

NSW

SURPRISE UPLIFT FOR MORTGAGES AS INVESTORS SWOOP: MAY FIGURES

7 June 2011

Mortgage sales increased by 18.8% in May as investors took advantage of softer market conditions according to AFG, Australia's largest mortgage broker. While May is traditionally a strong month for sales before the quieter winter period, AFG Mortgage Index figures showed surprising strength, after a disaster-hit first quarter, and subdued figures for April. Total mortgage volume for May was \$2,517 million – only 1.7% lower than the figure recorded for May last year (\$2,561 million).

AFG processes 10% of all Australian mortgages (Source: ABS and AFG data) and its trend data is usually strongly indicative of ABS figures published six weeks later.

Victoria and New South Wales saw the biggest month on month upswings in mortgage volumes, increasing by 27.2% and 23.3% respectively. Both states also had the highest proportion of investment loans with 38.8% of loans in Victoria and 37.9% of those in New South Wales, processed for investors. May also saw a surprise increase of investment loans in Queensland, up to 36.5% - its highest such figure for well over a year.

Mark Hewitt, General Manager of Sales and Operations says: 'Property investment has remained at consistent levels throughout the ups and downs of the property cycle, but strengthened significantly in May. It is certainly a buyer's market right now, and investors looking at rising yields are probably better insulated from the impact of rising interest rates than other types of buyers.'

Refinancing remained steady at 36.8% despite higher levels of competition between lenders, and the abandoning of exit fees by many. It seems that many borrowers have adopted a long term view of their lender relationship, as encouraged by AFG.

Non major lenders captured greater market share than in recent months, with 19.6% of all mortgages processed in May for non major lenders (New Table 3). The non majors were best supported by First Home Buyers, 22.9% of whom chose a non major, and least supported by investors, (17.0%), probably indicative of established relationships with major lenders.

The proportion of fixed rate loans rose slightly to 8.4% from 6.4% in April as more buyers chose to lock in rates.

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

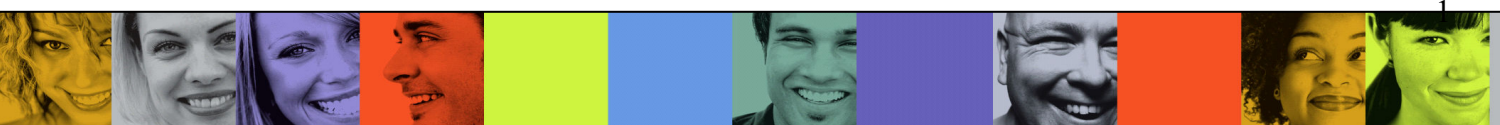
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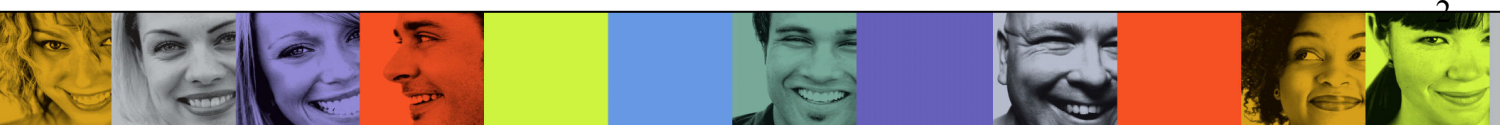
AFG - First with the Figures

AFG MORTGAGES SOLD
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
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%
Sep 10	6,157	\$2,335 m	\$379k	34.5%	12.6%	36.8%
Oct 10	5,891	\$2,234 m	\$380k	35.4%	11.8%	37.8%
Nov 10	6,619	\$2,511 m	\$379k	35.1%	12.2%	38.5%
Dec 10	5,472	\$2,076 m	\$379k	35.5%	11.4%	41.5%
Jan 11	3,583	\$1,310 m	\$365k	34.7%	14.1%	36.1%
Feb 11	5,365	\$2,053 m	\$382k	33.9%	14.6%	37.0%
Mar 11	6,436	\$2,513 m	\$390k	34.7%	13.9%	36.9%
Apr 11	5,489	\$2,119 m	\$386k	34.9%	13.9%	36.7%
May 11	6,483	\$2,517 m	\$388k	36.5%	13.2%	36.8%

AFG MORTGAGES SOLD
TABLE 2: NSW

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	FIRST TIME BUYERS	PROPERTY INVESTORS
Feb 10	1,380	580 m	\$420k	16.2%	38.5%
Mar 10	1,686	768 m	\$455k	13.1%	38.9%
Apr 10	1,423	615 m	\$432k	12.7%	39.5%
May 10	1,468	663 m	\$452k	12.3%	42.5%
June 10	1,360	619 m	\$455k	11.7%	40.7%
July 10	1,324	567 m	\$428k	14.4%	35.4%
Aug 10	1,409	610 m	\$433k	15.5%	36.9%
Sep 10	1,502	682 m	\$454k	13.9%	37.3%
Oct 10	1,339	592 m	\$442k	13.8%	42.3%
Nov 10	1,528	664 m	\$434k	14.7%	39.7%
Dec 10	1,220	527 m	\$432k	12.1%	41.0%
Jan 11	863	359 m	\$416k	14.8%	41.3%
Feb 11	1,321	596 m	\$451k	15.4%	40.2%
Mar 11	1,645	768 m	\$467k	14.8%	40.2%
Apr 11	1,231	558 m	\$453k	17.3%	37.5%
May 11	1,520	688 m	\$453k	14.1%	37.9%



**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
2010 05	83.3%	16.7%	81.5%	18.5%	77.2%	22.7%	84.7%	15.4%
2010 06	83.7%	16.3%	81.0%	18.9%	76.6%	24.4%	84.2%	15.8%
2010 07	83.5%	16.6%	82.7%	17.3%	80.1%	19.9%	84.1%	15.9%
2010 08	82.4%	17.6%	80.3%	19.7%	79.4%	20.6%	84.3%	15.7%
2010 09	81.6%	18.4%	79.3%	20.7%	75.8%	24.2%	83.8%	16.2%
2010 10	80.6%	19.4%	77.1%	22.9%	74.6%	25.4%	83.7%	16.3%
2010 11	80.6%	19.4%	77.3%	22.7%	77.6%	22.5%	82.9%	17.1%
2010 12	81.1%	18.9%	78.7%	21.3%	79.0%	20.9%	82.4%	17.6%
2011 01	80.7%	19.3%	77.5%	22.5%	77.1%	22.9%	82.2%	17.8%
2011 02	79.4%	20.6%	74.5%	25.6%	75.0%	24.9%	81.6%	18.4%
2011 03	81.7%	18.3%	79.0%	20.9%	79.7%	20.3%	82.2%	17.8%
2011 04	82.4%	17.6%	80.5%	19.5%	77.3%	22.8%	83.3%	16.7%
2011 05	80.4%	19.6%	78.7%	21.3%	77.1%	22.9%	83.0%	17.0%

Majors = Four major banks including the brands they own
Non-Majors = All other lenders

**AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 4: STATE BY STATE**

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
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
2010 09	379,374	454,325	318,556	300,754	354,673	398,064	318,556
2010 10	380,027	442,743	354,651	315,306	359,271	393,479	307,661
2010 11	379,385	434,898	354,220	305,978	359,343	395,325	338,145
2010 12	379,444	432,540	344,485	324,070	370,978	396,047	339,641
2011 01	365,799	416,527	319,554	301,933	349,155	397,102	329,902
2011 02	382,725	451,630	354,012	321,672	346,465	394,922	360,971
2011 03	390,479	467,034	357,177	309,931	360,051	396,572	376,348
2011 04	386,218	453,492	357,453	315,692	363,724	404,714	326,205
2011 05	388,384	453,286	354,886	302,057	379,993	399,372	383,786



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

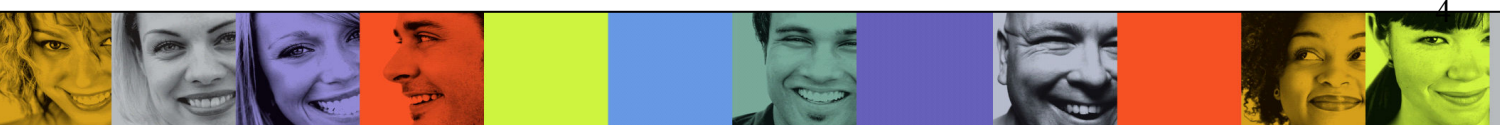
	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2010 02	62.9%	66.7%	63.6%	64.7%	65.5%	60.3%	56.5%
2010 03	62.5%	65.9%	62.5%	63.5%	66.2%	58.7%	58.0%
2010 04	63.3%	66.1%	62.8%	62.7%	66.6%	60.1%	61.7%
2010 05	63.2%	66.4%	62.2%	62.2%	64.8%	60.4%	63.0%
2010 06	61.6%	65.5%	61.4%	60.3%	63.2%	59.3%	60.0%
2010 07	62.4%	64.9%	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%
2010 09	63.0%	64.9%	63.3%	63.5%	64.9%	61.6%	59.7%
2010 10	64.5%	67.5%	65.5%	64.9%	66.3%	63.7%	59.0%
2010 11	64.2%	65.1%	64.2%	62.1%	65.5%	64.1%	64.2%
2010 12	65.9%	66.2%	65.1%	65.5%	66.1%	63.6%	68.7%
2011 01	65.4%	66.5%	62.8%	62.2%	67.7%	66.8%	66.2%
2011 02	68.8%	69.2%	66.5%	66.5%	66.5%	65.9%	78.2%
2011 03	65.8%	66.8%	65.2%	67.2%	67.5%	65.0%	63.1%
2011 04	63.9%	65.4%	65.4%	64.9%	65.8%	65.1%	56.8%
2011 05	65.5%	66.2%	66.0%	64.8%	66.0%	63.8%	66.1%

LOAN TYPE
TABLE 6: ALL AUSTRALIA

MONTH	BASIC VARIABLE	EQUITY	FIXED	INTRO	STANDARD VARIABLE
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%
Sep 10	16.7%	9.0%	5.4%	7.5%	61.4%
Oct 10	16.2%	10.4%	6.3%	6.9%	60.0%
Nov 10	15.0%	9.5%	9.0%	7.4%	59.1%
Dec 10	13.7%	9.0%	12.6%	8.9%	55.7%
Jan 11	14.6%	7.7%	9.0%	11.9%	56.7%
Feb 11	14.2%	9.7%	6.6%	13.2%	56.2%
Mar 11	11.8%	9.3%	6.6%	15.6%	56.6%
Apr 11	10.6%	9.7%	6.4%	14.3%	58.9%
May 11	11.7%	8.9%	8.4%	12.5%	58.5%

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 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 \$65 billion.

