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**The implications of changes in the labour market
for first time homebuyers**

*Valerie Kupke**, & *Wayne Marano*
Centre for Land Economics and Real Estate Research (CLEARER)
University of South Australia, Australia

Abstract

This paper reports on research into the implications of labour market change for a sample of 500 first time home buyers in South Australia (SA). It follows up on preliminary research reported in an earlier paper and aims to establish if access to home ownership has been, or is being affected, by recent changes in the Australian labour market. Increased job insecurity is presumed to be impacting on home ownership aspirations and sustainability across all income groups but is largely untested.

While Australia has one of the highest casual employment rates among developed countries, SA stands out within the nation as being the most precarious labour market. SA experienced a net loss of 20,000 full time jobs in the decade 1990 to 2000 with part time and casual employment the main job growth area. Ninety six per cent, that is 17,000 of the 18,000 jobs created in SA in the three years up to 2000, were part time.

Australia's welfare and housing policies have been predicated for fifty years on the perceived merits of home ownership. Welfare benefits both during employment and on retirement have been based on household investment being extended over time through home ownership. Thus any significant change in purchaser behaviour particularly in the cohort who would traditionally have entered home ownership as early as possible, merits review.

The main research instrument was a postal survey of first time homebuyers who made their purchase during the period 1st January 1999 to 31st December 2000. The study area included the Greater Adelaide Metropolitan Area (GAMA) and the regional centres of Mount Gambier, Murray Bridge and Port Lincoln. The paper reports on the findings and policy implications of the research.

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Keywords first time home buyers; labour market; housing, home ownership

Introduction

This paper considers the links between labour and housing markets by focusing on an assessment of the implications of labour market change for first time home buyers in South Australia (SA). It aims to establish if access to home ownership has been, or is being affected, by recent changes in the Australian labour market. This is an important research question given the evidence suggesting that the traditionally high proportion of homebuyers in Australia – as distinct from outright owners within the population has fallen by about ten per cent over the last decade (Yates 1997, 1999).

Background

Historically most Australians have been able to secure a home through the market place although well subsidised via cheap sale of public housing and first home owners schemes. Home ownership levels have remained stable at approximately 70 per cent over the last 30 years (Yates 1999). However this is beginning to change and falling levels of home ownership in Australia have been documented by Bourassa, Greg & Troy (1995), Yates (1999; 2000), Berry (2000) and Winter & Stone (1999). If home ownership is declining then this will have an impact not only on those who would traditionally have entered this tenure but also upon the people whom they may displace in other housing tenures (Wulff & Evans 1998). When home ownership become less attractive the demand on the private rental sector increases which usually triggers a rise in rental housing costs and a lowering of vacancy levels. This in turn displaces those at the lower end of the rental market, which increases pressure on public housing (National Shelter 2000).

Australia's welfare and housing policies have been predicated for fifty years on the perceived merits of home ownership. Welfare benefits both during employment and on retirement have been based on household investment being extended over time through home ownership. Retirement pension levels and retirement village ownership arrangements anticipate the majority of Australians entering retirement as outright homeowners. For an ageing population any significant change in purchaser behaviour particularly in the cohort who would traditionally have entered home ownership as early as possible, merits review.

For SA issues of employment, job mobility and security, and costs attached to career changes, retraining and the upgrading of tertiary qualifications, are particularly significant in a state which has struggled with economic restructuring compounded by public sector cutbacks, resulting in considerable job losses and discernible out migration (Badcock 1995). SA has one of the fastest ageing populations with some 28 per cent of its population over the age of 50. Declining propensities for home ownership are significant in a welfare system that has been premised on the notion that most people will enter old age owning their own home.

Literature

The literature relating to the issue of labour market change and implications for first time buyers suggests that while work patterns in Australia are changing significantly, the indications for the housing market are less clear. Most writers seek to demonstrate the association between housing and labour markets qualitatively through sociological analysis such as Allen & Hamnett (1991), Paris (1993), Winter & Stone (1998), Malone (1996), Badcock & Beer (2000). Or quantitatively through models which attempt to identify points of equilibrium between the two markets Bover, Muelbauer & Murphy (1989), Blanchflower & Oswald (1989), Meen (1997), and Meen & Andrew (1998). In both approaches housing outcomes are recognised as the consequence of interacting variables and relationships between people, dwellings and organizations. Housing is seen within a framework which recognises that housing provision, tenures and prices are part of a wider process of social and economic change (Paris 1993).

ABS findings (1998, 1998a, 1998b) indicate that within the Australian workforce some 14 per cent change their job or business, or the locality of their workplace approximately every 12 months and that of this group some 25 per cent are represented by those between the ages of 20 to 24 years. In Australia between 1973 and 1993 part time

jobs grew by 164 per cent while full time jobs grew by only four per cent (Kemp 1996). Currently over twenty six per cent of Australian employees now work part time (ABS 1998) with 50 per cent of all jobs described as part time with a proportion of workers holding down more than one part time job. As well as a relatively high unemployment rate of about 8 per cent, there is significant under employment in the Australian workforce. As of September 1997 some 30 per cent of all part-time workers wanted more hours and 19 per cent of all part-time workers wanted full time hours. Some 50.3 per cent of part time workers are working part time for work related reasons that is there is no other employment available (ABS 1998).

Stephen Long (1998) has described a bleak picture of the Australian labour market as being fractured by globalisation which he considers is dividing cities and regions into districts of success and failure. He writes of globalisation “splitting cities along fault lines of employment opportunity, dividing the wealth boroughs where knowledge workers reside from the marginalised industrial suburbs housing routine producers and the jobless” (Long 1998 p21). He confirms that Sydney is capturing most of the high status employment in the knowledge economy while regional cities such as Adelaide are “engaged in a bidding war for the mortgage processing centres and phone farms that house the knowledge economy’s back office functionaries” (Long 1998).

Badcock & Beer (2000) recognise that a major problem in sustaining current levels of home ownership is the difficulty in recruiting new homeowners. Yates’ (1999) explanation for declining propensities for home ownership for younger couples even at the higher end of the income distribution includes the onset of compulsory superannuation contributions, the impost of Higher Education Contributions and the introduction of full fees for post graduate studies. Such costs further increase the perceived risk of the mortgage contract. As well as these imposts it is suggested that the range of investment options open to individuals has increased significantly.

Malone (1996) also suggests that the need for greater job mobility may be resulting in an increasing tendency for households to live in the rental market. He writes that those moving out of home ownership could indicate a more permanent change associated with the need for greater mobility in a dynamic and more flexible labour market. Mudd, Tesfaghiorghis & Bray (1999) propose the notion of “rational renters”. They suggests that private renting is becoming the tenure of choice not only for those who cannot afford anything else but also for the job mobile who wish to invest elsewhere. These are households who may consider it more financially beneficial to invest in assets other than owner occupied housing.

Linked to the choice between renting and purchase Whitehead (1996) speculates on the risk not of entry, but of exit, that is the difficulties of selling or otherwise adjusting payments if household circumstances change and with this fear of change a reluctance to take the risk in the first place. Middle income earners in the UK now see owner occupation as riskier than in the past because of factors such as negative equity, repossession, or reduced capacity to trade down or out of the sector (Whitehead 1996). Ford and Wilcox (1998) also suggest that exit stages in terms of home ownership are being weighted more heavily when entrance decisions are made. Hughes (1998) shows that in the US it is also becoming harder to trade up or sideways. He demonstrates that home ownership rates in the US remain far below their 1980s peak with the widest gaps in the younger age groups not likely to be eliminated in the foreseeable future. He suggests that in the US the first time buyers of the 1990s are the children of a generation with lower savings rate whose bank accounts may already have been stressed by the higher cost of education. Hughes proposes that as the Baby Boomers worry about their own level of retirement resources and depleted home equity reserves, they are no longer so generous about down payment assistance to their children.

Research questions

The following research questions are posed in this paper;

- Do first time homebuyer expectations and attitudes to job security influence the nature of their housing purchase?
- How financially well off do first time buyers consider themselves to be and what is the level of their financial commitments for instance to HECS?
- What, where, when and how are first time housing buyers purchasing housing?
- Do first time buyers believe home ownership to have any influence on their ability and willingness to relocate for employment opportunities?
- To what extent are “rational renters” part of the first time housing buyer market?
- Are the answers to these questions different between metropolitan and non-metropolitan areas?

Methodology

The main research instrument was a postal survey of first time homebuyers who had made their purchase during the period 1st January 1999 to 31st December 2000. . This period includes the introduction of the Federal Governments Goods and Services Tax (GST) on the 1st July 2000 and the \$7000 First Home Owners Grant, a grant available to all purchasers who had not owned property before in Australia either individually or as a household. The study area included the Greater Adelaide Metropolitan Area (GAMA) and the regional centres of Mount Gambier, Murray Bridge and Port Lincoln. These townships were included in order to identify whether labour market issues were different between metropolitan and non-metropolitan areas.

Selection of Participants

An efficient process that identifies first time home purchasers has not been detailed in any of the literature reviewed. In South Australia the transfer of real estate is registered at a central government agency, The Lands Titles Office (LTO), of the Department of Administrative and Information Services (DAIS). During the study period 53239 transfers of residential property were recorded for the GAMA. The transfers comprised first time homebuyers who intended to occupy their home, first time homebuyers who intended to rent their home, and homebuyers who had previously or still owned other real estate. The sales were filtered to remove properties purchased in a company or government agency name and those properties where the purchaser had previously owned other real estate in SA. This resulted in a sales population of 30256 sales.

Approximately 60 per cent of these sales (18000) were estimated to be first time home buyers (DAIS 2000) with the balance comprising purchasers who had previously owned real estate under a different registered name or have previously owned real estate either interstate or overseas. To support this estimation the ABS (Housing Finance for Owner Occupation Cat 5609.0) identified that for 1999 and 2000, 15288 first home buyers received financing for home purchase in SA. As some 90 per cent of first time buyers require a mortgage this equates to an estimated population of 17000 households. The first home buyer population was then stratified by suburb (Figure 1) and a proportional random sample was drawn from each suburb (Figure 2). The survey was distributed to 4000 households within the GAMA and 1500 between the three regional centres.

Survey Instrument

The survey aimed to

- determine first time buyer profiles including the nature of their employment, their expectations and attitudes to job security, and if and how, this has influenced the timing, location, borrowing arrangements, or nature of their home purchase,
- identify how financially well off they believe themselves to be and any future commitments
- in terms of the Higher Education Contribution Scheme (HECS),
- document the purchasing of these first time buyers explicitly within a two-year period and identify when, where, how, what they are buying in terms of housing and prices paid,
- explore their experience of renting and their attitude to both tenures in terms of their ability or willingness to relocate for job opportunities,
- explore future housing investment intentions in order to identify those who have bought for others to rent, while renting themselves, the so-called “rational renters”,

Finally the survey aimed to identify purchaser levels for particular types of property in particular locations by means of linkage to the SA Sales History Property File (Department of Administrative and Information Services (DAIS), SA).

Results

After one follow up 1167 questionnaires were returned which equaled an overall response rate of 21%. This was made up of 508 households who were first time homebuyers which equals 3% of the estimated total first time buyer population in SA for 1999 & 2000. Of these households 23% had purchased between January and June 1999, 27% had purchased between July and Dec 1999, 22% had purchased between January and June 2000 and 28% had purchased between July and December 2000.

To validate the sample responses and hence the attitudes and views of first time buyers, comparisons of household characteristics were made using the Confidential Unit Record Files of two previous ABS home owner surveys, the 1999 ABS Household Survey (ABS 2001) and the ABS 1998 Housing Occupancy & Cost Survey (2000). Tables 7 to 10 in the Appendix detail this comparison. For key items such as percentage of couple households, age of households, employment status and dwelling type, the SA survey shows similar values to the ABS survey. However one item, the number of single households, is higher than that represented in the ABS findings. This we believe to be the result of bias in the survey responses. A postal, rather than a face to face, survey as used by the ABS is likely to elicit a higher return from single households. Tests for independence were also carried out to determine the degree of difference for these characteristics between the GAMA and the three regional centres. These tests (Appendix Table 11) indicated a level of association between location and household composition, dwelling structure, previous tenure and income level. However no association was found in terms of the age category, income source, length of time in main job or job category of the reference person. For the purposes of this paper most of the results for Adelaide and the regional centres are combined as many of the attitudinal responses showed similar trends for metropolitan and non metropolitan households. However, where appropriate, findings are reported separately for the Metropolitan and non metropolitan households. Finally validation of the GAMA responses in terms of property characteristics was carried out by means of comparison with the residential sales history file identifying the total population of potential first time buyers in Metropolitan Adelaide (Appendix Tables 12 to 17).

FIGURE 1. Estimate of First home buyers Adelaide Metropolitan Area, 1999-2000

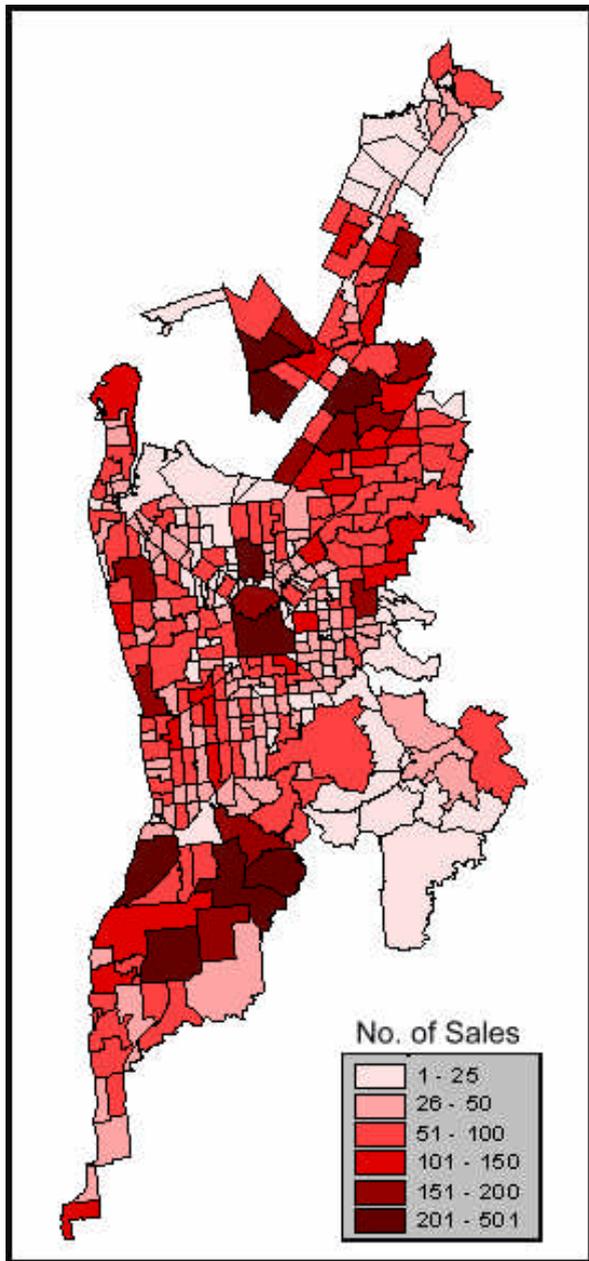
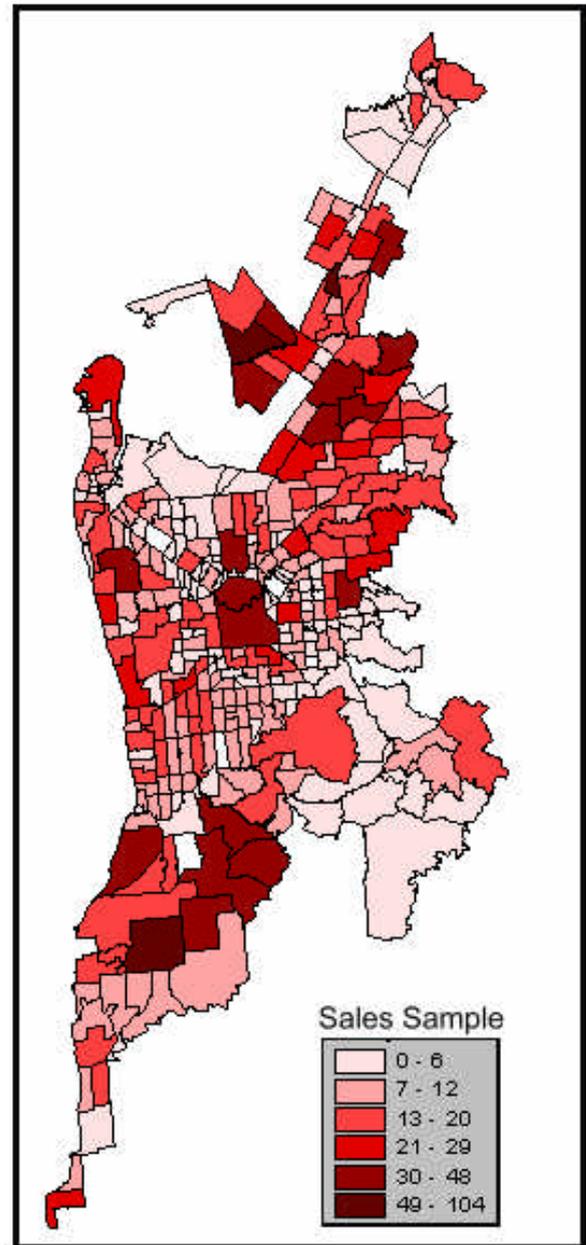


FIGURE 2. First home buyers sales sample: Adelaide Metropolitan Area, 1999-2000



Findings

The findings are presented in line with the survey objectives of identifying first time buyer profiles, financial circumstances, attitudes to purchase over renting, property characteristics, and attitudes to property as an investment.

First Time Buyer Profiles

The majority of the 508 respondents were aged between 25 to 34 years, with some 18.3 percent under 25 years. This compares to ABS profiles (ABS 2000a) which indicate that on average some 55 percent of first time buyers are aged between 25 to 34 years and 10.7 percent are under 25 years. In line with ABS finding (2000a), which suggested that young couples were most likely to be first time buyers, this survey is dominated by couples (55.8%) with childless couples representing 34.3 percent of households and couples with dependent children some 25 percent. However in line with the earlier pilot survey a significant proportion of first time buyers were single households (31.5 percent). This proportion is higher (35.2) when reported for the ASD alone. This figure is considerably higher than that reported in the ABS Australia Household Survey (ABS 2001) which reported that for metropolitan areas some 12.9 percent of households were single. The ABS survey of Housing Occupancy and Cost reported that single households represented some 17.3 per cent of first time buyers. For both surveys proportions reported in the Other households category, which includes group and multi family households, were higher than for the SA survey. Thirty two percent of households held a bachelor degree or higher while 19 percent of households had at least one member of the household still studying.

Sixty-five percent had rented their previous dwelling while 25 percent had lived formerly with their parents on a nominal or rent free basis. For the majority of first time buyers the timing of their decision to buy was influenced most by the existing financial climate of low interest rates, flexible lending arrangements and affordable house prices especially when linked to a saved deposit and anticipated house prices increases (see Table 1). Findings were similar for metro and non metro households (Figures 3 & 4)).

Table 1

Factors important in timing of first home purchase (Likert Scale 1 Not important to 3 Very important)	Rank	n	Mean	SD
Saved a deposit	1	493	2.55	.82
Affordable house prices	2	499	2.53	.81
Low interest rates	3	503	2.23	.77
Flexible lending arrangements	4	495	2.13	.91
Expected house prices to rise in next 12 months	5	496	1.65	.94
Low inflation rate	=6	494	1.59	.98
Federal First Home Owners Grant	=6	456	1.59	1.06
Expected interest rates to rise in next 12 months	=6	496	1.56	.91
State stamp duty exemption	9	484	1.46	1.02
Pay rise	10	492	1.35	.82
Introduction of GST	11	471	1.28	.86
Expected rents to rise in next 12 months	12	491	1.21	.77
Getting hard to find rental accommodation	13	489	1.13	.67
Birth of a new child	=14	481	1.11	.72
New job	=14	484	1.11	.72
Relationship change	16	478	1.03	.68
Relocation in new job	17	480	1.01	.62
Child starting a new school	18	479	.96	.55

Figure 3

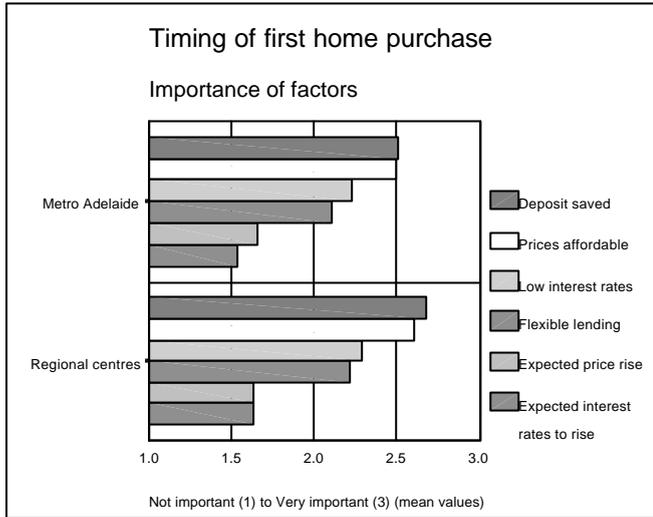
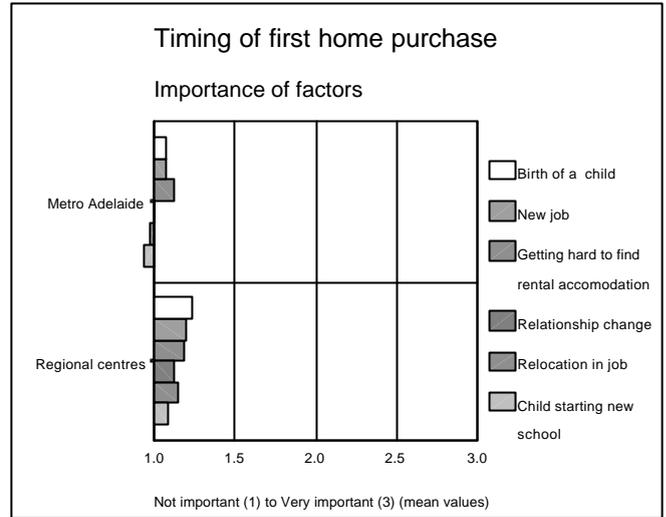


Figure 4



Housing Costs

Sixteen percent of households were paying 40 percent or more of their after tax monthly income on mortgage repayments, with 45 percent paying at least 30 percent. This compares to the ABS (2000a) estimate which suggests 21 percent as the average proportion of housing costs to income for first time buyers. A number of households, 36 percent, had taken out at least a 25 year mortgage though over 57 percent of all households had not taken out the maximum loan available. Over 42 per cent of all households were making substantial efforts to pay their loans off in 10 years or less which probably accounts for the high ratio of housing costs to income. Fifty seven percent of respondents had only one member of the household contributing to the mortgage with over 77 per cent making weekly or fortnightly repayments. Most households over 56.4 percent had borrowed through the major banks at variable interest rates effective either immediately or after 12 months. For most first time buyers the main source of loan assistance (Table 2) had come through exemption from stamp duty (35.2 per cent) and the First Home Owner’s Grant (35 per cent).

Table 2

Loan assistance	Rank	n	%
Stamp Duty Exemption	1	156	35.2
Federal First Home Owner's Grant	2	154	35
Loan from family	3	72	17.4
Home Start Loan	4	59	14.4
Lived with parents rent free	5	56	13.8
Gift	6	50	12.3
Inheritance	7	28	6.9
Other	8	22	5.4
Rent to Purchase	9	2	.5

Employment Characteristics & Attitudes to Job Security

Over 95 percent of households had at least one member currently employed. Sixty two percent of respondents were in full time permanent employment with 14 percent employed full time on a contractual or casual basis. The majority of respondents (52.4 percent) were employed in an administration, managerial, professional or semi professional capacity. Over 32.7 percent of households worked more than 40 hours per week, 10 percent had a second job and almost 12 percent put in at least 10 hours of over time every week. In line with ABS estimates (ABS 2000) some 26 percent of respondents had held their present job for no more than two years while 35 percent had held their present job for longer than five years. Some 37.5 percent had held at least two full time jobs in the past five years.

However in the short term some 76.5 per cent of respondents were either “not at all” concerned or considered job security a minor concern over the next 12 months. Even in the longer term only 12 percent of respondents were “quite concerned” about their job security over the next 5 years while 33 percent considered it of minor importance and some 33.9 percent were “not at all” concerned. For the main income earner levels of concern about future job security for metropolitan and non metropolitan households were similar though for regional households past levels of concern were higher.

For the majority, over 77.4 percent, relocation in their present job had not required them to move house and over 81.7 percent did not anticipate having to move because of job relocation. However 46.9 per cent did believe that owning a home did make relocation in their present job more difficult and 25.7 per cent believed home ownership also made changing jobs more difficult. On the other hand some 51.5 per cent did not believe that home ownership made any difference to changing employment (Figures 5 & 6).

Figure 5

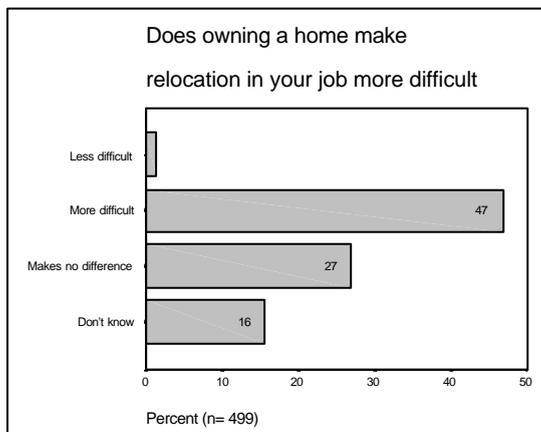
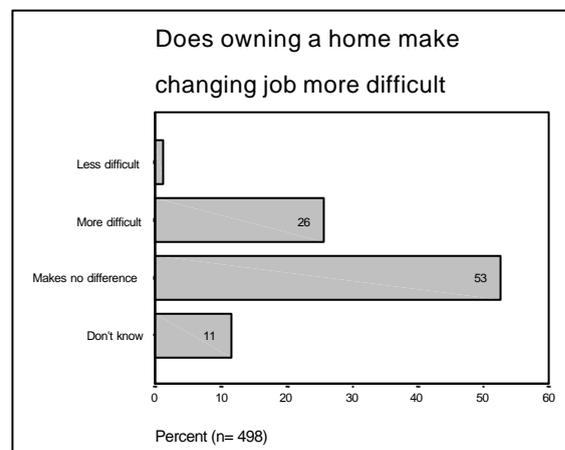


Figure 6



However most households (60 per cent) did believe that their attitude to job security had an influence on their decision to buy a home. Twenty two percent had looked in a lower price range, 20 per cent had delayed buying a home, over 18 percent had bought a less expensive home, while 12 per cent had borrowed less (Table 3). For some their experience of job security had been positive and allowed them to borrow through a bank (22 per cent), buy a more expensive home (11.1 per cent) or for a small number of households, take out a larger loan (6.3 per cent). Few households had changed their borrowing arrangements with only a small number either extending or reducing the term of their loans.

Table 3

Influence of job security on purchase	Rank	n	%
Looked in lower price range	1	94	22.1
Obtained loan through Bank	2	92	22
Delayed buying a home	3	83	20
Bought less expensive home	4	78	18.7
Bought as soon as possible	5	67	16
Took out loan with no fixed interest	6	52	12.6
Took out a smaller loan	7	50	12.1
Bought more expensive home	8	45	11.1
Looked at more homes	9	43	10.5
Took out loan with fixed interest only	10	42	10.2

Financial Circumstances

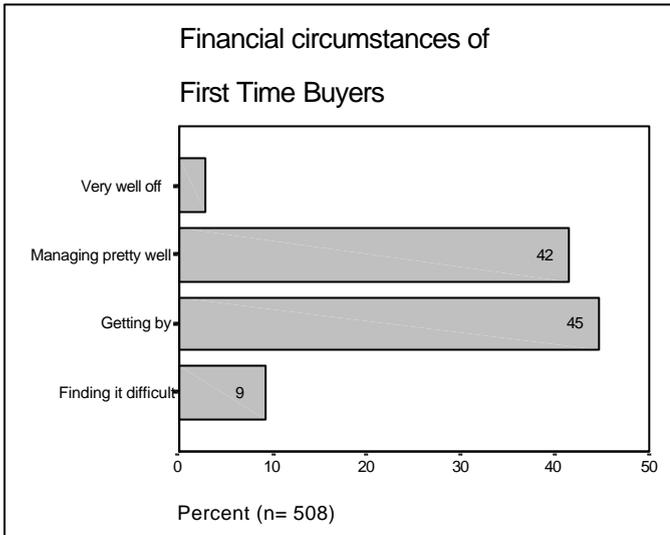
Some 43.1 percent of first time buyers were on gross weekly incomes of less than \$700 with 32.3 percent on weekly incomes of at least \$1000. Twenty three percent of respondents had experienced a decrease in their annual income over the last 12 months with 6.9 percent experiencing a decrease in working hours and almost 5 percent loss of employment within the household (Table 4). On the other hand 46.2 percent of households had enjoyed an increase in annual income over the last 12 months. Forty two percent had received a pay rise, 14.2 percent had increased their working hours while 7 per cent had gained employment.

Table 4

Income increase	Rank	n	%	Income decrease	Rank	n	%
Pay rise	1	185	42.4	Decrease in working hours	28	1	6.9
Increase in working hours	2	58	14.2	Loss of employment	19	2	4.7
Gain in employment	3	28	7.0	Pay decrease	15	3	3.8
Gained 2 nd job	4	20	4.9	Loss of 2nd job	10	4	2.5
Drop in interest rates	5	14	3.5	Rise in interest rates	3	5	.8
Investment returns up	6	11	2.8	Investment returns down	1	6	.3
Started own business	7	10	2.5	Drop in pension	1	6	.3
Paid lump sum	8	5	1.3				
Rise in pension	8	5	1.3				

Over 25 per cent of respondents did have an outstanding Higher Education Contribution commitment with 15 per cent of household owing over \$10,000. Most households, some 45 percent considered themselves to be “getting by” financially with 42 per cent “managing pretty well” (Figure 7). Nine percent were finding it difficult. Such a result might be expected given that first up home purchase is normally predicated upon financial well being.

Figure 7



Renting versus Buying a Home

Households were asked to respond to a series of statements about the advantages and disadvantages of renting as against buying a home. It is recognised that in home purchase, first time buyers are already identifying strongly with the advantages of the tenure. Fifty two percent disagreed or strongly disagreed that owning a home “ties you down” though 40.7 percent did agree or strongly agree that buying a home does “tie up your money” (Table 5). However almost 90 percent of households agreed or strongly agreed that buying a home is a better long-term investment than renting and many (40.7 percent) strongly disagreed or disagreed that buying a home was a substantial risk. This was endorsed also by the 68 percent of respondents who agreed or strongly agreed that owning a house made your future more financially secure. However 42.3 percent agreed or strongly agreed that renting allows you to live where you can’t afford to buy. This sentiment was supported by the 56.8 per cent who disagreed or strongly disagreed that the only way to get a nice home was to buy one. Over 37 percent agreed or strongly agreed that renting allowed you to invest your money in other ways.

Table 5

Renting versus Buying a home Likert Scale 1 Strongly Disagree to 5 Strongly Agree	Rank	N	Mean	Std. Deviation
Buying means you have a place to call your own	1	507	4.44	.78
Buying is a better long term investment	2	507	4.42	.87
Owning gives you more security of tenure	3	506	3.99	.90
Owning makes you more financially secure	4	506	3.74	1.04
Buying is always cheaper over time	5	507	3.67	1.07
It’s hard to find what you want when you rent	6	507	3.28	1.05
It’s important for young couples to own	7	505	3.27	1.05
It’s important for families with young children to own	8	505	3.25	1.06
Renting allows you to live where you can’t afford to buy	9	504	3.15	1.08
It’s hard to find what you want when you buy	10	505	3.09	1.12
Valid N (listwise)		493		

Property Characteristics

Eight two percent of first time buyers had bought their home for less than \$150,000, 51percent had bought for less than \$100,000. The median price paid for a detached dwelling was \$104,000. Of those who purchased a detached dwelling just over 80 percent paid up to \$150,000. Some 14 percent of those who purchased a detached dwelling paid between \$150,00 and \$200,000. Fifty percent had bought a home with 5 main rooms. The median price paid for a unit was \$89,000 with 61.8 per cent paying up to \$100,000. For Adelaide the percentage of unit and flat sales represented by this survey is considerably higher than that described by the ABS (1999; 2000). However this does correspond with the higher number of single households represented by this survey.

Over the two year period of the survey there was an even spread of purchasers though a slightly larger proportion of first home buyers, 27.5 percent, had bought in the final 6 months between July and December 2000 (Table 6). This is a period covered by the introduction of the Federal Governments \$7000 First Home Owners Grant, a grant available to all purchasers who had not owned property before in Australia either individually or as a household. As is apparent for the prices quoted above for many SA first time buyers this grant can represent the full deposit on a home, that is up to 10 percent of the purchase price. However the study does not show a significant surge in purchasers over the period of its introduction which could be explained by the time delay involved in the processing and payment of the grant.

Table 6

Time period	Percent of respondents who purchased in time period	Federal Government Policy
Jan to June '99	23%	6 months prior to announcement of a Federal Goods and Services Tax (GST)
July to Dec '99	27%	Announcement of a GST to be introduced 1 st July 2000 (effectively 7% increase on cost of new dwelling construction)
Jan to June '00	22%	Up to 12 months after announcement of GST
July to Dec '00	28%	Introduction of GST 1 st July & introduction of \$7000 Federal Government First Home Owner Grant (available for all dwellings)

The GST which was anticipated to increase the price of new dwelling by about 7 per cent, does not seem to have been a significant factor in first time buyer behaviour something, a finding which is reinforced by the survey results reported earlier (Table 1). A large majority of buyers had bought a detached dwelling (78 percent) with 4 per cent buying a semidetached dwelling and 15 per cent purchasing a flat or unit. Seventy percent of respondents felt that their most recent house purchase reflected exactly what they had been looking for. Overall there seem to be little evidence of compromise in the purchase. Of those that had changed in some aspect of their purchase most representing 12 percent of all households had changed location and 10.7 percent had bought a less expensive home.

The median price paid by households who had taken out the maximum housing loan available to them was \$95,000 compared to a median price of \$102,375 for those who had opted not to take out the maximum loan. The median price paid for a detached dwelling where there was only one contributor to the mortgage was \$109,000 compared to a median of \$100,000 where there was more than 1 contributor. This was the same for units and flats where the median price for 1 contributor at \$92,000 was higher than where there was more than 1 contributor at \$87,500. This would imply that those who can afford to buy the more expensive homes have the advantage of needing to borrow less in order to do so. Those households who can only afford to buy the less expensive homes must take out the maximum loan available in order to purchase and often require more than one contributor to service the loan. Homes and units at the higher end of the price range are being bought by households where one income covers the mortgage repayments. Lower priced homes and units are being purchased by households where two incomes are

necessary in order to meet the repayments. Single households also paid higher median property prices (\$104,750) than couples with no children (\$102,000). On average the largest loans were also being paid off the most quickly, that is in less than 10 years.

Housing Investment

Almost 15 percent of households suggested they would consider renting out their first home an investment in the short term while 65.5 percent of first time buyers considered it an option for the future. In terms of identifying rational renters 5.3 per cent of first time buyers were not living in the dwelling they had purchased recently. This represented 27 households. Some 3.5 per cent of first time buyers or 14 households were renting out their recently purchased dwelling in the long term and in order for this to happen 11 households were living with family or friends while 3 first time buyers were renting themselves.

Conclusion

This survey has shown that while couples continue to dominate the first time housing market single households are becoming a significant group of buyers and units are an increasingly popular purchase. Despite greater job insecurity, this survey reveals another generation of new homebuyer with similar aspirations to the last. Home ownership continues to be seen as an avenue for improved well being both for the purchaser and for the wider community

It would appear that employment related factors such as job security and relocation are not as important in terms of when and if to purchase a home, as current interest rates, affordable prices and the ability to raise a deposit. However consideration of future risk by purchasers is apparent in terms of amounts borrowed, prices paid, debt to equity ratios, hours worked and levels and timing of mortgage repayments. For a substantial proportion of first time buyers house purchase is seen as a means of future rental income. On the whole householders do not believe their job mobility to be compromised by home ownership. Nor do they believe their recent house purchase to be less than expected despite greater insecurity of income. Householders would seem to consider their first house purchase to have significant advantages over renting principally in the area of financial security. However the advantages of renting as an alternative investment strategy appear to be recognised. For a small proportion of first time buyers their house purchase is used as a means of income while for a larger proportion home ownership may provide future rental income.

On the whole Metropolitan and non Metro purchasers are similar in that they do not believe their job mobility to be compromised by home ownership nor do they believe their recent house purchase to be less than expected despite greater insecurity of income. However the survey reveals limited experience of job relocation within SA first time buyer households which may explain their attitudes to home ownership. Given the size of Adelaide and reasonable access throughout the Metropolitan area changing job does not always mean moving house. Also the regional centres are currently experiencing a job boom with unemployment levels as low as 3%. In these regional centres housing supply, rather job insecurity, is a greater issue for home purchasers. However as national levels of job mobility increase this will present a future risk for householders in a state with nationally low real house prices.

Grants are welcomed by first time buyers but in the short term fuel prices and are only as important as other factors including stamp duty exemption and interest rates in facilitating first home ownership. Although home ownership continues to be the corner stone of Australian housing policy there may be better ways of sustaining levels than through short term grants. As reported by the ABS as of June 2001 house prices had risen by 8.2 percent across Australia, the fastest for a decade. In the 12 months after the introduction of the \$7000 first home owner grant, the house price index to June 2001 had risen in Melbourne by 14.3 per cent, in Adelaide by 7.6 per cent, in Sydney by 6.3 percent and in Perth by 5.6 percent. In SA such increases, when matched with first home grants which effectively boost purchasing power especially for those on the margin, are likely to encourage the sale of rental

properties particularly in the lower priced suburbs most attractive to first time buyers but where rental demand is greatest. This paper would argue for the removal or at least the raising of the stamp duty threshold on residential property in SA where the tax is one of the highest nationally, as a means of long term targeted assistance to first home buyers. Low interest rates continue to be a key to first time purchase. However by the end of 2001 Australian households overall are anticipated to pay some 7.5 percent of their disposable income in interest, the highest level of debt servicing since 1991 when interest rates were around 14 percent (NAB 2001). The last to buy residential property are those at greatest risk because they are most exposed to interest rate increases and they have the least equity. Thus there may be a case for government sponsored first home buyer financial counselling especially for those on lower or less secure incomes. There were a number of respondents, masked by this statistical overview, who expressed concern at their recent house purchase but felt financially compelled to stick with their decision.

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Appendix

Table 7

First Time Buyers Survey Household Composition (percent)	Metropolitan Adelaide n=398	Regional Centres n=110	ABS Australian Housing Survey 1999 Unit Record File City* n=417	ABS Australian Housing Survey 1999 Unit Record File Non metro** n=275	ABS Housing Occupancy & Costs Australia Cat 4130.0 n=457
Couple only	34.2	34.9	33.1	31.3	33.8
Couple with dependent children	21.6	37.7	26.6	38.9	29.3
Couple – other	2.1	1.8	9.1	3.6	4.3
Total Couples	57.9	74.4	68.6	73.8	67.4
One parent family	3.5	2.7	1.7	2.2	5.7
Lone person	35.2	18.3	12.9	10.9	17.3
Other	3.3	4.6	16.6	13.1	9.6
Total	100	100	100	100	100

*excludes NT & ACT

**includes NT & ACT

Table 8

First Time Buyers Survey Age Group Reference Person (percent)	Metropolitan Adelaide n= 398	Regional Centres n=110	ABS Australian Housing Survey 1999 Unit Record File City* n=417	ABS Australian Housing Survey 1999 Unit Record File Non metro** n=275	ABS Housing Occupancy & Costs Australia Cat 4130.0 n=457
Under 25 years	16.6	23.9	13.2	21.8	11
25 to 34 years	57.6	51.4	56.4	50.1	56.1
35 to 44 years	18.6	19.2	20.6	20.7	22
45 to 54 years	4.6	4.6	6.8	3.3	6.4
55 to 64 years	2.3	.9	2.2	3.6	2.3
65+ years	.3	0	.9	.4	2.2
Total	100	100	100	100	100

*excludes NT & ACT

**includes NT & ACT

Table 9

First Time Buyers Survey Source of Income (percent)	Metropolitan Adelaide n=398	Regional Centres n=110	ABS Australian Housing Survey 1999 Unit Record File City*n=417	ABS Australian Housing Survey 1999 Unit Record File Non metro**n=275	ABS Housing Occupancy & Costs Australia Cat 4130.0 n=457
Wage or salary	84.4	86.4	87.3	82.2	82.6
Own business	6.3	8.2	6.0	4.7	5.1
Government pension or allowance	7.3	3.6	5.3	7.3	9.6
Other income	1.5	1.8	1.4	5.4	2.2
Total	100	100	100	100	100

*excludes NT & ACT

**includes NT & ACT

Table 14

Statistics Population containing first home buyers		
LUC	Total	Percent
1100	17753	77.29%
1101	35	0.15%
1110	6	0.03%
1111	1	0.00%
1112	1	0.00%
1113	2	0.01%
1115	7	0.03%
1118	255	1.11%
1119	107	0.47%
1220	938	4.08%
1230	93	0.40%
1300	1	0.00%
1310	2281	9.93%
1315	155	0.67%
1320	268	1.17%
1321	231	1.01%
1322	63	0.27%
1323	16	0.07%
1324	15	0.07%
1325	3	0.01%
1326	8	0.03%
1327	1	0.00%
1330	583	2.54%
1335	11	0.05%
1400	3	0.01%
1410	26	0.11%
1411	1	0.00%
1412	2	0.01%
1413	1	0.00%
1420	5	0.02%
1430	1	0.00%
1432	1	0.00%
1500	1	0.00%
1600	1	0.00%
1825	6	0.03%
1912	59	0.26%
1992	22	0.10%
1993	4	0.02%
1997	1	0.00%
Total	22968	

Table 15

Statistics Sample		
LUC	Total	Percent
1100	2876	77.52%
1101	7	0.19%
1110	1	0.03%
1111	0	0.00%
1112	0	0.00%
1113	0	0.00%
1115	2	0.05%
1118	40	1.08%
1119	14	0.38%
1220	156	4.20%
1230	9	0.24%
1300	0	0.00%
1310	371	10.00%
1315	26	0.70%
1320	41	1.11%
1321	43	1.16%
1322	9	0.24%
1323	0	0.00%
1324	0	0.00%
1325	0	0.00%
1326	1	0.03%
1327	0	0.00%
1330	90	2.43%
1335	2	0.05%
1400	0	0.00%
1410	5	0.13%
1411	0	0.00%
1412	0	0.00%
1413	0	0.00%
1420	1	0.03%
1430	0	0.00%
1432	0	0.00%
1500	1	0.03%
1600	1	0.03%
1825	0	0.00%
1912	10	0.27%
1992	0	0.00%
1993	4	0.11%
1997	0	0.00%
Total	3710	

Table 16

Statistics	Population	
STYLE		
AFRAME	9	0.04%
ARCTECT	246	1.09%
ART DECO	50	0.22%
AUSTERITY	551	2.44%
BACKENDER	5	0.02%
BOOMERANG	55	0.24%
BUNGALOW	1200	5.31%
BWIN/VILLA	169	0.75%
CAPE/COD	25	0.11%
COLN/COTGE	43	0.19%
COLONIAL	1360	6.02%
CONTEMP	1048	4.64%
CONVENL	11271	49.87%
COTG/TWNSE	84	0.37%
COTG/VILLA	455	2.01%
GENT/BUNGL	10	0.04%
GEORGIAN	51	0.23%
HRISE UNT	44	0.19%
HOMESTEAD	48	0.21%
HQCONTEMP	28	0.12%
HQCONVENL	663	2.93%
HQRANCH	27	0.12%
KING/COTGE	3	0.01%
LVRF/VILLA	51	0.23%
MANSION	7	0.03%
MEDTERNEAN	138	0.61%
PCONVENL	242	1.07%
POLYGON	2	0.01%
QEAN/VILLA	20	0.09%
RANCH	750	3.32%
ROW/COTGE	44	0.19%
RVER/VILLA	145	0.64%
S.CONVENL	1914	8.47%
SB/BUNG	115	0.51%
SETT/COTGE	25	0.11%
SHACK	21	0.09%
SPAN/MISSN	31	0.14%
SPAN/STYLE	182	0.81%
SYMM/COTGE	415	1.84%
TERRCE/HSE	13	0.06%
TUDOR	163	0.72%
TUDOR/KENT	1	0.00%
VILLA	849	3.76%
WTFL/AUSTY	30	0.13%
Total	22603	

Table 17

Statistics	Sample	
STYLE		
AFRAME	1	0.03%
ARCTECT	31	0.85%
ART DECO	5	0.14%
AUSTERITY	82	2.25%
BACKENDER	1	0.03%
BOOMERANG	3	0.08%
BUNGALOW	196	5.37%
BWIN/VILLA	27	0.74%
CAPE/COD	5	0.14%
COLN/COTGE	8	0.22%
COLONIAL	221	6.05%
CONTEMP	173	4.74%
CONVENL	1800	49.30%
COTG/TWNSE	12	0.33%
COTG/VILLA	74	2.03%
GENT/BUNGL	2	0.05%
GEORGIAN	13	0.36%
HRISE UNT	3	0.08%
HOMESTEAD	5	0.14%
HQCONTEMP	3	0.08%
HQCONVENL	113	3.10%
HQRANCH	5	0.14%
KING/COTGE	0	0.00%
LVRF/VILLA	10	0.27%
MANSION	1	0.03%
MEDTERNEAN	26	0.71%
PCONVENL	45	1.23%
POLYGON	0	0.00%
QEAN/VILLA	5	0.14%
RANCH	115	3.15%
ROW/COTGE	6	0.16%
RVER/VILLA	17	0.47%
S.CONVENL	309	8.46%
SB/BUNG	22	0.60%
SETT/COTGE	3	0.08%
SHACK	2	0.05%
SPAN/MISSN	9	0.25%
SPAN/STYLE	32	0.88%
SYMM/COTGE	68	1.86%
TERRCE/HSE	2	0.05%
TUDOR	41	1.12%
TUDOR/KENT	0	0.00%
VILLA	150	4.11%
WTFL/AUSTY	5	0.14%
Total	3651	