

## HOUSING LOANS

**MISC Global**  
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**Market  
Intelligence  
Strategy Centre**



### **Home Loan Market Records 1 Million New Home Loans For 2001 as 1 in 6 Homes Take Out New Mortgages**

**FINAL RELEASE**

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## Home Loan Market Records 1 Million New Home Loans For 2001 as 1 in 6 Homes Take Out New Mortgages

In its latest calendar year review of the Housing Loans market, MISC, (Market Intelligence Strategy Centre) the sister consulting group of MINTEL (Australia Pty Ltd) reveals that in 2001 there were 1 MILLION home loans transacted in Australia. Following what MISC describes as an unique December quarter in the housing loan market for 2001, its annual research review released today, shows that these 1 million home loans were taken out by the owners and renters of Australians 6 million dwellings. Such unprecedented activity means that 1 in every 6 homes were accessed new housing loans finance in the year.

<b>1 MILLION HOME LOAN RECORD IN BUOYANT 2001 HOME LOAN MARKET</b>	
<b>Key Market Development Highlights</b>	<b>12 Months to December 2001</b>
Home Loan Market grows & surges to new high	1 .051 Million loans
<b>Stemming from</b>	
'Established' domestic housing universe (including Flats & Houses Units) i.e. Home Loan stock	6 Million* private occupied dwellings (excluding caravans other temporary dwellings)
<b>And</b>	
Increase in 'New' home constructions	124,882 new housing completions
<b>Supported by</b>	
First Home Owner's 'Deposit' Grant (FHOG) uptake	Fuels late December quarter response
<b>Meanwhile</b>	
Australia experiences lowest average interest rate levels since 1974	- Monthly rate range 7.5% to 5.5% (i.e. Bank- Basic rate- Mthly Ave) - Lowest Honeymoon of 3.99%
<b>However.....</b>	
Re-finance Loans drive demand While rising home prices drive up debt and loan values	21% i.e. 207,255 loans Median home price \$197k (Dec 01) Up from previous average of 15%
<b>*Note : 1996 Census - Occupied Dwellings/Houses/Flat-Units =5,716,000 MISC 2001 estimate</b>	
<b>Source: MISC December Home Loans Monitor 2001 /MINTEL /Housing Loans Research Programme &amp; Monitor Service 1998/1999/ ABS census –Private Dwellings counts /MISC Dwelling growth estimates 2001 /Reserve Bank /ABS new Home Completions 2001</b>	

## PRESS RELEASE: HOUSING LOANS



MISC (Australia Pty Ltd) now regularly maintains the original MINTEL (Australia Pty Ltd) Home Loan Market Survey, which encompassed more than 250 Lenders and regularly measured their home loan flows. i.e. new business written nationally. The respected specialist research group says that this is the first time that 1 million loans have been recorded in a calendar year in the history of the Home Loan market and furthermore reflects a record level of borrowing by homebuyers. These new loan borrowers include owners of investment properties, new first home buyers or owner occupiers, upgrading or refinancing their existing loans with other Lenders. This significantly excludes home owners/mortgagees who changed loans with their existing lender.

Though many Lenders have reported positive results throughout the year, few have appreciated the true magnitude of such loan demand. MISC says these new figures re-write traditional measures and show the full impact of a unique set of circumstances influencing borrowers in the year. MISC (Market Intelligence Strategy Centre) employs the original MINTEL (Australia Pty Ltd) method of home loan measurement (calculated using a stamp-duty based model capturing all loans settled) in preference to using ABS derived figures (which are collected on mainly owner-occupied loan approvals by only the larger Lenders thereby MISC believes seriously understating home loan activity). Unlike this most commonly quoted measure MISC measures ALL new loan contracts completed (i.e. not Approvals which it says can be cancelled). MISC also includes not just owner-occupied home loans but also Investment housing, Holiday housing and other home loans by all Lenders not just the major ones that the ABS counts. This means that MISC does count loans written by the small Lenders Credit Unions, small Originators, Solicitors, Accountants, Brokers etc which do not meet ABS loan value size thresholds and thereby are not officially captured. These loans make up the "Hidden" loan market first revealed by MINTEL Australia research in its inaugural research survey of 1998.

**Critical market drivers/factors stimulating the record year**

MISC says while this demand was certainly buoyed by the lowest interest rates recorded for 30 years, MISC believes that 9 other factors have combined in an extraordinary way to create such unprecedented demand. The group says these other market forces as shown in the table below were equally, if not more influential as compelling drivers of the market's growth.

<b>HOME LOAN MARKET 2001 MISC REVEALS 10 REASONS FOR RECORD 1 MILLION LOANS YEAR</b>
• Increased loan affordability and the lessening of the rent/mortgage gap
• In most regions rapidly rising home prices e.g. Melbourne 33% in one year
• Heavy promotion by Lenders of 'no' fees and 'reduced' fee loans
• Growing awareness of loan rate product through 'Honeymoon' loan promotion
• Heavy promotion of higher gearing loan products eg Line of credit
• Increased new home construction post-Olympics
• Increasing Broker loan activity in first 3 quarters which encouraged switching
• The Government announced, introduced, & sustained \$7,000 or \$14,000 First Home Owner Grants
• In some states (e.g. Victoria) stamp duty exceptions applied on investment properties
• Record low interest rates bottoming at 3.99% (lowest in 30 years) with 6 interest rate adjustments in the year
<b>Source: MISC December Home Loans Monitor 2001 /MINTEL /Housing Loans Research Programme &amp; Monitor Service 1998/1999/ ABS census –Private Dwellings counts /MISC Dwelling growth estimates 2001 /Reserve Bank /ABS new Home Completions 2001</b>

Finally MISC says that a late year rush to accept the government's \$14,000 First Home Owner Grant (FHOG) (7k for 1st home & 7k if home is a new construction), was brought about by the announced phasing down of the Grant in January 2002 (to \$10,000) and July 2002 (to \$7,000). This effectively brought forward significant borrowing activity prior to the end of 2001. Similarly publicity suggesting that a recession had been averted, made the December 2001 quarter the best the research group had ever measured since the beginning of quarterly measurement in 1998.

The MISC industry research and consulting group, which provides a range of research services to Australia's most prominent financial institutions, says that the year also not coincidentally, was associated with a further record number of re-finance loans. Out of the 1 millions loans written, some 21% were existing loans that were re-financed from one Lender to another. In previous years MINTEL (Australia P/L) has noted re-financed loans represented 15% or less of Home Loans. This increased re-finance activity says MISC was partly due to the increased activity of Mortgage Brokers who encouraged their customers to switch, as well as the promotional activity of the Lenders providing several incentives such as: 'no fee' offers; direct cash inducements (e.g. 'switch' offers ranging from \$1050 to \$2000); and the heavy promotion of 'Honeymoon' interest rates which reached as low as 3.99%.

This discovery by the respected industry research group, who is also the same groups which coordinates the Mortgage Broking Data Pooling Facility, has serious implications for the Banks and other financial institutions who calculate their market share, says MINTEL, on a much smaller market pool. It also suggests that the Housing Loan market recovery has become far more aggressive in 2001 than previously thought.

### MISC /MINTEL Market Measurement Methodology Description, i.e. Technical Notes

Previous data collections of the ABS and Reserve Bank are of selected institutions and those of a threshold size, and thereby understate the true universe of loan transactions, says MISC. Stamp duty records of sale transaction duty and mortgage duty, where payable, reflect the universe of transactions in all states, except NT and ACT. These reveal the full aggregate of domestic housing and land transactions. When this data is compared to converted transactions for mortgage duty the difference reflects re-financed loans and some non-mortgage transactions.

For some time now several groups including the Reserve Bank have been interested in the development of a research method to utilise the invaluable data set contained in stamp duty records, but anomalies in collections, as well as exclusions, and exemptions in some states, has restricted this research.

The MISC MINTEL method of measurement also measures The 'hidden' loan market, which the MISC group explains as comprising previously 'uncounted' new loan business written by a variety of niche operators and omitted for various reasons from statistical records in the form of:

- Small Originators
- Small Credit Unions
- Solicitors, Accountants and Real Estate Agents who lend on mortgage
- Inter-family lending
- Incorrectly classified housing owner investment business particularly in the commercial lending data
- Warehoused loans (an industry term for awaiting securitisation because they have not accumulated to a recognised batch of size)

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