

Are first home buyers still waiting in the wings or are they ready to pounce on a bargain?



From all accounts it is currently a buyers' market, but first home buyers have been noticeably quiet in the property market of late.

So why haven't they been buying?

Several reasons have been suggested but it is likely the phasing out of government incentives for this segment is a contributing factor. The various first home owner grants initially worked to increase first home buyer demand in previous years resulting in a "pull forward" effect, thereby bringing forward many purchases during 2009 and following more slowly into 2010. As a result, a quieter period has naturally followed into 2011.

The

- softer economic climate,
- concerns about global markets, and
- a question mark over future interest rate rises at the beginning of 2011 have also had an impact.

Many first home buyers were also priced out of the property market during the boom and were disappointed the grants artificially inflated housing prices putting houses that would normally be affordable out of their reach.

At the time it was believed the grants significantly contributed to higher house prices at the lower end of the property market.

Some potential buyers this year have been sitting on the sidelines wary of making a mistake by paying too much or over committing and nervous about the possibility of higher interest rates in the future.

Should new home buyers still wait for prices to drop further?...

Experts are forecasting an increase in first home buyer activity.

According to CANNEX "With a flat housing market and a number of lenders easing deposit requirements, first home buyers are likely to benefit.

"Affordability always has been, and probably always will be, the biggest hurdle first home buyers have to clear.

The fact that property is not selling as frantically as it was a couple of years ago should give prospective buyers more breathing space."

Potential first home buyers will not stay out of the market forever

BIS Shrapnelⁱⁱ expects "...a correction in first home buyer demand, which should begin to revert back to long term averages as the 'pull forward' effect is worked through.

"Potential first home buyers will not stay out of the market forever.

"At some point many will reach a life stage where they will want their own dwelling and if they can't afford their first choice of dwelling initially, then they will purchase a more affordable type of dwelling and/or in a more affordable neighbourhood.

"In any event, this period will allow future first home buyers to build up their deposit and take advantage of softer house prices.

"Housing affordability is very important for this segment. Property prices have certainly been soft, making it an opportune time for first home buyers to take their first step on the property ladder, particularly with the suggestion of interest rates potentially decreasing as well".

First home owner grants and stamp duty incentives are still in place but vary from state to state.

There are some BIG changes happening from 31 December 2011 in some states, so if you are a potential first home owner you should call the office now to find out what is still available to you in your state.

The lending institutions are also working hard to attract first home buyers and are motivated to lend.

Over the past year, 25 lenders have eased their deposit requirements and increased loan to value ratios – therefore helping more first home buyers by allowing them to borrow a higher percentage of the property valueⁱ.

ⁱ Source: Broker News 07/06/2011

ⁱⁱ BIS Shrapnel Residential property prospects 2011 to 2014 report



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First home buyers – call for a free consultation to help ensure you are 'mortgage ready' before you buy and to check your entitlements. Ask us to send you a copy of our information sheet on "Applying for a loan".