



Fact Sheet

POSSESSING THE AUSTRALIAN DREAM



GUESTS:

Catherine Cashmore - You'd be hard pressed to find an area of real estate that Catherine hasn't been involved in. Originally from the UK, she has resided in Australia for many years working in all areas of the real estate industry – selling, managing and purchasing property. Catherine has worked her way to become one of the leading industry experts in Australia.

Martin Vidakovic - Martin Vidakovic is the Founder and Managing Director of The 500 Group Pty Ltd that specialises in Finance and Wealth Management Solutions for everyday Australians. Martin holds a diploma in Financial Services (Mortgage Broking) and is a Master Trainer in Behavioural Change and Organisational Change Development.

STATISTICS:

- Between December 2012 and January 2013, first-home buyer commitments slipped by 11 per cent, sparking concerns that the Australian housing market will continue to face strong headwinds if the trend is not reversed.
- The number of first-home buyers as a percentage of total owner-occupied housing commitments remained steady at 14.9 per cent in January, but this has decreased steadily since September, when it sat at 19.4 per cent.

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- New South Wales and Queensland experienced record lows for first-home buyer commitments in January, with 7 per cent and 10 per cent respectively.
- Levels have plunged in these states by more than 10 per cent since their governments replaced first-home owner grants with incentives to buy new properties.
- Australia has one of the highest levels of home ownership in the world. Results from the Census of Population and Housing show that home ownership levels have changed little over the past 40 years and were at 70% in 2006. Small fluctuations in measured home ownership rates derived from census data in part reflect methodological differences from Census to Census.
- During the year to June 2011, there were 90,000 housing finance commitments to first home buyers, the second lowest annual rate since data collection began in July 1991 (see graph 2). The banks' standard variable interest rate for housing loans rose from 5.8% in June 2009 to 7.8% in June 2011 (see graph 3) and the government boost to the First Home Owner Grant, introduced in October 2008 to provide additional incentives for people to enter the housing market, ended in December 2009. The rise in interest rates and the end of the First Home Owner's Boost are likely to have caused the decline in FHB decisions during this period.

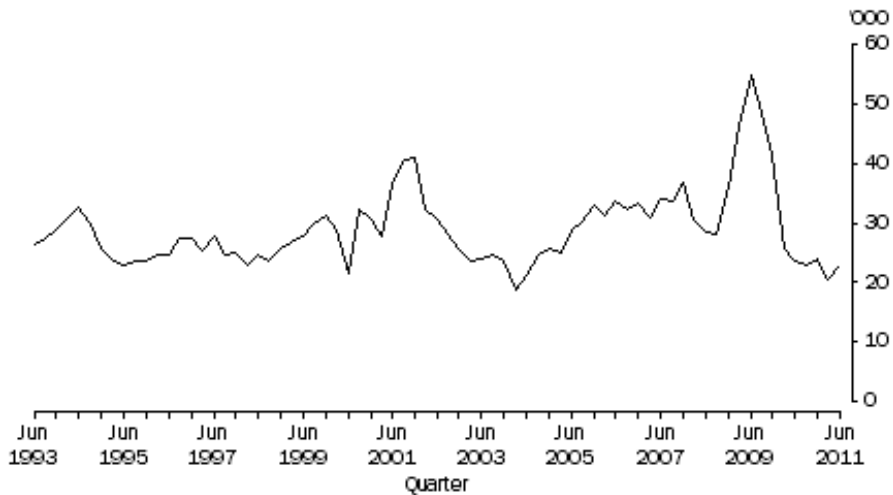
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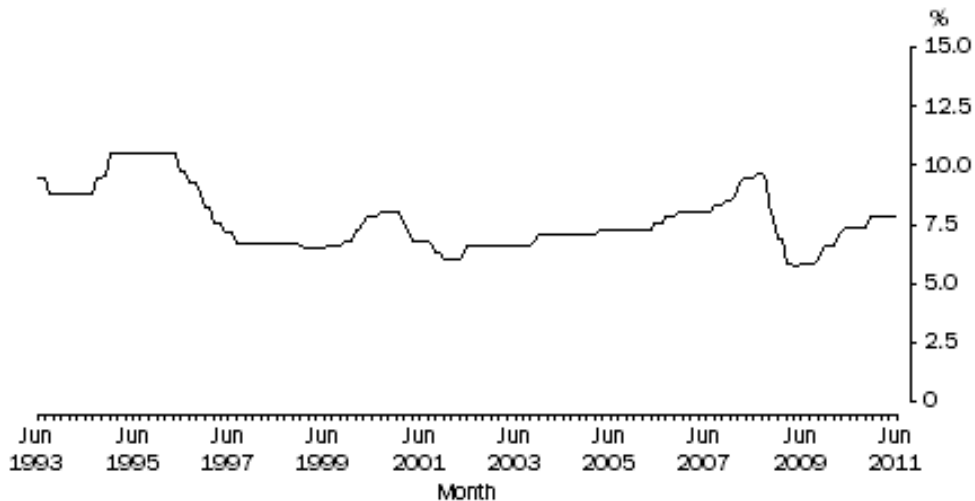
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2. First Home Buyers finance commitments



Source: Housing Finance, Australia (cat. no. 5609.0)

3. Home loan interest rates, Standard variable rate (a)



(a) Banks' standard variable rate for housing loans.

Source: Reserve Bank of Australia.

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TIPS FOR FIRST HOME BUYERS:

From Catherine Cashmore

- **Getting into the market**

As a first homebuyer, getting a foot in the door in Australia's property market is anything but easy – especially if you want to locate yourself in a metropolitan area close to the city. In the latest 'Demographia International Housing Affordability Survey' Australia comes second only to Hong Kong when it comes to issues of affordability. Should the current trend continue, we'll see today's 35 to 44-year olds reach retirement with a quarter still renting – and when the 25 to 34 year old bracket reach retirement, a third will still be renting. Therefore if you want to purchase your first 'home' there are likely to be some challenges ahead.

- **It's important to remember your first home is not going to be your last!**

Therefore, don't be afraid to start small. Buying a one bedroom flat close to the city is a great option if you want to stay in the 'vibrant' inner city suburbs. However, be sure to check with your lender before taking up this option because most have limitations on the size of 'internal floor space' required before the loan can be approved. In some cases, it is 50 sqm (not counting the car park or outdoor areas) and for others it can be as little as 35 sqm.

- **Don't forget the investment potential**

It's prudent to keep the 'investment' potential in mind when you're searching. Banks allow you to tap into the equity of your home which can assist when you decide to move onwards up the property ladder. Focus on areas that have performed well historically in terms of capital growth and aim to hold the property for at least 5 – 7 years before considering your options. This is typically the absolute minimum time needed to see significant evidence of capital growth. Remember, it's 'time in the market' that builds wealth so don't get caught out trying to 'time the market'.

- **Partner up**

If you can't afford to purchase alone, consider joining with relatives who may be in a similar situation or willing to lend a hand. It's an increasingly common option

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amongst first homebuyers unable to achieve the 'Aussie dream' alone. However, remember, purchasing with others does evoke extra risks. For example, what happens if one party wants to sell, or can't afford the monthly mortgage payments? Get a solicitor's advice before proceeding and examine all your options.

- **Don't be afraid to think outside the square and search further afield.**

It's not realistic to expect to walk straight into your perfect home, everyone has to start somewhere. It can often be a good option to move into an outer suburban area where the prices are more affordable. Try and stick to areas where land has already been built out and adequate infrastructure established. Follow the train lines and keeping close to public transport systems, this will help hold up the value over the long term and subsequently maximize potential for capital growth.

- **Live in the family home longer!**

Not only does it allow you to save more of your disposable income, it gives you the option of purchasing an investment property before you purchase your own home. You can't use the FHOG or any government incentive when buying for investment. However, under current rules, you'll still be entitled to the FHOG when you do buy your principal place of residence. The extra income coming in from a tenant along with eligible tax deductions will certainly help with the mortgage repayments.

- **Consider moving further from the city**

You can get more bang for your buck and purchase a larger home. You can rent out one of the bedrooms to a friend, which can ease burdensome mortgage payments considerably.

- **Always borrow well within your means**

Holding a mortgage is a big responsibility so allow for rate rises and aim to shovel as much income as possible into the repayments. The sooner you pay down a loan the less the overall cost of the property. Be sure to see a good mortgage broker or financial planner who can provide you with quality advice.

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- **Maximise your savings**

Try and save a little of your wage each week – no matter how small. Have a savings account set aside (such as the first home saver account detailed above) and make it a priority to ‘drip feed’ it each week. Look into other areas of investment that can help maximize those savings – such as shares for example, however always do so in partnership with a financial advisor who understands your intrinsic needs.

- **Finally – keep your feet on the ground**

Buying a property is probably the most expensive purchase you’ll ever make – however the security that comes from owning your own home is something you’re unlikely to ever regret. Life is full of stepping stones so start small and keep expectation in line with your budget.

Additional Information

First Home Buyer Grants

The average first homebuyer loan size, sits around \$270,000-\$300,000 however typically most first homebuyers have a budget somewhere in-between \$300,000 - \$350,000 when they initially start looking.

All states and territories in Australia offer a range of different ‘initiatives’ for first homebuyers; however they are all subject to change, so it’s prudent to check eligibility before you apply.

For information on your state or territory – click [here](#).

THREE IMPORTANT TIPS FOR HOME OWNERSHIP:

From Martin Vidakovic

1. **Be financially well prepared to buy your home**

See an experienced finance professional, know what you can afford, know your buying limit, don’t over extend, buy with confidence, don’t just go back to your own bank (look for choice).

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2. Have a plan and strategy to increase your worth by paying down your home loan

40% of your income towards living and lifestyle

35% Minimum Mortgage Payments

25% Additional into investing into paying your mortgage down sooner

It's all about having simple good financial habits that will work effectively over a life time.

3. Make additional repayments

Eg: On a \$400,000 loan over 30 years:

\$50 extra a week – Saves up to \$80,000 interest and 5 years on your home

\$100 extra a week – Saves up to \$140,000 interest and 9 years on your home loan

\$200 extra a week – Saves up to \$205,000 interest and 13 years on your home loan

WEB LINKS:

www.catherinecashmore.com.au

www.mortgage500.com.au

REFERENCES:

<http://www.news.com.au/realestate/buying/first-home-buyers-exit-the-housing-market/story-fndban6l-1226597071859#ixzz2XCfbsA1i>

<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4130.0Feature%20Article12009-10?opendocument&tabname=Summary&prodno=4130.0&issue=2009-10&num=&view=#>

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