# Property investors back in the property market, AFG Mortgage Index reveals

Wednesday, 10 March 2010 10:48
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Property investors accounted for 34.1% of all mortgages arranged during February, as investors take up the slack from the dwindling number of first home owners in the property market.

And despite predictions the market will slow during the next 12 months after dramatic increases over 2009, investors are set to see long-term gains.

The data, from the latest Australian Financial Group mortgage index, shows the proportion of mortgages being taken by investors is the highest in the survey's four-year history, and a 25% increase from just six months ago in August 2009.

The survey also reveals the highest number was recorded in New South Wales, where 38.5% of all mortgages were for investors, followed by 37.2% in Victoria – the two states with some of the biggest recent price increases.

South Australia recorded 37.6%, with Western Australia and Queensland recording 29.9% and 39.5% respectively. AFG general manager of sales and operations Mark Hewitt said in a statement the activity is a surprise, and shows investors have clearly picked up the slack of first home owners leaving the market.

The AFG data shows first home owners accounted for just 11.3% of buyers, about 50% fewer than at the same point last year.

"Investor confidence has been rising for several months, but we hadn't been expecting a figure for February as strong as this one."

David Airey, chief executive of the Real Estate Institute of Australia, says the data reflects the opinion of those in the market that investors are coming back in force.

"They are streaming back into the market even since Christmas, and there has been a noticeable increase in the number of investors looking for residential property within the last month."

Airey also denies that rising interest rates and a potential slowing in price growth could scare investors away, saying the market will still provide good returns over the long-term.

"Of course performance is subject to price growth and how strong the market is, but from an investor's point of view those interest rises are tax deductable and thus they are less susceptible to that."

"As well, we see the banks are continuing to lend on residential property more so than the commercial market and speculative developments, and that is the background that will help the industry along.

Airey and Hewitt also believe investors will not be deterred by a slowing in price growth, which analysts expect due to the massive growth in 2009.

"Investors are now the driving force of the market, encouraged by rising property prices in recent months, and the longer term view that a housing shortfall will continue to underpin future price growth as well as rental yields," Hewitt said.

"I don't think they will be scared off," Airey said. "Housing is a long term investment, and there is clearly a continuous upwards trend. It's always better to say you bought housing when it was cheap but in the long term the market will take care of those issues."

The AFG data also shows second tier lending is continuing to growth, with that sector accounting for 17% of all loans, equating to more than double the amount from the same period last year.