.2 Adjustable-rate Mortgage Loan
 - 12.2.1 Historical Trend (2018-2024)
 - 12.2.2 Forecast Trend (2025-2034)
- 13 Australia Mortgage Lending Market by Provider
 - 13.1 Primary Mortgage Lender
 - 13.1.1 Historical Trend (2018-2024)
 - 13.1.2 Forecast Trend (2025-2034)
 - 13.2 Secondary Mortgage Lender
 - 13.2.1 Historical Trend (2018-2024)
 - 13.2.2 Forecast Trend (2025-2034)
- 14 Australia Mortgage Lending Market by Region
 - 14.1 New South Wales
 - 14.1.1 Historical Trend (2018-2024)
 - 14.1.2 Forecast Trend (2025-2034)
 - 14.2 Victoria
 - 14.2.1 Historical Trend (2018-2024)
 - 14.2.2 Forecast Trend (2025-2034)
 - 14.3 Queensland
 - 14.3.1 Historical Trend (2018-2024)
 - 14.3.2 Forecast Trend (2025-2034)
 - 14.4 Australian Capital Territory
 - 14.4.1 Historical Trend (2018-2024)
 - 14.4.2 Forecast Trend (2025-2034)
 - 14.5 Western Australia
 - 14.5.1 Historical Trend (2018-2024)
 - 14.5.2 Forecast Trend (2025-2034)
 - 14.6 Others
- 15 Market Dynamics
 - 15.1 SWOT Analysis
 - 15.1.1 Strengths

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- 15.1.2 Weaknesses
- 15.1.3 Opportunities
- 15.1.4 Threats
- 15.2 Porter's Five Forces Analysis
 - 15.2.1 Supplier's Power
 - 15.2.2 Buyer's Power
 - 15.2.3 Threat of New Entrants
 - 15.2.4 Degree of Rivalry
 - 15.2.5 Threat of Substitutes
- 15.3 Key Indicators of Demand
- 15.4 Key Indicators of Price
- 16 Competitive Landscape
 - 16.1 Market Structure
 - 16.2 Company Profile
 - 16.2.1 Commonwealth Bank of Australia
 - 16.2.1.1 Company Overview
 - 16.2.1.2 Product Portfolio
 - 16.2.1.3 Demographic Reach and Achievements
 - 16.2.1.4 Certifications
 - 16.2.2 Westpac Banking Corporation
 - 16.2.2.1 Company Overview
 - 16.2.2.2 Product Portfolio
 - 16.2.2.3 Demographic Reach and Achievements
 - 16.2.2.4 Certifications
 - 16.2.3 National Australia Bank Limited
 - 16.2.3.1 Company Overview
 - 16.2.3.2 Product Portfolio
 - 16.2.3.3 Demographic Reach and Achievements
 - 16.2.3.4 Certifications
 - 16.2.4 Australia and New Zealand Banking Group Limited (ANZ)
 - 16.2.4.1 Company Overview
 - 16.2.4.2 Product Portfolio
 - 16.2.4.3 Demographic Reach and Achievements
 - 16.2.4.4 Certifications
 - 16.2.5 ING Bank (Australia) Limited
 - 16.2.5.1 Company Overview
 - 16.2.5.2 Product Portfolio
 - 16.2.5.3 Demographic Reach and Achievements
 - 16.2.5.4 Certifications
 - 16.2.6 Mortgage Providers
 - 16.2.6.1 Company Overview
 - 16.2.6.2 Product Portfolio
 - 16.2.6.3 Demographic Reach and Achievements
 - 16.2.6.4 Certifications
 - 16.2.7 Bluestone
 - 16.2.7.1 Company Overview
 - 16.2.7.2 Product Portfolio

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- 16.2.7.3 Demographic Reach and Achievements
- 16.2.7.4 Certifications
- 16.2.8 Resimac Group
 - 16.2.8.1 Company Overview
 - 16.2.8.2 Product Portfolio
 - 16.2.8.3 Demographic Reach and Achievements
 - 16.2.8.4 Certifications
- 16.2.9 ATHENA MORTGAGE PTY LTD
 - 16.2.9.1 Company Overview
 - 16.2.9.2 Product Portfolio
 - 16.2.9.3 Demographic Reach and Achievements
 - 16.2.9.4 Certifications
- 16.2.10 Firstmac Limited
 - 16.2.10.1 Company Overview
 - 16.2.10.2 Product Portfolio
 - 16.2.10.3 Demographic Reach and Achievements
 - 16.2.10.4 Certifications
- 16.2.11 Others
- 17 Key Trends and Developments in the Market

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