

# SLOWDOWN STARTS

Even before the generous government grant gets wound back, first homeowner activity has already slowed

**T**HE frenetic first homebuyer activity seen since the Rudd Government announced its stimulatory boost to the First Home Owner Grant is steadily winding back.

Declining activity in this market sector is being witnessed by way of fewer loan applications for first homebuyers, according to mortgage brokers.

Construction finance specialist Don Crellin says that with just weeks to go before the phasing out of the \$21,000 boosted government grant begins, first homebuyer activity is

gradually slowing. Don says there were signs of reduced activity in June and July, though August was busy as first homebuyers rushed to lodge loan applications before the September 30 cut-off for the full grant.

He says while first homebuyer activity is tapering off, one must bear in mind that up until recently it has been historically high, representing more than 30 per cent of the housing market.

"As the level of government assistance starts to decrease, so will the current historically high levels of first homebuyer demand," Don says.

"Having said that, I do think that we will continue to see strong demand from this market segment for some time yet, given that when all of the current factors are weighed up there still couldn't be a better time to build.

"Interest rates are at historically low levels and there are some great deals available from land developers and builders.

"On top of that, there is still some \$14,000 on offer (after September 30) from the First Home Owner Grant until the end of December."

Absolute Money Tree Group director Ron Cole says that the reduction in inquiries from first homebuyers has been noticeable since late June.

Ron says lower first homebuyer sales have corresponded with a slight increase in inquiries and commitments from second and third-time buyers.

He says the reduction in first homebuyer activity has coincided with the imminent expiry of the full \$21,000 First Home Owner Grant.

But McKinley Plowman finance partner Paul Moran believes the fall-off in first homebuyer applications, particularly evident over the past three months, is mainly due to a change in lending guidelines.

Paul says new guidelines among major lenders requiring a deposit of 10 per cent are making it more difficult for first-timers to enter the housing market.

He says first homebuyers are increasingly calling on parental assistance to provide a security guarantee for a portion of a loan so they can meet lenders' requirements.

A spokeswoman for the ANZ bank says that while the start of the year saw a softening

of mortgage sales to first homebuyers, these loans have remained at a roughly constant percentage level of overall sales since March.

While the ANZ does not have comprehensive data on second and third-time buyers, total mortgage sales have edged higher in recent months.

A spokeswoman for the Commonwealth Bank also reports a decline in first homebuyer mortgage sales since March.

Bankwest chief economist Alan Langford says first homebuyer activity is expected to fade during the second half of this year.

Alan says a combination of factors, including the strong possibility of higher interest rates and the phase-out of the boosted grant, will affect first homebuyer activity.

He says it is also likely that the first homebuyer market may have reached saturation point.

Evidence of declining first homebuyer activity is also supported in official data that shows it has slowed nationally as the boosted federal grant nears its end.

The figures released by the Australian Bureau of Statistics (ABS) showed that first homebuyers made up 27.1 per cent of national home loans in June, compared with 28.5 per cent in May.

Overall demand for mortgages rose by a seasonally adjusted 1.1 per cent in June for owner-occupiers over the previous month to 65,151 loans, according to the ABS statistics.

Figures show that at the end of July more than 137,000 Australians have taken up the boosted First Home Owner Grant since it was announced last October.

In June, take-up rates for the generous grant peaked at 20,389, but they dropped to 18,939 in July.

The Federal Government's increased First Home Owner Grant provides \$14,000 for the purchase of an established home and \$21,000 for a new property, but will be pared back to \$10,500 for established properties and \$14,000 for new houses from October 1.

The grant is scheduled to return to its original \$7000 for both categories from January 1, 2010.

The WA Department of Treasury and Finance paid 14,725 First Home Owner Boost (FHOB) payments up to July 31.

Evelyn Duffy



Don Crellin



Ron Cole

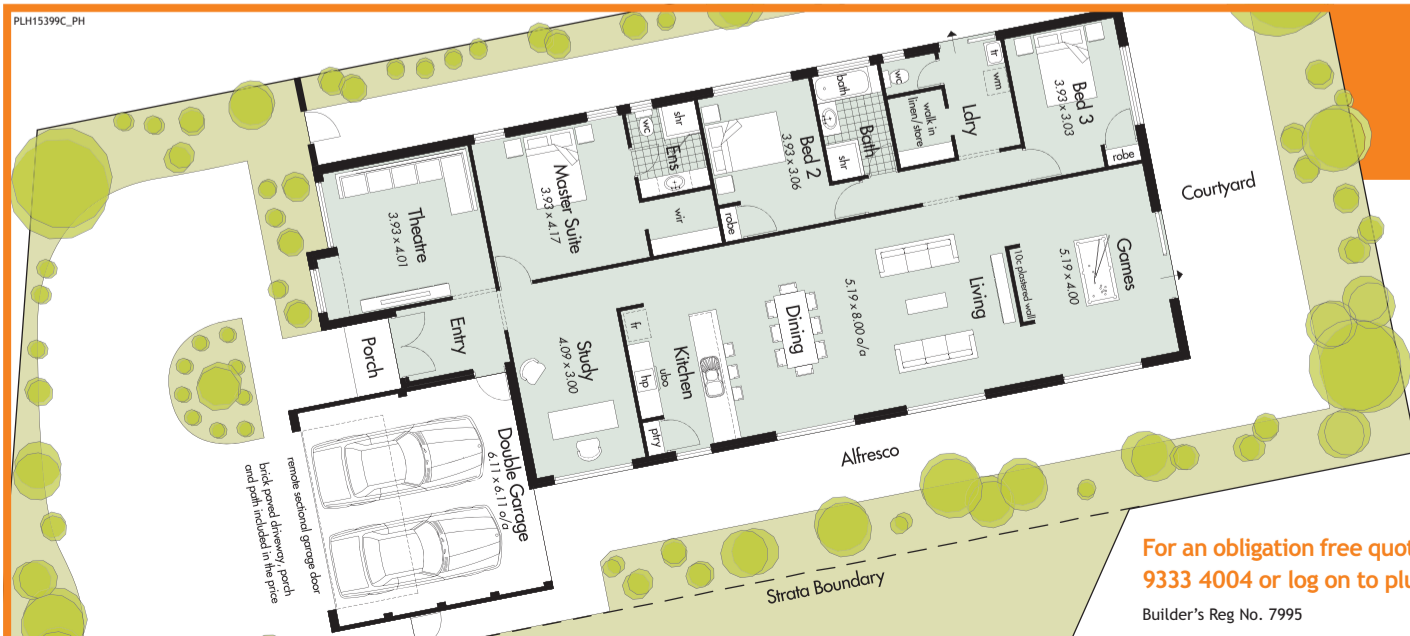


Paul Moran



Alan Langford

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