

NATIONAL

FIRST TIME BUYER ACTIVITY LEAPS AS RATE CUT OFFERS MORTGAGE RELIEF – LATEST FIGURES

5 February 2009

Mortgage sales to first time home buyers leaped to an all time high of 25.8% of all mortgages arranged in January, according to AFG, Australia's largest mortgage broker. AFG Mortgage Index shows that the proportion of first time home buyers is now more than double the 11.6% recorded six months ago in July 2008. First time buyers were in greatest evidence in New South Wales (30.5%) followed by WA (26.7%), Victoria (25.3%) and Queensland (24.7%).

AFG first noted a significant surge in first home buyers in its early December Mortgage Index – a trend confirmed by ABS in its official data published on 14 January 2009. The surge is now in its third month and shows no signs of stopping.

Loan to Value Ratios (LVRs), which have been rising steadily over the past twelve months, also hit an all time high of 72.5% in January, up from 62.7% in January 2008. An LVR, which expresses the average mortgage as a proportion of the average house price, typically rises when property prices fall, and when people incorporate expensive personal debt, such as credit card debt, when refinancing. LVRs also rise for a positive reason when more first time buyers, with smaller deposits, enter the housing market.

Mark Hewitt, General Manager of Sales and Operations says: "Younger people with reasonably secure jobs have become an important force in the property market during the past few months. For many of them it's a case of 'what recession?' While other parts of the market are suffering, for them the opportunities are unprecedented – generous government hand-outs, soft prices and interest rates which are now at a thirty year low."

AFG Mortgage Index also shows that refinancing is down to a 12 month low of 34.7% of all mortgages, suggesting that more people are hunkering down with their current lender as interest rates fall.

Overall sales of mortgages fell from \$2.2 billion in December to \$1.9 billion in January. While January sales have tended to be higher than December in the past – in January 2008 by 2.8% - last month's slew of bad economic news saw more buyers staying at home. However yesterday's rate cut announced by RBA, and \$42 billion Government spending package is expected to stimulate increased activity in February and March.

AFG has 10% of the total mortgage market (Source: ABS and AFG statistics). Figures for each state are available at: www.afgonline.com.au under Corporate - News.

ENDS

PLEASE SEE TABLES OVERLEAF

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AFG - First with the Figures

AFG MORTGAGES SOLD
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
Dec 07	6,125	\$1,999 m	\$326k	33.9%	10.8%	35.24%
Jan 08	6,471	\$2,056 m	\$317k	30.8%	12.1%	37.04%
Feb 08	7,574	\$2,438 m	\$321k	29.0%	11.5%	38.42%
Mar 08	6,498	\$2,120 m	\$326k	31.4%	11.2%	39.34%
Apr 08	7,125	\$2,247 m	\$315k	33.2%	10.6%	35.9%
May 08	6,691	\$2,233 m	\$333k	32.8%	10.9%	36.1%
June 08	5,939	\$2,026 m	\$341k	32.2%	10.6%	36.5%
July 08	6,935	\$2,370 m	\$341k	29.9%	11.6%	40.78%
Aug 08	5,770	\$1,908 m	\$330k	30.05%	13.3%	37.9%
Sep 08	6,231	\$2,102 m	\$337k	31.37%	14.4%	39.1%
Oct 08	7,003	\$2,473 m	\$353k	29.9%	16.4%	40.9%
Nov 08	7,003	\$2,421 m	\$345k	27.6%	22.0%	37.9%
Dec 08	6,304	\$2,220 m	\$352k	28.0%	21.2%	37.2%
Jan 09	5,607	\$1,903 m	\$339k	26.5%	25.8%	34.7%

AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 2: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA
2007 12	326,413	377,299	315,673	250,111	302,884	354,297
2008 01	317,829	379,064	296,852	249,645	296,231	361,675
2008 02	321,955	370,972	313,930	257,830	297,196	346,328
2008 03	326,375	374,254	307,171	257,040	325,928	351,209
2008 04	315,412	391,160	291,649	229,878	297,749	349,503
2008 05	333,876	386,697	317,693	269,311	287,271	386,305
2008 06	341,243	403,784	324,589	281,035	305,943	369,636
2008 07	341,883	417,551	310,818	273,698	313,487	372,227
2008 08	330,805	367,730	324,762	271,336	302,636	363,039
2008 09	337,384	400,879	321,878	274,764	298,972	369,002
2008 10	353,223	418,458	326,192	275,938	328,753	398,105
2008 11	345,751	381,793	331,241	283,430	316,554	400,680
2008 12	352,267	391,297	333,838	295,123	325,161	399,241
2009 01	339,407	398,842	322,887	288,037	293,364	372,320



LOAN VALUE RATIOS
(Loan stated as % of property value)
TABLE 3: STATE BY STATE

	AUSTRALIA	NSW	QLD	SA	VIC	WA
2007 08	66.4%	70.3%	67.7%	68.8%	70.1%	55.3%
2007 09	66.3%	67.6%	69.7%	68.1%	70.3%	56.0%
2007 10	65.9%	69.4%	66.8%	66.9%	67.0%	59.4%
2007 11	65.2%	68.3%	66.7%	65.3%	70.6%	54.9%
2007 12	62.8%	67.8%	63.7%	64.3%	68.1%	49.9%
2008 01	62.7%	61.7%	64.5%	65.0%	68.8%	53.2%
2008 02	64.5%	68.5%	64.6%	65.8%	69.8%	53.6%
2008 03	64.8%	69.4%	66.5%	64.2%	69.6%	54.4%
2008 04	65.5%	72.0%	64.3%	63.6%	71.9%	55.5%
2008 05	65.7%	68.5%	64.8%	65.1%	70.9%	59.2%
2008 06	64.9%	70.0%	66.5%	64.1%	69.9%	54.1%
2008 07	66.4%	69.2%	65.1%	67.5%	69.9%	60.1%
2008 08	66.7%	71.5%	64.2%	68.0%	69.3%	60.2%
2008 09	65.9%	70.5%	66.4%	63.0%	67.3%	62.1%
2008 10	68.7%	71.5%	67.7%	68.7%	71.6%	63.7%
2008 11	72.0%	75.4%	71.1%	71.8%	73.8%	67.8%
2008 12	70.8%	74.9%	69.8%	68.4%	73.9%	67.1%
2009 01	72.5%	75.4%	72.0%	69.9%	74.4%	70.8%

LOAN TYPES
TABLE 4: ALL AUSTRALIA

MONTH	BASIC VARIABLE	EQUITY	FIXED	INTRO	STANDARD VARIABLE
Oct 07	19.1%	14.7%	23.2%	5.1%	37.6%
Nov 07	18.6%	13.7%	27.3%	5.3%	34.9%
Dec 07	18.9%	14.2%	23.3%	4.7%	38.8%
Jan 08	18.8%	14.3%	24.3%	5.8%	35.3%
Feb 08	17.3%	14.3%	25.3%	5.0%	35.6%
Mar 08	16.9%	15.2%	24.0%	5.3%	38.5%
Apr 08	18.5%	14.5%	18.4%	9.5%	39.1%
May 08	18.2%	15.2%	13.7%	12.8%	39.9%
June 08	19.5%	15.5%	11.5%	12.7%	40.8%
July 08	19.0%	14.6%	7.9%	13.7%	44.8%
Aug 08	21.9%	15.6%	4.9%	8.7%	48.9%
Sep 08	21.1%	14.7%	4.9%	8.9%	50.3%
Oct 08	21.2%	14.6%	4.5%	8.1%	51.6%
Nov 08	21.9%	13.1%	3.2%	9.9%	51.8%
Dec 08	17.8%	13.5%	5.7%	12.7%	50.3%
Jan 09	17.1%	11.5%	4.1%	17.3%	50.0%



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 wholesaler of mortgage finance. 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 \$50 billion.

