

Lack of first-home buyer recovery halting stronger housing market rebound: Matthew Hassan

By Larry Schlesinger
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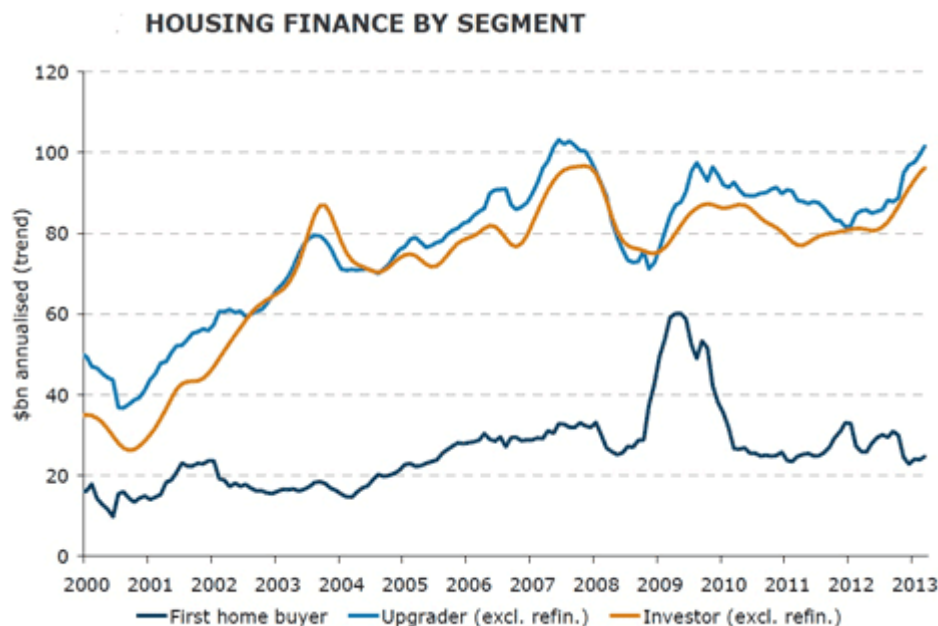
First-home buyers continue to stay on the sidelines of the housing market with economists noting the flow-on effect this is having for the wider housing market recovery.

In addition the [different incentives on offer in state and territory housing markets](#) and with different expiry dates, is distorting the picture, pulling forward demand in some cases, but with a vacuum likely to follow when incentives are withdrawn.

ABS housing finance figures show that first-home buyer activity retreated further in March with this segment accounting for 14.2% of total owner-occupied housing finance compared with 14.4% in February.

First-home buyer numbers, as a proportion of the total dwellings financed, are at their lowest level since May 2004 – a nine-year-low..

A year ago they made up 18.1% of the market with the first-home buyer market peaking at 31.4% in May 2009, with first-home buyers spurred on by the \$7,000 first-home owner boost (FHOB) for existing homes and \$14,000 bonus for new homes, which ran from October 2008 to December 2009 (halved in the final two months).



This decline in first-home buyers is against a backdrop of a stronger-than-expected rise in home lending, which lifted 5.2% in March led by strong gains in NSW and Victoria.

Westpac economist Matthew Hassan highlights a point made by other economists like [AMP Capital's Shane Oliver](#) that the current housing market recovery has been weak by comparison to previous easing cycles

He told the Australian Financial Review it had taken "a very long time to generate any movement in the sector", but that prior to yesterday's housing finance bounce, the recovery had been "sub-par".

Hassan pointed to the lack of activity in the first-home buyer market as a key issue for a sustained recovery, as they typically purchase the homes of those looking to upgrade and move up the property ladder.

"Ultimately you need a new entrant to drive ongoing growth on the buyer side," he said.

A similar point was made by Commonwealth Bank economist Michael Workman who called first-home buyers "still the missing link to the overall housing activity story".

"Higher levels of first home buyers in the market are needed to make a solid impact on total housing activity," he said.

ANZ property market analysts David Cannington and Paul Braddick said that "looking through the distortions from state and territory government first-home buyer policy changes in recent months" the March data indicates "the combined impact of improved housing affordability and low rental vacancy rates (putting upward pressure on rents) is supporting moderate growth in first-home buyer finance, albeit from low levels".

"First-home buyer activity increased in March (on a trend basis), however its share of the total value of housing finance commitments (excluding refinancing) decreased to 10.9% - the lowest first-home owner share since April 2004," said Cannington and Braddick.

"Growth in the number of first home-buyer commitments in March was lowest in Tasmania, followed by the Northern Territory (-21.3% m/m and -17.5% m/m respectively).

"The withdrawal of the First Home Buyer Grant on established homes in NSW and Queensland and the unwinding of Northern Territory first-home buyer concessions have weighed on first- home buyer lending in these states.

"However, moderate growth in first home-buyer finance in many states in recent months indicates the combined impact of improved housing affordability and low rental vacancy rates (putting upward pressure on rents) is supporting first home buyer activity," the said.

ANZ prepared the following sets of graphs to show how the first-home buyer segment is tracking in each of the state and territory markets, with the five biggest markets – NSW, Victoria, Queensland, Western Australia and South Australia – showing mild improvements, but declining trends in the three smallest states.

Click to enlarge

FIRST HOME BUYER HOUSING FINANCE BY STATE/TERRITORY

