
Demand for mortgages jumps after RBA cuts interest rate

By Ed Logue and Nick GardnerThe Daily TelegraphFebruary 06, 2009 10:04am

- Surge in demand for mortgages
- 250pc jump in visits to mortgage websites
- **Property:** Can you afford to buy?

THE latest interest-rate cut and recent improvements to the first-homebuyer's grant have prompted a surge in demand for mortgages over the past two days, according to brokers.

One mortgage website said it had seen a 250 per cent increase in inquiries, which are now numbering between 3000 and 4000 a day.

"First homebuyers now account for 40 per cent of those inquiries but interest is growing across the board" said Adir Shiffman of mortgage comparison site www.helpmechoose.com.au.

"Clearly, the rate cuts, homebuyer's grant and also a shortage of rental property, particularly in Sydney, are making people feel more confident about buying again. It's all great news."

Mortgages for first-home buyers rose strongly in January, accounting for just over a quarter of the entire market, reports leading mortgage broker Australian Financial Group (AFG).

Mortgage sales to first-home buyers rose to 25.8 per cent of the total in January, up from 21.2 per cent the month before, it revealed.

Six months ago in June, 2008, first-home buyers accounted for just 10.6 per cent of mortgage sales.

The January figures are the best since AFG started collecting the data four years ago, Mark Hewitt, the group's general manager of sales and operations said yesterday.

He said now was a good time for workers with stable employment to buy property because it had become more affordable, and added that younger people with reasonably secure jobs had become an important force in the property market during the past few months.

"You have the Government's subsidy, you have prices coming down, and interest rates are low ... it is a good time to buy," Mr Hewitt said.

The Reserve Bank of Australia has lowered the cash rate since September by four percentage points to a 45-year low of 3.25 per cent, and the big banks had passed on most of the rate cuts.



Demand ... visits to mortgage websites have jumped 250 per cent since Tuesday's rate cut. / File

In October, the Federal Government doubled the first-home owners' grant for established dwellings to \$14,000, and tripled it to \$21,000 for those buying newly built homes.

And average house prices in Australia fell 3.3 per cent in 2008, the biggest annual fall in 23 years, official data showed on Monday.