

VIC

**FIRST HOME BUYING PLUNGES TO 4 YEAR LOW –
LATEST AFG MORTGAGE INDEX**

2 September 2014

Fewer mortgages were arranged for first home buyers last month than at any time in the past four years according to AFG, Australia's largest mortgage broker. AFG Mortgage Index shows that loans for first home buyers comprised only 9.5% of all mortgages processed in August – the lowest such figure since June 2010. Of the total \$3.9 billion of home loans processed by the company, \$324 million were for first home buyers. This contrasts sharply with the \$1.5 billion arranged for investors.

First home buying patterns vary across the country. In New South Wales, first home buyers comprised just 3.5% of all mortgages processed. The equivalent figures were 5.5% in Queensland, 9.4% in Victoria, 9.8% in South Australia and 21.0% in Western Australia.

Mark Hewitt, General Manager Sales and Operations says: 'The long term average for first home buyer loans is around 12% - 15% of the total. We saw overnight slumps from those levels when NSW and QLD withdrew first home buyer grants two years ago. Since then, property prices in Sydney in particular, have been steadily increasing. This represents a double-whammy for first home buyers. It also has important socio-economic implications when, even with interest rates at historic lows, people can't afford to get on the property ladder.'

The AFG Mortgage Index shows the rate of mortgage growth slowed sharply in August 2014. Figures in the preceding months were around 20% higher than the corresponding months in 2013. August's figure of \$3.9 billion was 9.6% higher than in August 2013. It remains to be seen if this slow-down in growth reflects seasonal factors during the last month of winter, or longer term economic factors, such as the impact of the lack of first home buyers on the total market, concerns about unemployment and global instability.

The number of borrowers choosing to lock in fixed rates increased slightly from 24.0% in July to 24.9% in August, as this part of the home loan market becomes increasingly competitive. Similarly, the proportion of borrowers opting for introductory loans also remained high – 8.9% - relative to the long term average (around 5% of all new home loans), as more borrowers took advantage of special offers.

Loan to value ratios (LVRs), loans expressed as a proportion of property values, continued to nudge upwards in August to 69.5%. This compares to 68.2% in July and 66.6% in June.

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

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CONTACT DETAILS

General Manager Sales & Operations

Tel (08) 9420 7888

David Michie, Mosaic Reputation Management

Tel (08) 9381 4494 | Mob 0411 453 404

AFG MORTGAGES SOLD

TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
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%
Aug 14	9,087	\$3,959 m	\$435k	39.0%	9.5%	35.3%

AFG MORTGAGES SOLD

TABLE 2: VIC

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	FIRST TIME BUYERS	PROPERTY INVESTORS
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%
Aug 14	2,158	\$910 m	\$422k	9.4%	36.9%

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 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%
2014 08	73.8%	26.2%	68.0%	32.0%	69.3%	30.7%	76.8%	23.2%

AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 4: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
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
2014 08	435,782	532,105	365,571	338,525	422,125	428,916	401,888

LOAN VALUE RATIOS (loan stated as % of property value)
TABLE 5: STATE BY STATE

	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
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%
2014 08	69.5%	64.3%	67.8%	70.4%	70.9%	71.1%	72.5%

LOAN TYPE

TABLE 6: ALL AUSTRALIA

MONTH	BASIC	EQUITY	FIXED	INTRO	STANDARD
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%
Aug 14	4.2%	3.9%	24.9%	8.9%	57.9%

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.