



TOMORROW'S HOME BUYERS STUDY

AUGUST 2001 to AUGUST 2003

Tomorrow's Home Buyers

Australians trying to enter the property market

A three year national study commissioned by Wizard Home Loans

Introduction

The following report is based on survey data prepared for Wizard Home Loans by Nielsen Media Research Panorama (NMR) from interviews with more than 30,000 Australians each year over the three year period August 2001 – August 2003.

This Tomorrow's Home Buyers study reveals information on Australians who are likely to buy their own home in the next 12 months but excludes those already owning residential property – either their own home or an investment property.

As such, the research presents a unique profile of predominantly first home-buyers as well as some who have owned and sold property in the past but are no longer in the property market.

These are Australians currently trying to enter the property market¹.

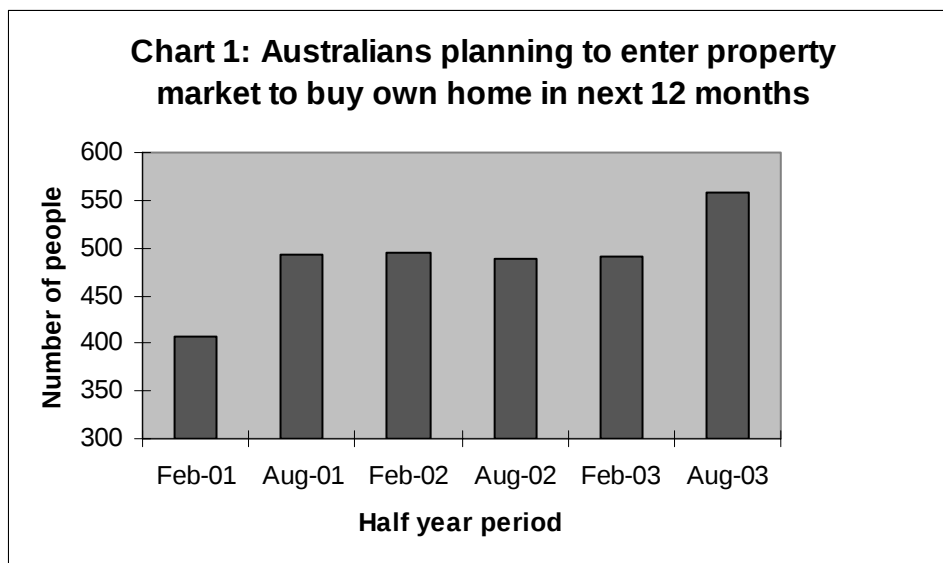
Key findings

Following two years of no growth in aspiring home owners in Australia, the number of Australians trying to enter the property market in 2003 jumped from 490,000 to 559,000².

This is a 14 per cent rise – the most significant change since the Federal Government doubled its first home owners grant in March 2001 and generated a 20 per cent increase in the number of Australians trying to enter the property market.

¹ First home buyers and other non-property owners who said they were likely or very likely to buy their own home in the next 12 months.

² In the six months to 31 August 2003, compared to the previous half year.



The survey results suggest that many Australian families have waited patiently for more than two years to enter the property market and are still waiting.

Have non-property owners who are seeking to buy a home been waiting on the sidelines or have increasing numbers been forced aside by rising property prices?

Certainly in NSW/ACT the number of Australians trying to get into the property market in 2003 went against the national trend, declining by 3 per cent in the last six months, suggesting they are at their limits of affording entry to the market.

However, in all other states, the number of Australians now hoping to get into the property market has increased over the last six months.

Furthermore, analysis of their occupations, incomes and working hours reveals that they are highly motivated to buy a home and are working hard to put themselves in a position to do so.

Their occupational profile is similar to that of Australians who already own a home (and are paying off a mortgage) and they have managed to boost their average household income over the past two years from \$62,000 to \$71,000.

The research also showed that many families will realise their dream of home ownership later than they may have planned. This is reflected in the growing age of Australians trying to get into the property market and a sharp rise in the number of older families who are still not in a home of their own.

In the year to 31 August 2003, 31,000 older families (defined as couples with all children aged 13 or more) were still trying to break into the property market to buy a home of their own. This is more than one third greater than a year earlier and is almost double the number of two years ago.

Household incomes: home ownership still within reach

The survey measured the average annual household incomes of those trying to break into the property market. In the three largest states – NSW/ACT, Victoria and Queensland - the incomes were not sufficient to buy an established home valued at median prices. However, in all states the average household incomes of Australians trying to enter the property market would support a home loan well in excess of the actual average mortgage size of first home buyers over the 12 months to August 2003.

	NSW/ ACT	VIC	QLD	SA/NT	WA	TAS
Average annual income ¹	\$77,300	\$75,200	\$65,100	\$60,200	\$66,300	\$55,100
Approximate maximum buying power ²	\$354,000	\$342,000	\$283,000	\$257,000	\$290,000	\$225,000
Capital city median established house price – June qtr 2003 ³	\$465,000	\$359,000	\$289,000	\$220,000	\$210,000	\$180,000
Average actual mortgage of first home buyers ⁴	\$174,900	\$171,200	\$148,600	\$127,000	\$144,800	\$87,100

Source: Wizard Home Loans, Nielsen Media Research, Real Estate Institute, Australian Bureau of Statistics

This table shows the average household income of Australians who do not own property of any kind and were likely or very likely to buy a home in the next 12 months. This figure can be used to estimate a maximum home buying power.

The table then compares home buying power against median established house prices for the June 2003 quarter and the average mortgage size of first home buyers in the year to 31 August 2003.

This analysis shows that those intending to buy have realistic prospects of owning their own home, though they may not be able to afford their dream home.

Notes to table:

1. Average of year to 31 August 2003 from Nielsen Media Research.
2. Buying power = maximum mortgage + \$30,000 deposit. Wizard Home Loans online calculator was used to find maximum mortgage size, based on \$30,000 deposit, joint applicants with two children, single income earner, and eligible for first home buyers grant and with no other debts other than credit cards with \$3,000 limit.
3. Sourced from Real Estate Institute
4. Sourced from Australian Bureau of Statistics, catalogue no. 5609.0 Tables 9 a & b

State differences: pool of home buyers growing in all states except NSW/ACT

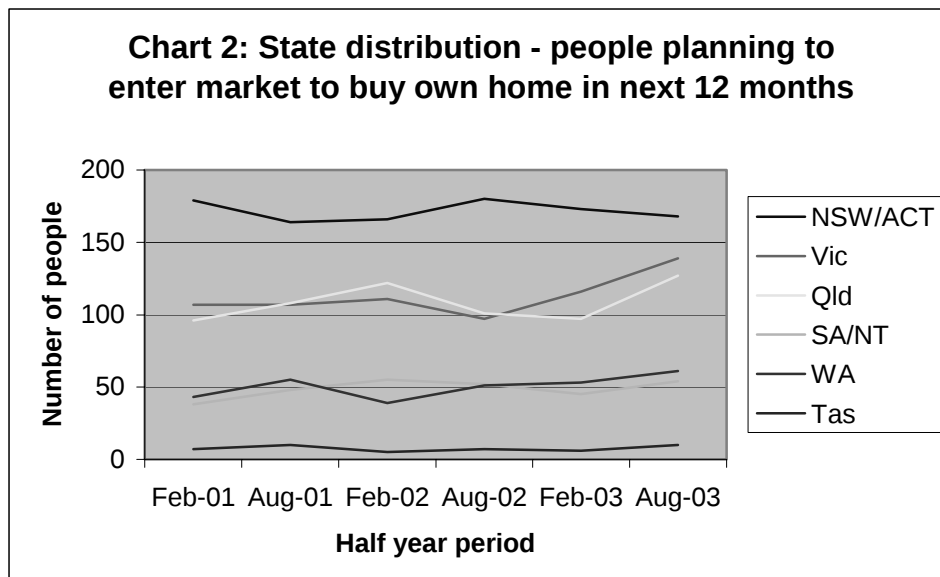
The Tomorrow's Home Buyers study has shown the number of Australians trying to get into the property market has recently increased in all states but NSW / ACT.

In NSW/ACT, where price barriers to the property market are highest, the number of aspiring home owners fell in 2003 from 173,000³ to 168,000⁴.

In every other state, the number of would-be home buyers increased, with the biggest growth recorded in Tasmania, up 67 per cent from 6,000⁵ to 10,000⁶.

The biggest real growth occurred in Queensland, up from 97,000⁷ to 127,000⁸.

Victoria, South Australia and the Northern Territory each increased by 20 per cent, while Western Australia was up by 15 per cent.



³ in the six months to February 2003

⁴ in the six months to 31 August 2003

⁵ in the six months to February 2003

⁶ in the six months to August 2003

⁷ in the six months to February 2003

⁸ in the six months to August 2003

Family structure: young families (not childless couples) dominate

While the traditional picture of first home buyers is that of a young couple working hard to boost their savings before buying their own home, this research shows a different picture.

The survey shows that some fifty percent of Australians trying to enter the property market already have children. The majority of these are young families (couples with children less than 12 years old), accounting for almost 40 per cent of would-be home owners. Older families (with all children aged 13 or more) account for more than one tenth (or 11 per cent) of aspiring home buyers..

Those childless couples traditionally seen as first time buyers in reality only made up 28 per cent of the group, followed by singles at only nine per cent.

Australian families that are trying to get into the property market are older than they used to be. Between 2002 and 2003, younger families dropped from 45 per cent to 39 per cent of Australian families that are trying to get into the property market, while older families increased from 8 per cent to 11 per cent.

This trend was strongest in Queensland, Victoria and New South Wales.

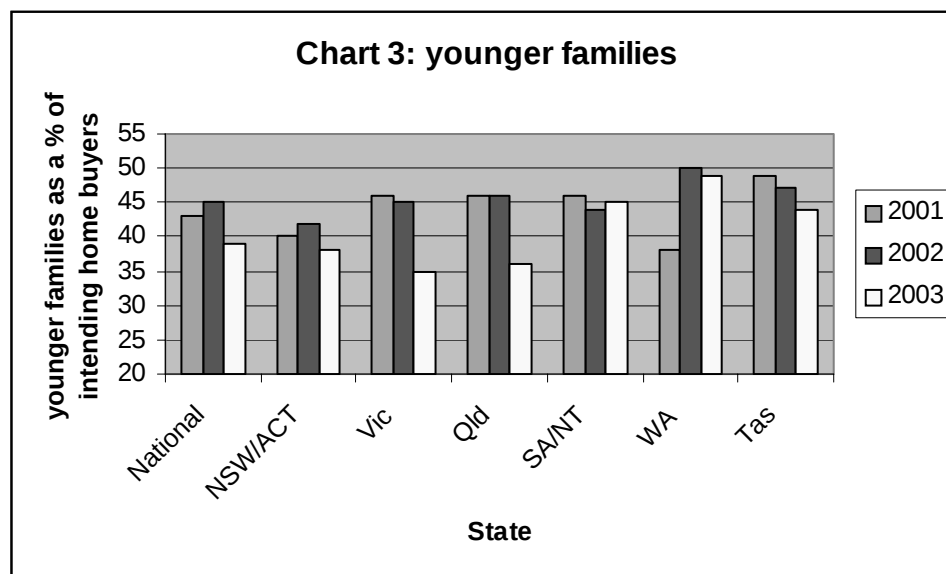
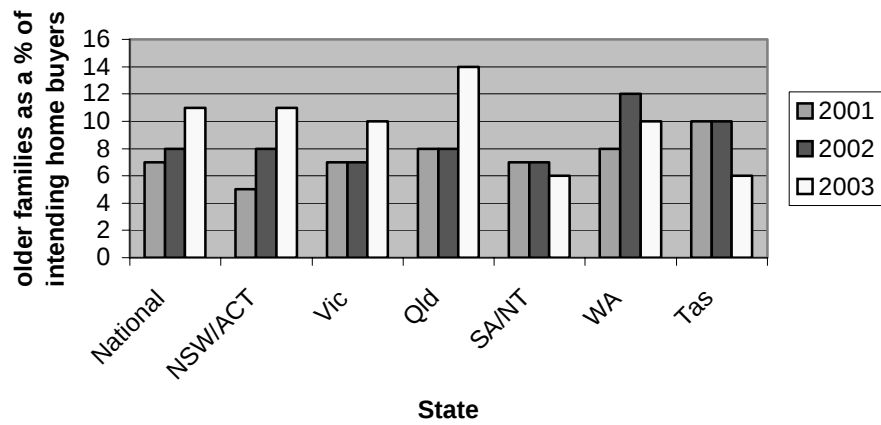


Chart 4: older families

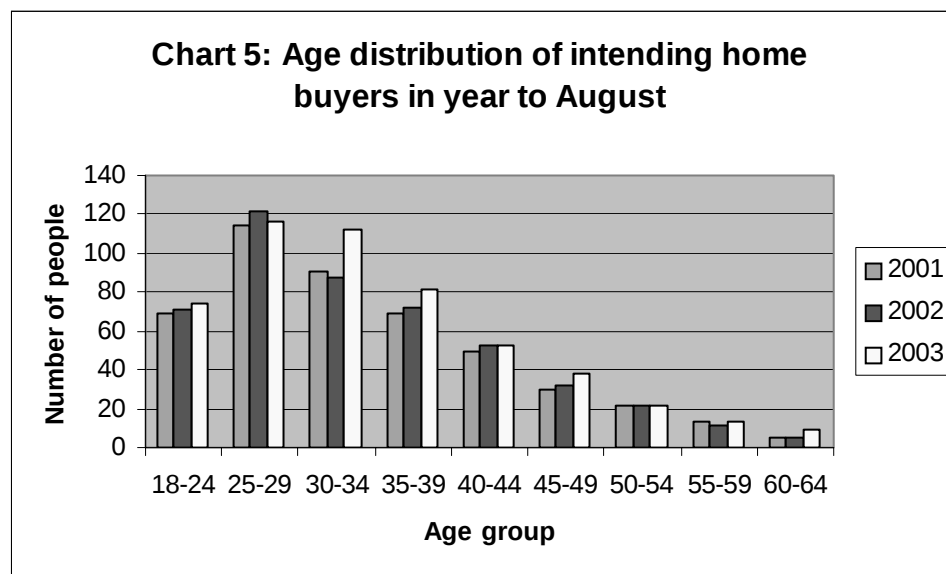


Age: home buyers waiting a little longer to get into the market

Consistent with the increase in older families, the Tomorrow's Home Buyers study has also revealed a significant ageing of the profile of aspiring home owners, with the most likely age for Australians trying to enter the property market now approaching 30.

More specifically, the average age nationally is 34.6 years in 2003, up from 34.2 years in 2002.

The greatest growth occurred in the number of intending home buyers aged 30 to 34 years, which jumped from 88,000 in 2002 to 112,000 in 2003.



The average age at which Australians were planning to enter the housing market was significantly different between NSW/ACT (34.9 years) and Victoria (33.3 years).

Most notable in the New South Wales and Victoria comparison is the difference in the 25 to 29 years group. In NSW/ACT, the number of aspiring home owners in this age group has dropped sharply, from 44,000 in 2001 to 27,000 in 2003. The largest group of aspiring home owners in NSW/ACT is now in the 30 to 34 year old age group, which now accounts for a quarter of all people in NSW/ACT trying to get into the property market.

In contrast, the number of intending home buyers in Victoria in the 25 to 29 years group has increased from 26,000 to 36,000 - doing almost exactly the opposite. It is now the largest age group of aspiring home owners in Victoria, accounting for almost one in every three Victorians trying to enter the property market in the next 12 months. The past year's increase in 25 to 29 year olds has driven down the average age of aspiring Victorians home buyers from 35.1 years to 33.3 years.

Chart 6: NSW intending home buyers by age

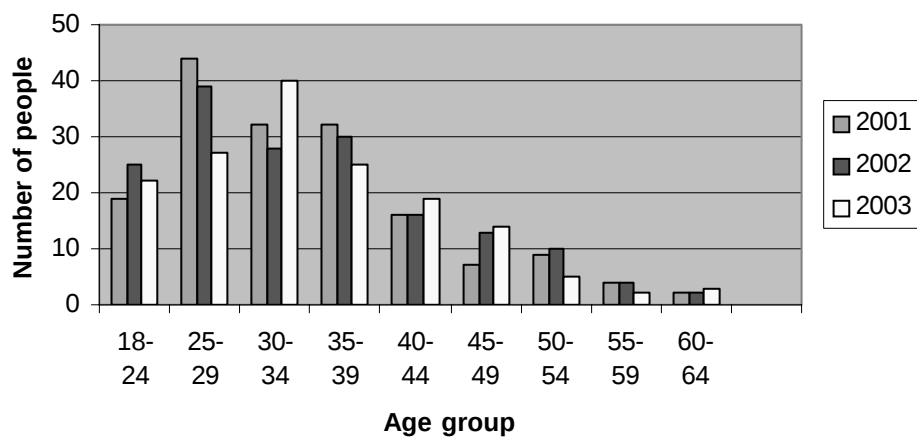
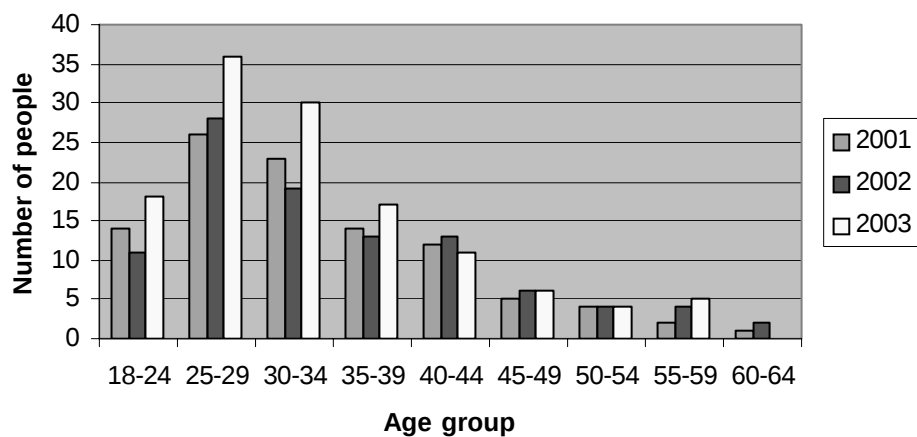


Chart 7: Victorian intending home buyers by age



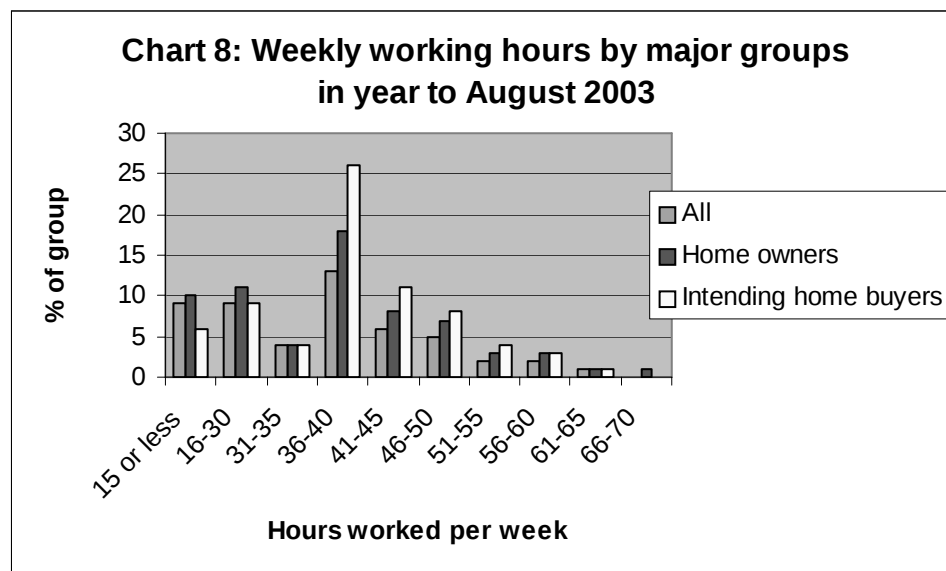
Working hours: great Australian dream drives hard effort

Australians who are trying to break into the property market are possibly the hardest working group of people in the country.

The great Australian dream of owning your own home is driving many people to work longer and harder than much of the population, even those who are already paying off a mortgage.

The research shows a profile of weekly working hours for Australians trying to enter the property market and compares it to the rest of the population, and to Australians that are already home owners with a mortgage.

According to the survey, those trying to get into the property market are far more likely to be working – 72 per cent of all people in this group were employed in the year to August 2003, compared to only 51 per cent of all people and 66 per cent of those already paying off a mortgage.



Those trying to get into the property market also work longer hours, with 27 per cent of aspiring home owners working more than 41 hours a week⁹, compared to 16 per cent of the working population and 23 per cent of already mortgaged home owners.

More than one in four would-be home owners worked the regular week hour (36 to 40 hours) - double the proportion of the all Australians working normal full-time hours.

With the working week becoming longer across the board over the past two years, these relative increases pose even more significant additional strain on intending home-buyers.

⁹ in the year to August 2003

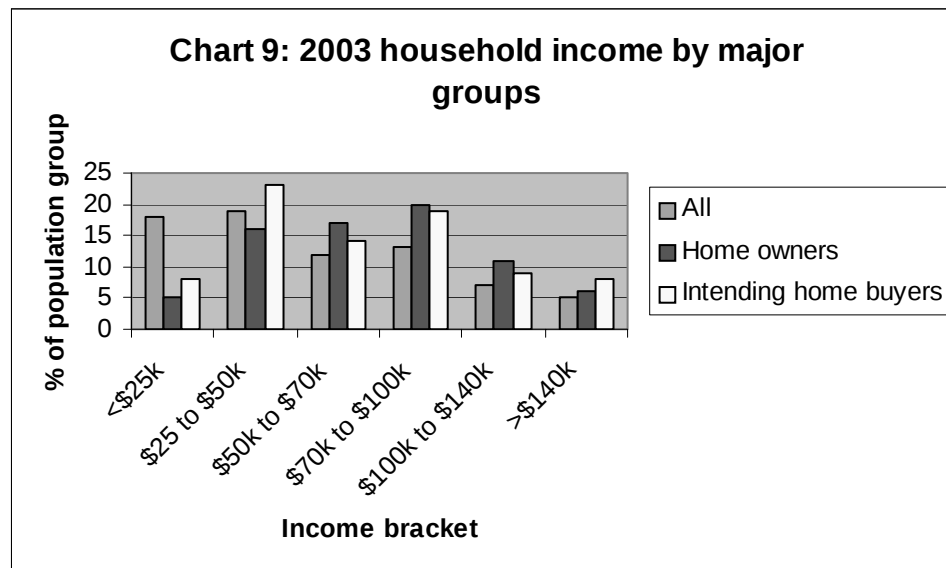
Household incomes: solid growth supports aspirations

Household income is the most important factor in ability to purchase a home of your own.

Analysis of the survey results shows that Australians who are trying to enter the property market have significantly better household incomes than the total population.

Furthermore, the incomes of intending home buyers approach the profile of existing home owners with a mortgage, which serves as a useful benchmark of their capacity to convert intentions into home ownership.

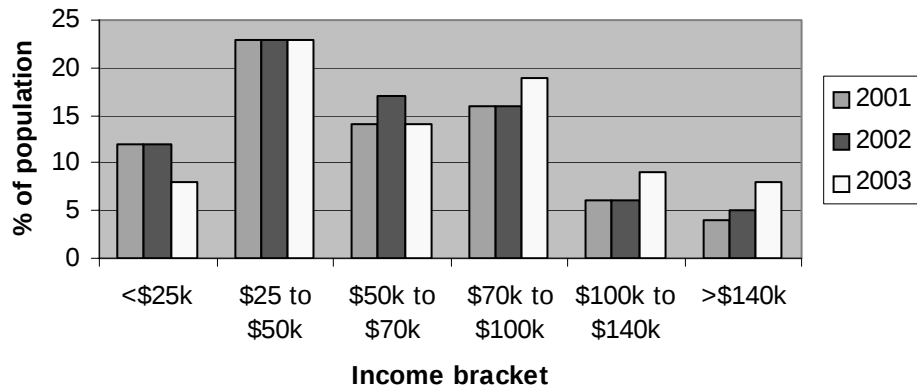
For example, 19 per cent of Australians trying to enter the property market had annual household incomes in the range of \$70-100,000 per annum in 2003 - only slightly behind existing home owners with a mortgage (20 per cent) and well ahead of the rest of the population (13 per cent).



The profile of intending home buyers has moved significantly towards higher incomes since 2001

In 2003 there were significantly more intending home-buyers in all income ranges above \$70,000 per annum. This helped to boost the average income of Australians planning to buy a home from \$62,000 in the year to August 2001 to \$71,000 in the year to August 2003.

Chart 10: household income of intending home buyers



Occupations: upper white collar workers increasingly dominant

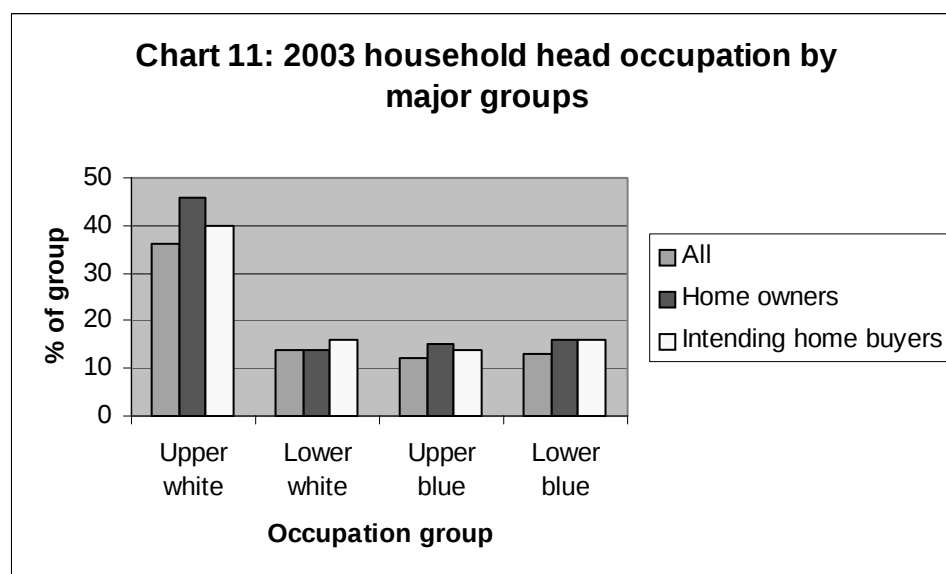
A person's type of occupation is an important factor in their ability to purchase a home and keep it.

The fact that workers in upper white collar occupations (managers, administrators, professionals and para professionals) are generally on higher incomes than workers in other occupation categories contributes to this. Furthermore, they are in situations where there is a career structure and ample opportunity for promotion, offering more prospects for affording a home purchase over the long term are strong.

The research showed that Australians currently trying to enter the property market are more likely employed in an upper white collar position (40 per cent of all intending home buyers are in this category) than the total working population (36 per cent).

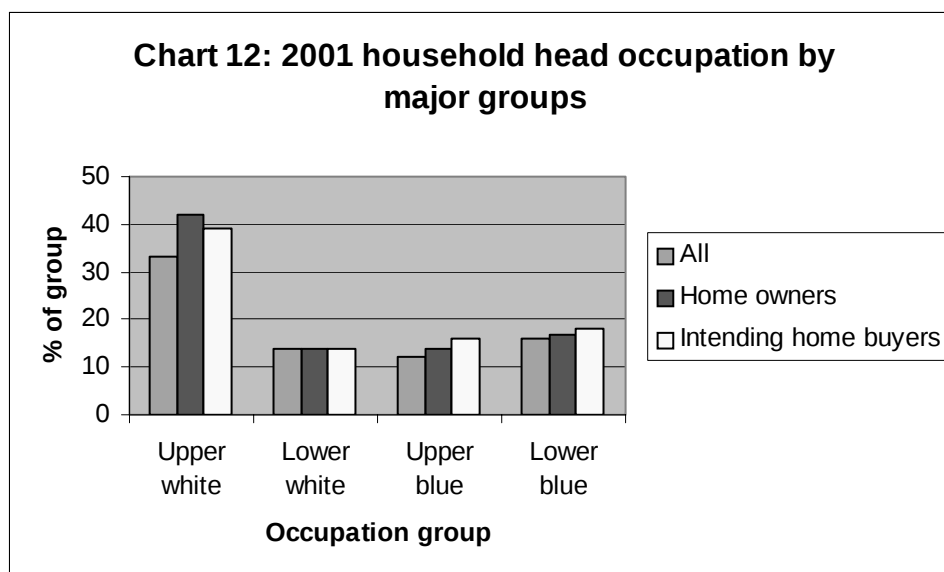
The greatest concentration of upper white collar workers is now within the existing group of home owners with mortgage (46 per cent).

However, intending home buyers are not far behind. The strength of their income status is a further indication that they are being realistic in their expectations to purchase a home of their own



Since 2001 the proportion of Australians trying to get into the property market with upper blue collar occupations (trades persons and related occupations), has fallen from 16 per cent to 14 per cent of all aspiring home owners.

The representation of lower blue collar workers (factory workers, machine operators, drivers) also declined from 18 per cent in 2001 to 16 per cent in 2003.



Conclusion

The Australian dream of home ownership is still alive but we are working harder and getting older in achieving it.

Conducted over a three-year period from 2001 to 2003, the Tomorrow's Home Buyers study shows that in August 2003 more than 550,000 Australians were looking to enter the market. This is an increase of 14 per cent just six months earlier.

Queenslanders were the most determined to get into the market in the six months to August - up 31 per cent on February this year. The number of Victorians and South Australians looking to enter the market was up 20 per cent in the last six months.

The buoyant Australian property market has forced many to wait even longer before entering the property market.

The survey found because many would-be buyers are waiting longer, the average age of a first home buyer is now approaching 30 and the number of intending home buyers between the ages of 30 to 34 has increased from 88,000 to 112,000 in 2003.

No longer the young couples with no kids, the majority of today's would-be buyers are already established families.

The Tomorrows Home Buyers study also found there has been a fundamental shift in the landscape as we are now forced to work harder to achieve the great Australian dream of owning their own home.

Twenty-seven per cent of aspiring home owners are working more than 41 hours per week, almost double the national share of workers doing these hours (16 per cent).

Wizard Home Loans hopes that this research provides useful insight into the profiles of Australians intending to buy a home within the next 12 months. This survey will part of Wizard's contribution to the Productivity Commission's Inquiry on First Home Ownership.

About Panorama and Nielsen Media Research

Panorama is a syndicated multi-media marketing database that integrates consumer demographics, product usage and media consumption for value-added marketing and media solutions. Panorama provides insights into consumer usage of products and services leading to a stronger comprehension of consumers needs to assist in identifying new business opportunities in the market place.

Nielsen Media Research is active in 40 countries worldwide, offering audience measurement, readership, customised media research services and competitive advertising information in 30 markets worldwide. Through a network of affiliates, coverage is extended to more than 70 countries, representing 85% of the world's advertising spending. For more information: <http://www.nielsenmedia.com/>
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