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# Australian Mortgage Report

Quarter 2 2010

‘First Home Buyer Review’

A quarterly detailed analysis of the Australian mortgage industry



## Benefits of the Australian Mortgage Report

The Australian Mortgage Report contains accurate reporting and detailed analysis on the residential lending industry in Australia.

Many media outlets report incorrect residential lending market share, annual mortgage book change and mortgage book size due to the complexity of analysing data from outlets such as the Australian Prudential Regulation Authority (APRA), the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS).

In its third year and published quarterly, the Australian Mortgage Report is the benchmark report for unlocking the performance of Australian Deposit-taking Institutions (ADI's) over a five year time period.

## What's in the report?

The Australian Mortgage Report released quarterly, compiles, analyses and comments on the developments, trends and market activity with a different mortgage theme per quarter.

This report provides benchmark analysis on the Australian mortgage industry, along with information on the quarterly theme.

The theme for Quarter 2 2010 is, '**First home buyer review**'.

Pending any major market changes, the quarterly themes for 2010 will remain;

- Quarter one: Year in review
- Quarter two: First home buyer review
- Quarter three: Customer acquisition
- Quarter four: Sales channels / mortgage brokers

## Report Extracts Below:

### Executive Summary

#### 1.1 The first home buyer review

- The average number of first home buyers per month for the past decade is 10,500, but during 2009 as the boost brought new entrants to the market, the number of average monthly first home buyers surged to 15,900.
- The ten year first home buyer average is 17.9% of all houses financed, but this jumped to 25.8% during 2009.
- As the official cash rate reached 7.25% in March 2008, the average loan fell accordingly as repayments increased, which therefore constrained the lending threshold a lender will offer a borrower.
- When interest rates fell sharply to 3.0% in April 2009, the first home buyer repayment capacity increased, with lenders then able to offer larger loans which in effect (aided by the boost) pushed average home prices up dramatically.
- The result was that during 2009 the average first home buyer loan was \$278,000, a massive \$30,000 higher than the \$248,000 average during 2008, highlighting the property bubble at the lower end as borrowers inflated prices in a bidding war.
- Victoria with 32.0% has the most first home buyers of any state as at February 2010, as the state offered very attractive state first home buyer grants over and above the Federal Government boost.
- With the boost removed, New South Wales has 26.9% of the first home buyer market in February 2010, and Queensland 17.1%.
- First home buyer average loans have fallen in all states in 2010.

#### 1.2 Poor retail deposit growth constrains lending

- Funding constraints continue to plague the Tier 2 Australian bank and foreign bank sectors, due to more expensive access to wholesale funding and an inability to attract sufficient levels of retail deposits.
- AMP Bank theoretically can fund just 15% of the mortgage book with retail deposits, ING Direct can fund 47%, Suncorp 49%, Bank of Queensland 66% and Bendigo and Adelaide 67%.

- ING Direct retail deposits increased just 1.4% to \$16.9 billion for the year to March 2010, with Bendigo and Adelaide Bank up 3.2% to \$16.8 billion for the same period.
- Bank of Queensland deposits increased 3.8% to \$14.3 billion, with Suncorp up 6.9% to \$14 billion, as AMP Bank fell 2.0% to \$1.3 billion.

### 1.3 Bank and mutual mortgage book review

- Bankwest continues very strong customer acquisition with a \$7.5 billion, or 23.7% mortgage book jump to \$39.2 billion for year ending March 2010.
- The Commonwealth Bank's incredibly strong mortgage book growth continues to slow in the short term, with this reduction beginning to reach more sustainable levels for the medium term.
- The Westpac 18.4% annual book growth to March 2010 was the strongest of the big four banks, highlighted by a 3.0% gain for the first quarter of 2010, suggesting the generally higher than market variable mortgage rate rise had little impact on customer retention.
- Recent new mortgage acquisition for National has been particularly strong with a 2.6% increase for the March 2010 quarter, following a 4.9% jump in the December quarter.
- ANZ is showing signs of a retail banking resurgence in Australia, as other segments of the bank focus on the continued Asian acquisition and expansion plan.
- Funding struggles continue to prevent ING Direct from being a realistic competitor to the big four banks, but the bank will remain the fifth biggest mortgage lender unless there is a merger between some of the Tier 2 Australian banks.
- Fortunes at Bendigo and Adelaide are starting to turn, with the mortgage book finally showing signs growth – a 1.7% book increase for the March 2010 quarter.
- Bank of Queensland is the standout Tier 2 bank competitor in retail banking, helped by the geographic dispersion of the banks customer base post the friendly takeover of Western Australian based Home Building Society in 2008.
- The Citigroup funding focus continues to be on the heavily advertised credit card, marketing balance transfers from other credit cards at a very low rate over the short term.
- The AMP Bank foray into mortgage acquisition during 2008 was short lived, with the bank only just originating enough new lending to cover repayments and refinancing to other lenders.

## First Home Buyer Supplement - Extract

### FHB numbers – over 10 years

The average number of first home buyers per month for the past decade is 10,500, but during 2009 as the boost brought new entrants to the market, the average number of monthly first home buyers surged to 15,900.



### FHB per cent of dwellings financed – 10 years

The first home buyer surge is further evidenced when compared as a percentage of all houses financed, spiking well above the historical average in 2009.

The ten year first home buyer average is 17.9% of all houses financed, jumping to 25.8% during 2009.



## Mortgage Market Ranking - Extract

Analysis on the 13 banks operating in Australia, including;

- Short term analysis – quarter by quarter
- Long term analysis – year on year
- Market share analysis – change over six years

## Bank Analysis (Bendigo and Adelaide Bank)

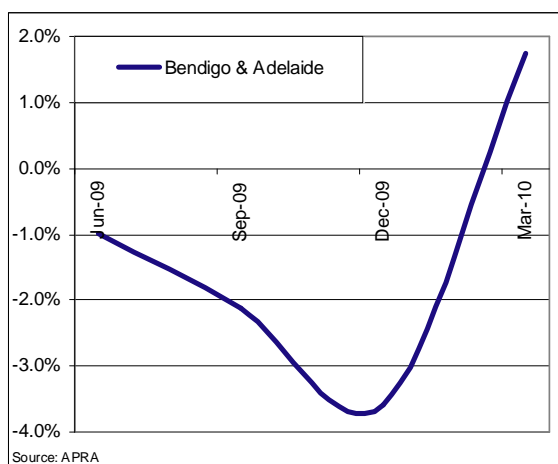
### 1.4 Bendigo and Adelaide Bank

#### At a glance

Significant mortgage focus:	Predominately Victoria and South Australia
Mortgage ranking by value:	7
Mortgage market share:	2.2%
Mortgage book size:	\$24.6 billion
Year to March 2010:	4.9% decrease
Quarter to March 2010:	1.7% increase

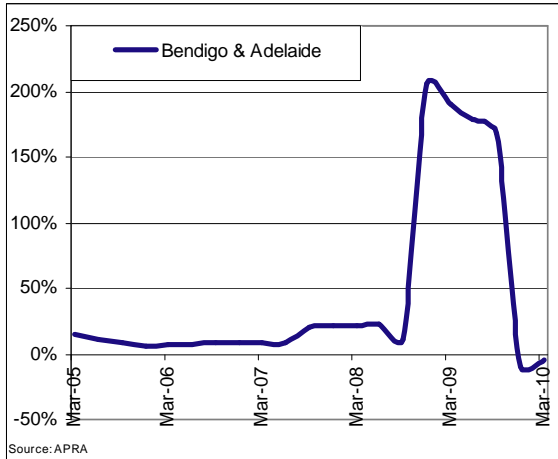
#### Short term analysis – quarter on quarter change

The 1.7% increase for the March quarter 2010 signals Bendigo and Adelaide may now have the ability to start growing the mortgage book and become a stronger competitor in the Tier 2 bank segment.



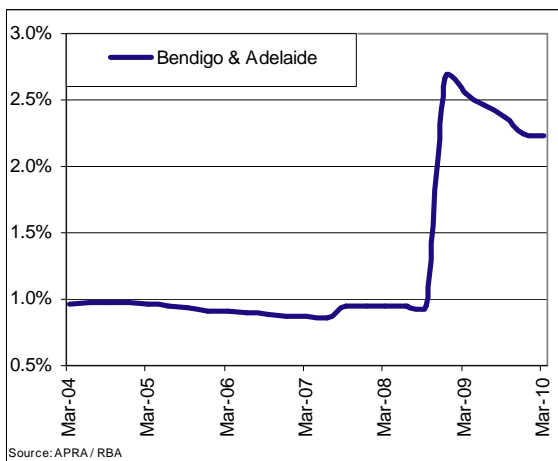
### Long term analysis – year on year change

The Bendigo and Adelaide Bank mortgage book fell by 4.7% for the year to March 2010, a much better result than the 9.1% decrease for the year to December 2009.



### Mortgage market share analysis

Before the merger, the then Bendigo Bank held market share of less than 1.0% and was largely uncompetitive against other Tier 2 banks in regards to lending volume.



## Cost

The Australian Mortgage Report can be purchased individually, or as an annual subscription, which can include a client 'in house' presentation of the major findings.

For further details contact the Brand Management office on (02) 9376 9600.

## Background

CoreData is a specialist financial services research and strategy consultancy based out of Sydney, Australia.

The firm is part of the brandmanagement group, which has operations in Australia, the United Kingdom, China and the Philippines.



With a primary focus on financial services CoreData provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies.

Clients benefit from a dual offering of business-to-business and business-to-consumer research and consulting services.

The group provides clients with market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

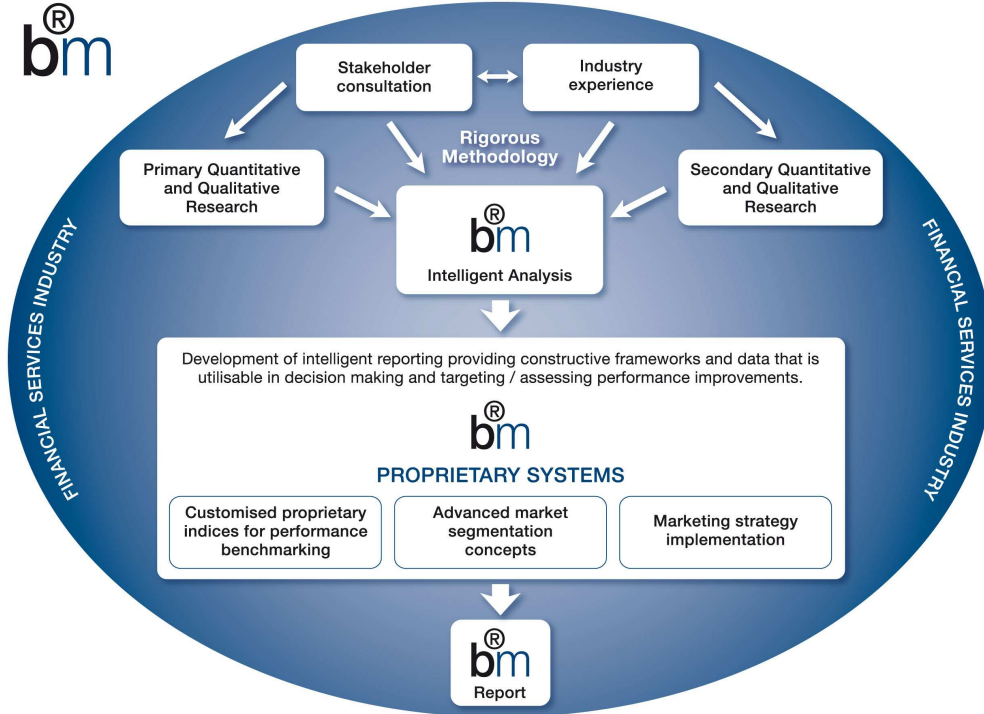
CoreData Research prides itself in identifying market trends at the earliest opportunity and formulating insightful quantifiable research that clients can use to help them stay ahead of the market and better meet the day-to-day challenges facing their businesses.

Our focus is on bringing deep market knowledge to research and strategy development.

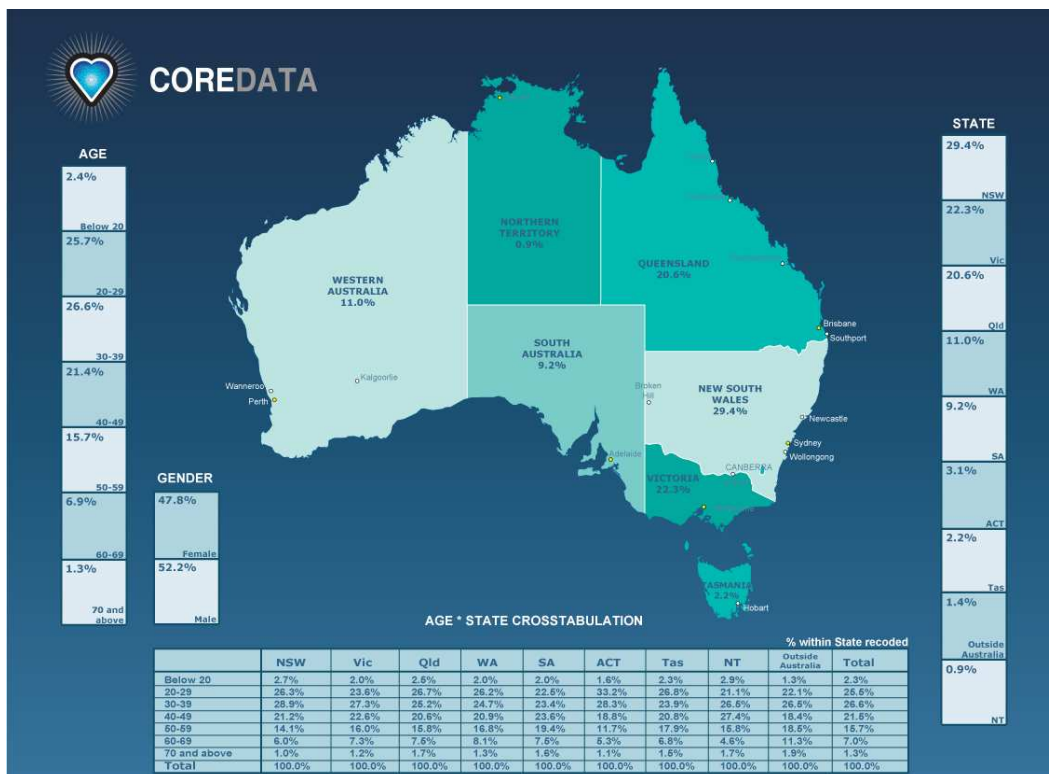
The group's research is not just about information and data but at providing insight so clients can develop strategies that work.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData-brandmanagement has a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.



CoreData-brandmanagement has an extensive proprietary nationwide database of 80,000 Australians and is used to recruit consumer participant respondents for studies.





## Disclaimer

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