

VIC

VICTORIA EMBRACES BROKERS AS HOME LOANS SURGE TO RECORD HIGH – LATEST AFG MORTGAGE INDEX

4 August 2014

Demand for mortgages from brokers surged to an all-time high last month in Victoria according to AFG, Australia's largest mortgage broker. The AFG Mortgage Index, published today, shows that the company processed \$1,09 billion in home loans for Victoria in July – the first time the company has ever processed over \$1 billion for any state outside NSW.

Demand for home loans in Victoria was led by borrowers seeking to invest (34.9%) refinance (34.4%) and upgrade (21.1%). Only 9.6% of new loans were for first home buyers, a decline from the previous month (11.3%).

While demand for home loans in Victoria was a massive 44% higher than in July 2013, other states in Australia also showed strong growth last month. Demand in WA was 21.2% higher than in July 2013, NSW 12.8%, QLD 11.6%, and SA 3.7%. Overall AFG processed \$4.1 billion in mortgages in July – its second biggest month since the record \$4.2 billion recorded in May 2014, and 21% more than in July 2013.

Mark Hewitt, General Manager of Sales and Operations says: 'Victoria has traditionally been the state with the lowest use of brokers, but this is starting to change. With increasing competitiveness and complexity in the mortgage market, we are seeing a marked shift in borrowers using brokers to help them find the best deal. The resilience of the Victorian market, defying concerns about high-rise over-supply, is another factor underpinning mortgage demand there.'

The AFG Mortgage Index shows the overall proportion of loans arranged for investors softened in July to 38.0%, down from the record high of 40% recorded in May 2014.

Consistent with this, the average loan to value ratio (LVR), a loan expressed as a proportion of the value of a property, rose to an average 68.2% from 66.6% in June. Investors typically use equity in existing property to fund their investments, thereby reducing overall LVRs. Victoria's LVR of 71.2%, like WA's of 71.5%, are higher than the national average, indicating lower levels of investors, compared with other types of borrowers in those states.

24% of borrowers last month chose fixed rate loans, consistent with previous months.

There was a sharp rise in introductory mortgages, from 7.3% in June to 9.6% in July, as a number of lenders offered attractive start-up deals. These types of loans are traditionally attractive to first home buyers, however last month saw other types of borrowers start to take advantage of the offers.

More information for each state can be found at www.afgonline.com.au under Media Hub – News and Data.

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AFG MORTGAGES SOLD

TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
May 13	8,921	\$3,608 m	\$404k	36.5%	13.6%	34.0%
June 13	7,575	\$3,079 m	\$406k	37.9%	12.8%	36.6%
July 13	8,482	\$3,407 m	\$401k	35.9%	11.6%	35.2%
Aug 13	8,767	\$3,613 m	\$412k	38.7%	11.3%	33.5%
Sept 13	8,660	\$3,624 m	\$418k	38.1%	11.3%	31.5%
Oct 13	9,597	\$4,057 m	\$422k	38.4%	11.1%	34.3%
Nov 13	9,162	\$3,994 m	\$436k	39.3%	10.3%	33.9%
Dec 13	7,213	\$3,054 m	\$423k	38.8%	10.2%	35.1%
Jan 14	6,297	\$2,585 m	\$410k	38.9%	11.8%	33.1%
Feb 14	8,740	\$3,759 m	\$430k	38.9%	9.9%	33.6%
Mar 14	9,264	\$4,048 m	\$436k	39.6%	10.7%	33.9%
Apr 14	8,517	\$3,674 m	\$431k	39.0%	10.1%	34.1%
May 14	9,815	\$4,218 m	\$429k	40.0%	10.2%	34.7%
June 14	8,745	\$3,794 m	\$433k	39.2%	10.8%	36.7%
July 14	9,300	\$4,122 m	\$443k	38.0%	9.8%	36.1%

AFG MORTGAGES SOLD

TABLE 2: VIC

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	FIRST TIME BUYERS	PROPERTY INVESTORS
May 13	2,078	\$794 m	\$382k	18.9%	34.9%
June 13	1,817	\$706 m	\$388k	16.5%	36.3%
July 13	1,960	\$759 m	\$387k	13.4%	32.9%
Aug 13	2,029	\$795 m	\$391k	11.2%	36.7%
Sept 13	1,947	\$773 m	\$397k	10.9%	37.8%
Oct 13	2,214	\$918 m	\$414k	11.3%	37.7%
Nov 13	2,116	\$904 m	\$427k	11.4%	38.2%
Dec 13	1,681	\$682 m	\$406k	8.7%	36.6%
Jan 14	1,494	\$625 m	\$418k	11.2%	37.4%
Feb 14	2,111	\$885 m	\$419k	10.3%	38.4%
Mar 14	2,242	\$936 m	\$417k	12.2%	36.5%
Apr 14	2,146	\$875 m	\$408k	10.9%	36.9%
May 14	2,399	\$999 m	\$416k	10.7%	40.2%
June 14	2,046	\$859 m	\$419k	11.3%	36.6%
July 14	2,333	\$1,095 m	\$469k	9.6%	34.9%

MAJOR VS NON MAJOR LENDER MARKET SHARE
TABLE 3: BY BUYER TYPE

MONTH	TOTAL MORTGAGES		REFINANCE		FIRST HOME BUYERS		INVESTORS	
	MAJOR	NON-MAJOR	MAJOR	NON-MAJOR	MAJOR	NON-MAJOR	MAJOR	NON-MAJOR
2013 06	75.1%	24.9%	70.4%	29.6%	74.6%	25.4%	77.9%	22.0%
2013 07	73.6%	26.4%	68.2%	31.8%	71.9%	28.1%	75.2%	24.8%
2013 08	74.9%	25.1%	66.8%	33.2%	73.7%	26.3%	77.9%	22.1%
2013 09	73.7%	26.2%	67.1%	32.9%	73.2%	26.8%	76.1%	23.9%
2013 10	74.9%	25.1%	69.6%	30.4%	73.1%	26.9%	76.3%	23.7%
2013 11	72.3%	27.7%	64.4%	35.6%	71.8%	28.2%	74.7%	25.3%
2013 12	73.6%	26.4%	68.3%	31.7%	70.8%	29.2%	75.9%	24.1%
2014 01	76.0%	24.0%	70.0%	30.0%	73.5%	26.5%	80.2%	19.8%
2014 02	73.1%	26.9%	66.7%	33.3%	72.8%	27.2%	75.8%	24.2%
2014 03	74.6%	25.4%	68.2%	31.8%	68.4%	31.6%	76.8%	23.2%
2014 04	75.2%	24.8%	68.9%	31.1%	72.2%	27.8%	76.9%	23.1%
2014 05	74.7%	25.3%	69.2%	30.8%	70.4%	29.6%	77.2%	22.8%
2014 06	74.9%	25.1%	70.3%	29.7%	72.6%	27.4%	76.9%	23.1%
2014 07	74.7%	25.3%	67.9%	32.1%	71.4%	28.6%	77.5%	22.5%

AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 4: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2013 05	404,452	486,232	348,914	308,103	382,428	420,735	399,894
2013 06	406,573	494,423	344,075	322,774	388,630	408,832	435,456
2013 07	401,749	487,312	341,665	321,050	387,300	397,351	435,998
2013 08	412,125	505,365	352,671	315,098	391,988	410,861	392,414
2013 09	418,550	507,859	357,343	324,148	397,162	421,761	374,346
2013 10	422,758	512,192	355,836	353,916	414,923	410,299	383,306
2013 11	436,002	529,136	360,296	338,946	427,537	436,015	399,299
2013 12	423,510	516,483	358,121	319,007	406,055	437,591	379,182
2014 01	410,543	485,268	350,785	326,646	418,752	416,173	380,723
2014 02	430,194	518,145	357,754	333,958	419,253	430,772	378,874
2014 03	436,983	529,763	372,809	339,568	417,604	435,643	367,476
2014 04	431,484	528,674	364,432	334,894	408,827	439,959	423,630
2014 05	429,794	524,009	369,926	323,841	416,521	423,236	391,383
2014 06	433,960	526,954	373,126	335,919	419,893	424,349	425,155
2014 07	443,244	506,696	373,911	335,791	469,672	434,707	397,685

LOAN VALUE RATIOS (loan stated as % of property value)

TABLE 5: STATE BY STATE

	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2013 06	68.6%	66.3%	67.2%	69.9%	70.1%	71.4%	66.5%
2013 07	68.4%	66.2%	68.4%	68.9%	71.0%	70.9%	64.8%
2013 08	68.2%	66.6%	70.3%	67.8%	71.0%	71.8%	61.4%
2013 09	68.5%	68.0%	69.0%	68.5%	71.2%	73.8%	60.5%
2013 10	69.1%	66.4%	70.1%	71.1%	70.7%	71.7%	64.6%
2013 11	68.9%	65.5%	69.8%	68.6%	71.0%	70.7%	67.9%
2013 12	67.3%	65.4%	68.7%	70.0%	69.5%	71.3%	59.2%
2014 01	68.0%	64.5%	68.8%	68.9%	72.3%	71.6%	61.6%
2014 02	68.0%	65.6%	69.0%	67.8%	72.0%	71.0%	62.3%
2014 03	68.0%	64.6%	68.0%	70.9%	71.9%	71.3%	61.3%
2014 04	66.7%	64.2%	65.0%	70.3%	72.4%	70.5%	58.1%
2014 05	68.8%	65.7%	68.0%	68.5%	71.4%	70.5%	68.6%
2014 06	66.6%	64.1%	66.7%	68.6%	70.6%	69.8%	59.8%
2014 07	68.2%	63.3%	67.3%	67.3%	71.2%	71.5%	68.4%

LOAN TYPE

TABLE 6: ALL AUSTRALIA

MONTH	BASIC	EQUITY	FIXED	INTRO	STANDARD
June 13	4.4%	5.8%	27.4%	5.2%	57.2%
July 13	4.5%	5.1%	28.9%	5.8%	55.6%
Aug 13	4.2%	5.6%	26.1%	5.6%	58.5%
Sept 13	3.4%	4.7%	27.3%	6.0%	58.5%
Oct 13	3.8%	4.6%	27.7%	5.3%	58.5%
Nov 13	3.7%	5.1%	27.9%	5.4%	57.8%
Dec 13	3.7%	5.2%	24.9%	6.4%	59.8%
Jan 14	3.3%	4.7%	23.9%	9.7%	58.2%
Feb 14	3.6%	4.6%	25.0%	7.7%	59.1%
Mar 14	3.5%	4.6%	23.9%	7.8%	60.1%
Apr 14	3.8%	4.6%	24.0%	7.6%	59.9%
May 14	4.5%	4.5%	23.9%	7.5%	59.5%
June 14	4.1%	4.2%	24.2%	7.3%	60.3%
July 14	4.5%	3.8%	24.0%	9.6%	58.1%

DEFINITIONS

1. **Standard Variable:** includes the full range of features available.
2. **Basic Variable:** without some features, lower fees and rates.
3. **Intro:** also known as 'honeymoon' where the borrower is offered a very cheap initial rate (fixed or variable) before the loan reverts to a Standard Variable.
4. **Fixed:** interest rate is fixed for a nominated period before it reverts to a Standard Variable.
5. **Equity:** also known as 'line of credit' allows the borrower to draw out money up to a specified limit. Generally more expensive than Standard Variable loans.

NOTE TO EDITORS

AFG is Australia's largest mortgage broking group and one of the country's largest financial services companies. Established in 1994, the company now provides more than 20% of brokers nationwide with access to Australia's leading lending institutions, and has a mortgage book in excess of \$89 billion.