

NATIONAL

MORTGAGE MARKET STRENGTHENS DESPITE ELECTION: AUGUST DATA

But mining tax fears concern QLD and WA investors

7 September 2010

Despite the Federal Election, mortgage sales in August were 10.9% higher than in July according to AFG, Australia's largest mortgage broker.

AFG Mortgage Index shows a number of positive trends impacting on the mortgage market. For the second month in a row, sales to first home buyers increased – from 9.5% of the market in June to 11.7% in August.

Greater competition between lenders on price and policy, and especially the increasing of Loan to Value Ratios, is supporting both entry level home buyers as well as property investors.

Kevin Matthews, Executive Director of AFG says: 'We now have two months of data which show that first home buyers are coming back. The impact of government grants, which had the effect of bringing forward first home buyer demand, seems to have washed through the system. With property prices in many areas having stabilized, and some lenders prepared to lend up to 95% of a property's value, property is becoming more accessible to first home buyers and more attractive to investors, especially when compared to the volatile performance of stock markets.'

First home buyer activity was particularly robust in NSW, where it comprised 15.5% of all new mortgages compared to 11.7% in June. First Home Buyers comprised 12.9% of all mortgages in WA, 11.7% in Victoria, 9% in Queensland and 6.7% in South Australia.

New South Wales and Victoria remain the most popular with investors, comprising 36.9% and 36.4% of all mortgages sold in those states respectively. Investor confidence in WA and Queensland, more popular states with investors during the resource boom years, has been negatively impacted by uncertainty over a possible mining super tax.

Figures for each state are available at: www.afgonline.com.au under Corporate - News.

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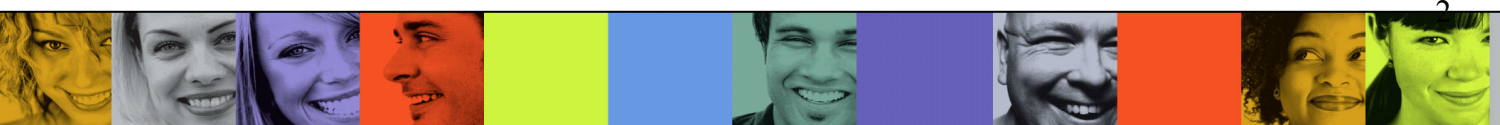
AFG - First with the Figures

AFG MORTGAGES SOLD
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
Aug 09	7,653	\$2,659 m	\$347k	27.1%	20.9%	29.2%
Sep 09	8,078	\$2,909 m	\$360k	29.8%	20.0%	33.5%
Oct 09	7,138	\$2,574 m	\$360k	31.3%	15.8%	35.1%
Nov 09	6,541	\$2,403 m	\$367k	33.8%	13.7%	35.1%
Dec 09	5,185	\$1,903 m	\$367k	33.9%	13.1%	35.5%
Jan 10	4,426	\$1,547 m	\$349k	33.7%	12.9%	36.2%
Feb 10	6,294	\$2,275 m	\$361k	34.1%	11.3%	35.8%
Mar 10	7,376	\$2,760 m	\$374k	35.1%	10.4%	37.1%
Apr 10	6,150	\$2,329 m	\$378k	36.9%	10.2%	36.6%
May 10	6,624	\$2,561 m	\$386k	36.7%	9.9%	38.0%
June 10	6,159	\$2,323 m	\$377k	35.4%	9.5%	39.0%
July 10	5,698	\$2,111 m	\$370k	33.6%	11.1%	39.4%
Aug 10	6,269	\$2,343 m	\$373k	34.3%	11.7%	38.3%

AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 2: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2009 06	351,572	397,088	332,916	291,918	321,128	383,470	302,588
2009 07	354,137	407,226	339,840	270,179	321,671	382,225	370,518
2009 08	347,505	397,029	328,050	284,746	321,012	377,170	311,084
2009 09	360,223	419,232	335,063	309,075	325,328	391,058	340,080
2009 10	360,723	415,602	335,227	292,237	331,238	399,988	361,199
2009 11	367,399	432,960	325,365	322,030	352,216	391,318	385,836
2009 12	367,123	414,202	340,658	314,113	349,793	390,178	357,050
2010 01	349,604	397,888	320,579	286,101	328,323	388,463	402,322
2010 02	361,589	420,554	339,467	303,404	323,317	390,842	360,457
2010 03	374,297	455,955	345,800	288,115	334,014	397,473	357,295
2010 04	378,814	432,435	348,285	304,489	355,865	412,126	346,745
2010 05	386,632	452,240	368,809	303,342	349,963	411,972	369,483
2010 06	377,233	455,649	346,234	303,212	353,886	386,513	337,167
2010 07	370,505	428,943	335,850	288,165	356,642	393,134	358,630
2010 08	373,750	433,378	341,353	305,536	360,431	391,397	332,643



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

	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2009 04	73.7%	75.6%	74.0%	71.8%	76.4%	70.5%	72.0%
2009 05	70.0%	72.0%	69.0%	67.0%	74.6%	67.3%	59.1%
2009 06	66.9%	71.5%	64.8%	63.9%	70.1%	64.2%	62.9%
2009 07	67.0%	71.1%	65.2%	65.1%	71.1%	66.5%	63.3%
2009 08	66.3%	70.7%	65.7%	65.3%	71.7%	66.0%	58.4%
2009 09	67.5%	70.2%	66.3%	66.5%	70.6%	67.1%	64.2%
2009 10	65.0%	68.9%	64.2%	63.6%	69.8%	61.2%	62.1%
2009 11	64.4%	68.6%	62.9%	61.0%	67.7%	60.9%	65.3%
2009 12	64.1%	67.0%	62.5%	63.7%	66.9%	62.8%	61.9%
2010 01	64.0%	65.6%	62.1%	63.2%	67.6%	61.4%	69.7%
2010 02	62.9%	66.7%	63.6%	64.7%	65.5%	60.3%	56.5%
2010 03	62.5%	65.9%	62.5%	63.5%	66.2%	58.7%	58.0%
2010 04	63.3%	66.1%	62.8%	62.7%	66.6%	60.1%	61.7%
2010 05	63.2%	66.4%	62.2%	62.2%	64.8%	60.4%	63.0%
2010 06	61.6%	65.5%	61.4%	60.3%	63.2%	59.3%	60.0%
2010 07	62.4%	64.9%	62.4%	63.6%	65.1%	62.2%	56.4%
2010 08	63.0%	67.0%	62.4%	62.3%	64.1%	61.4%	60.6%

LOAN TYPE
TABLE 4: ALL AUSTRALIA

MONTH	BASIC VARIABLE	EQUITY	FIXED	INTRO	STANDARD VARIABLE
Aug 09	14.6%	11.9%	5.1%	17.7%	50.6%
Sep 09	13.7%	12.1%	3.2%	19.7%	51.3%
Oct 09	17.5%	11.6%	3.0%	15.6%	52.3%
Nov 09	18.6%	11.8%	2.1%	8.3%	59.1%
Dec 09	19.2%	11.7%	2.0%	9.4%	57.7%
Jan 10	20.5%	11.3%	2.6%	8.8%	56.8%
Feb 10	19.4%	10.9%	2.2%	10.6%	56.8%
Mar 10	19.3%	10.8%	2.5%	8.5%	58.9%
Apr 10	19.5%	10.3%	3.2%	8.4%	58.6%
May 10	17.1%	11.7%	2.9%	8.7%	59.6%
June 10	17.5%	11.1%	3.9%	7.1%	60.4%
July 10	16.9%	10.6%	3.4%	7.5%	61.6%
Aug 10	16.8%	10.2%	3.9%	8.2%	60.8%

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.



LENDER TYPE (SOURCE: ABS) TABLE 5: ALL AUSTRALIA

MONTH	BANK	NON BANK	TOTAL
2 nd quarter 2007	79.7%	20.3%	100%
3 rd quarter 2007	79.6%	20.4%	100%
4 th quarter 2007	85.4%	14.6%	100%
1 st quarter 2008	87.5%	12.5%	100%
2 nd quarter 2008	84.5%	15.5%	100%
3 rd quarter 2008	90.8%	9.2%	100%
4 th quarter 2008	91.8%	8.9%	100%
1 st quarter 2009	92.5%	7.5%	100%
2 nd quarter 2009	89.1%	10.8%	100%
3 rd quarter 2009	88.3%	11.7%	100%
4 th quarter 2009	88.1%	11.9%	100%
1 st quarter 2010	88.1%	11.9%	100%
2 nd quarter 2010	87.5%	12.5%	100%

Note to Editors

AFG is Australia's largest mortgage broker. 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 \$60 billion.

