



Metro  
+  
Regional

**SCA** research  
& insights

# Affording the House we Live in

A special report from Mood Monitor

May 2018



## What the SCA Mood Monitor report is all about

This research was conducted by SCA Research (14-22<sup>nd</sup> May 2018), who surveyed 3,036 people living Australia across metro and regional centres, aged 18-64 years. Sample was sourced from SCA's own databases and an external sample provider (TEG) to provide a broader representation of the metro Australian mood.

SCA has conducted a Mood Monitor study twice a year for the past 5 years. The purpose of the study has been to ascertain the 'mood' of the nation – and not simply rely on traditional consumer sentiment statistics. We know that people are driven to buy not just with their head, but with their emotions too.

**This special report focusses on Australian's attitudes and behaviours around housing affordability, whether that be renting or owning the property they live in. Through understanding, financial and retail businesses are able to align their products, services and communication strategy in line with their consumer's needs.**

# KEY POINTS

HOUSING AFFORDABILITY IS MORE WORRIED ABOUT THAN HEALTHCARE OR EMPLOYMENT

## THREE

is the ranking that housing affordability is in terms of most worried about

Millennials are most likely to be 'very worried' as they financially battle trying to enter the property market for the first time.

THE GREAT AUSSIE DREAM OF OWNING A HOME REMAINS ENGRAINED

## 96%

of Australians say buying a home is something they want to do

BUT, many are struggling to understand how they will get there...  
**65% agree it's just too hard to own a home these days**

VARIOUS MEASURES ARE BEING TAKEN TO REDUCE THE HOUSING AFFORDABILITY PRESSURE VALVE ...

- budgeting
- working harder
- living in more affordable housing
- reassessing financial products
- assisting their kids
- multi-generational home

# EXPLORING THE HOUSING MARKET...





“Digital Finance Analytics released its Mortgage Stress Report. They’re predicting that if the banks increase their mortgage rates by as little as 0.1 per cent to 0.15 per cent, it would cause one million households to be in mortgage stress, and tens of thousands to be on the edge of defaulting.

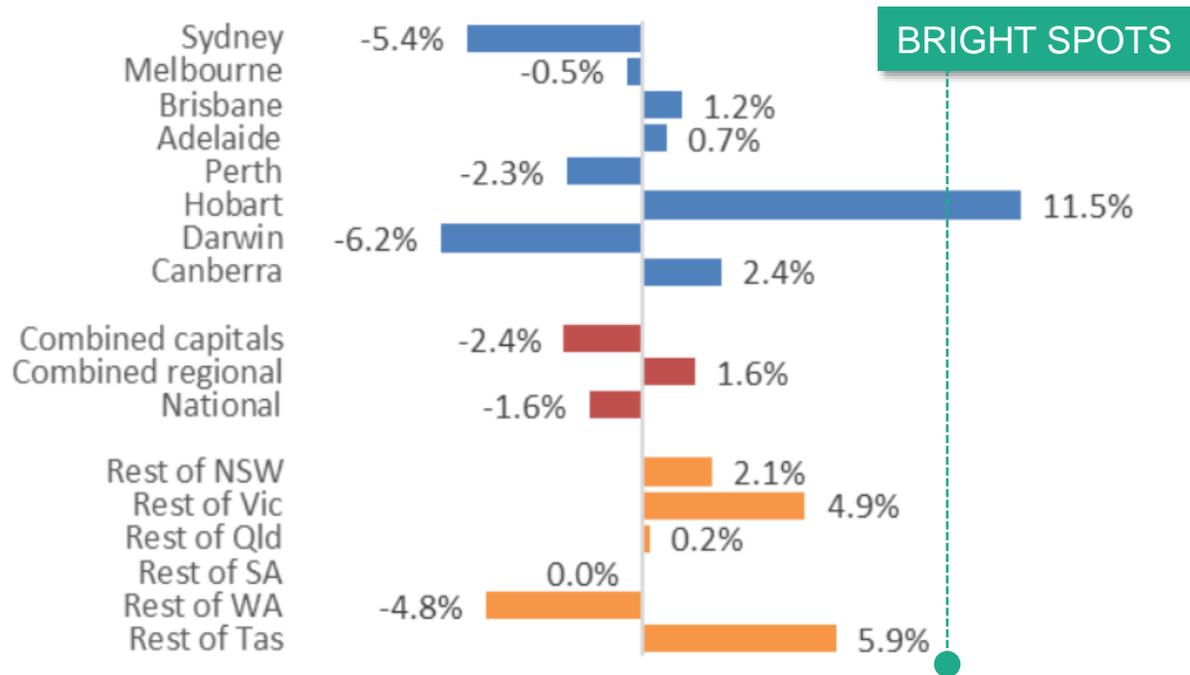
And here’s the really interesting thing: DFA says it’s not just beer-swilling bogans feeling the pinch. The report calls out “exclusive professionals” — well-to-do working stiffs in Mercedes with homes worth between \$2 million and \$5 million.

DFA chief analyst Martin North says the reason they’re in trouble is the same as everyone else: they’ve borrowed too much.”

**Scott Pape, Barefoot Investor, Sunday Herald Sun, 15 July 2018.**

The property market remains somewhat subdued, with home values reducing 1.6% year on year (largest decline since Aug 2012), however values remain 31% higher than five years ago. There are multiple bright spots, such as Regional Australia's home values increasing 1.6% from last year.

### Annual change in dwelling values



Largest contributor to the national decrease is Sydney and Melbourne, where their values represent 60% of the national total.

“We can’t see any factors that may halt or reverse the housing markets trajectory of subtle declines over the second half of 2018.”

The **availability of housing credit** has been a significant factor contributing to this slowdown, however there are a variety of hurdles contributing to slower conditions.”

Tim Lawless, CoreLogic

Values are dropping because less people are looking to buy (-5.6% YOY fall in homes bought/built with finance<sup>1</sup>). Why? It's becoming harder to get a home loan, as banks are being placed under more pressure to tighten their lending standards after the Royal Commission fallout.

Less 'interest only' loans are available (only 15% of new loans are interest only, down from 40% in 2015)\*\*, while home loan interest rates are already going up due to wholesale credit rising (the credit banks obtain themselves increasingly being obtained from more expensive international markets), however some financial institutions are actually cutting rates to compete hard and win back marketshare.

# SIXTEEN

Small/medium-sized banks have **raised** their interest rates in recent months with the major banks following recently:

▶ Westpac, CBA and ANZ announce mortgage interest rate hikes to occur in September/October

One institution is competing hard for their share of the \$1.6 trillion mortgage market

▶ UBank (NAB offshoot) cut variable rates in July

Also contributing to a smaller 'buyer' pool are **less investors**  
*-2.7% loan approvals YOY<sup>^</sup>*

Also less **foreign investors**, due to tighter foreign property ownership fees and taxes  
*-52% properties approved YOY (from 40,141 to 13,198)#.*

**However in good news - first-home buyers are on the rise (+11.4% loan approvals YOY) bucking the overall housing finance trend.\***

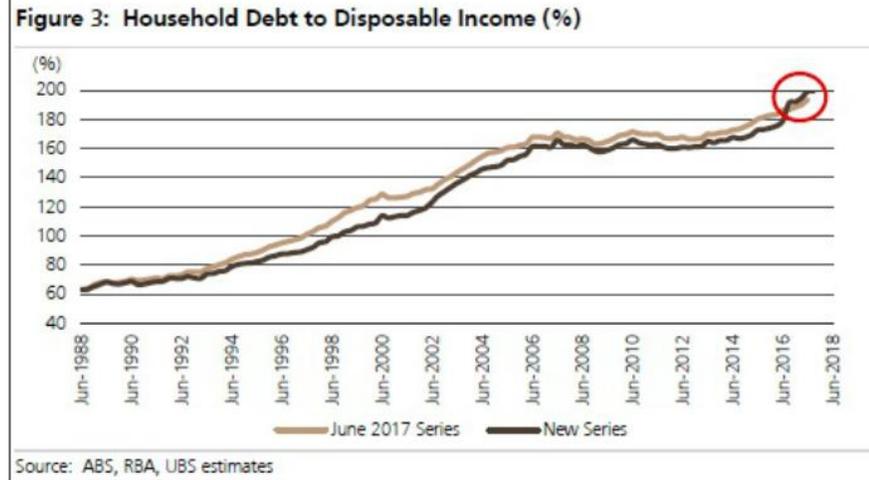
... and this is all whilst wage growth remains flat and mortgage stress is already high.

So whilst many financial institutions begin to raise interest rates, more loans switch to 'interest and principle', and it becomes financially harder to obtain a loan, wages aren't growing to match this. In fact household debt is at unprecedented levels.

**Effectively, it's becoming financially more difficult to obtain and service a mortgage.**

UBS and Moody's expect households to become even more leveraged over the next 1 – 2 years as income growth remains subdued, and as a record number of interest-only loans convert to principal and interest loans.<sup>^\*</sup>

\$360 billion worth of interest-only loans due to mature to principal and interest loans over the next three years.<sup>\*\*</sup>



## MORTGAGE STRESS IS AT A 20 YEAR HIGH<sup>1</sup>

DEFN: when net income fails to cover ongoing costs, currently equates to 30.3% of owner occupier borrowers.

June 2018: 970,000

Dec 2017: 921,000

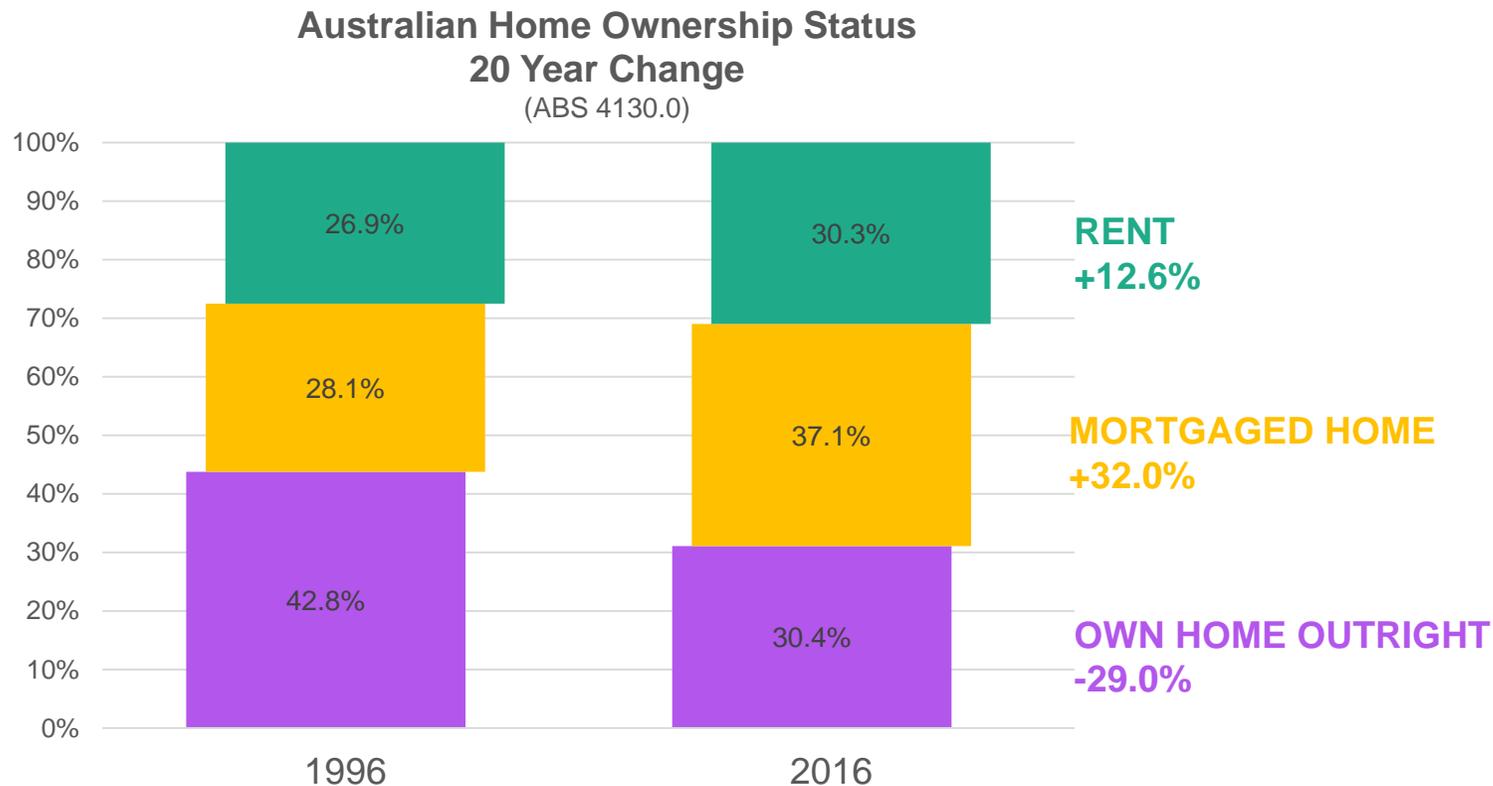
**Australia's household debt to income ratio has hit nearly 200%, a level UBS analysts have called "extremely elevated" and "one of the highest in the world".** Total household liabilities have been revised upwards to \$2.466 trillion, or 199.7% of disposable income, by Australian Bureau of Statistics.<sup>^</sup>

Source : <sup>^</sup>"Household debt extremely elevated after hitting near 200% and tipped to grow" ABC, 18/01/2018 – ABS data. \* "ANZ tries to lure new mortgage customers with lower rates", Sydney Morning Herald, 02/08/18. <sup>\*\*</sup>"Interest-only mortgage borrowers flock to principal and interest loan discounts" ABC, 01/08/18.

<sup>1</sup>"Australian mortgage stress by postcode" Macro Business, 05/07/18 – Digital Finance Analytics data.

It comes as no surprise that more and more Australians are opting to rent – either forced to, or by choice – in order to survive; maintain a lifestyle; lessen the stress of owning.

*We also see a sharp 20 year shift in less outright home ownership Vs holding a mortgage.*



Is Australia headed towards life-long renters accounting for a much larger segment of the property market, much like the UK and Europe?  
In Germany for example, there is less stigma attached to renting - 60% of the population rent and the lease period is indefinite.<sup>^</sup>  
**1 in 5 Aussies believe they may be renting for the rest of their life.\***

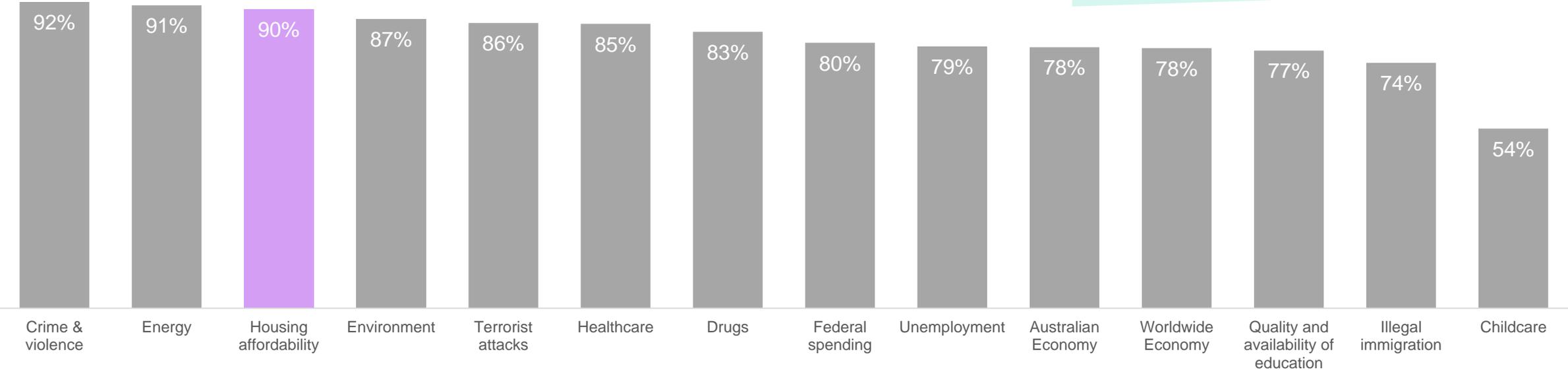
AND THIS IS WHAT  
AUSTRALIANS ARE  
TELLING US...

With the market as it is, it's little wonder that nearly all Aussies are worried about housing affordability. It is the 3<sup>rd</sup> most worried about issue, only slightly behind crime and energy.

Metro and regional Australia are equal in their concern.

How worried are you about the following things?

TOTAL WORRIED

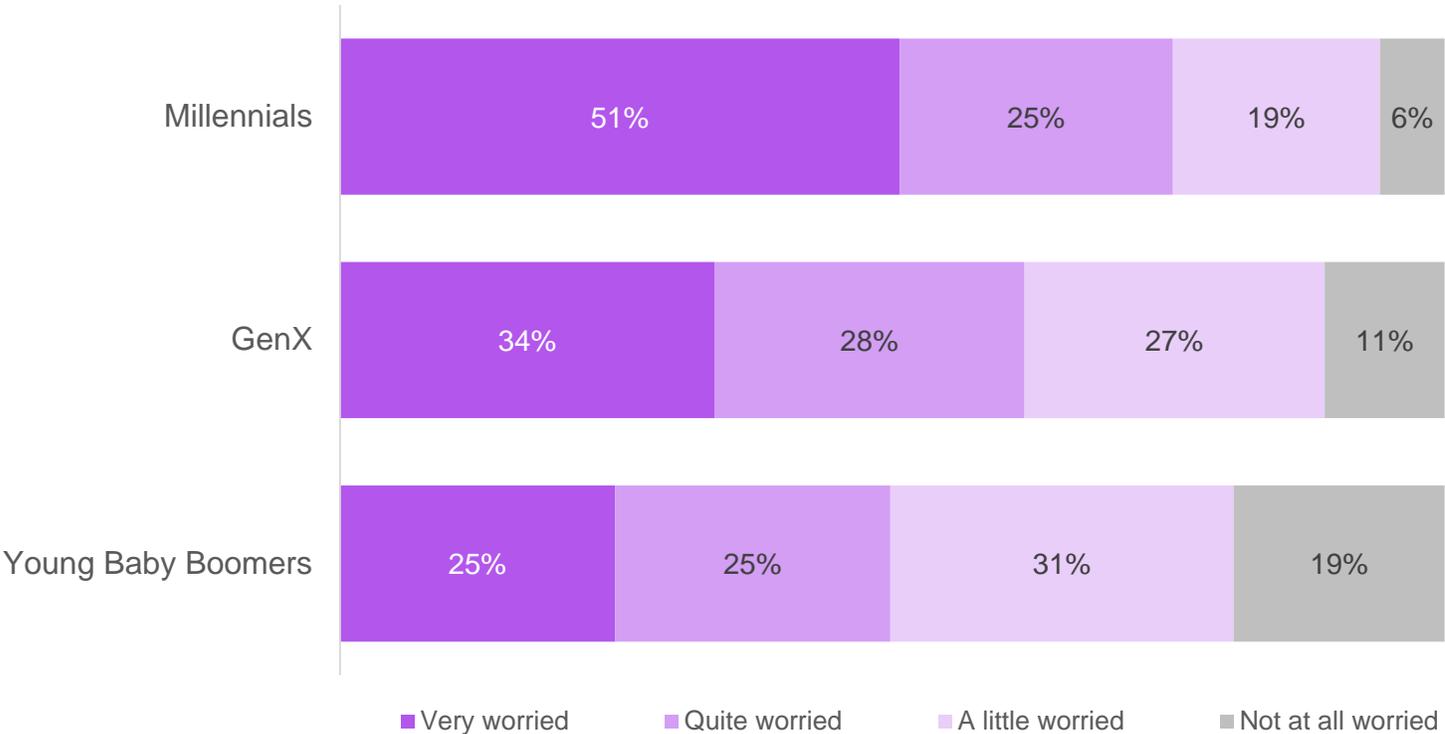


My Biggest Worry...  
“Not being able to buy/build a house before it is too late and paying a mortgage in my 60s and 70s”  
Young Millennial (18-29 years)

Millennials are the generation most worried about housing affordability, with great concern they won't ever be able to afford property of their own, whilst also being able to pay for next week's rent a real worry too.

How worried are you about the following things?

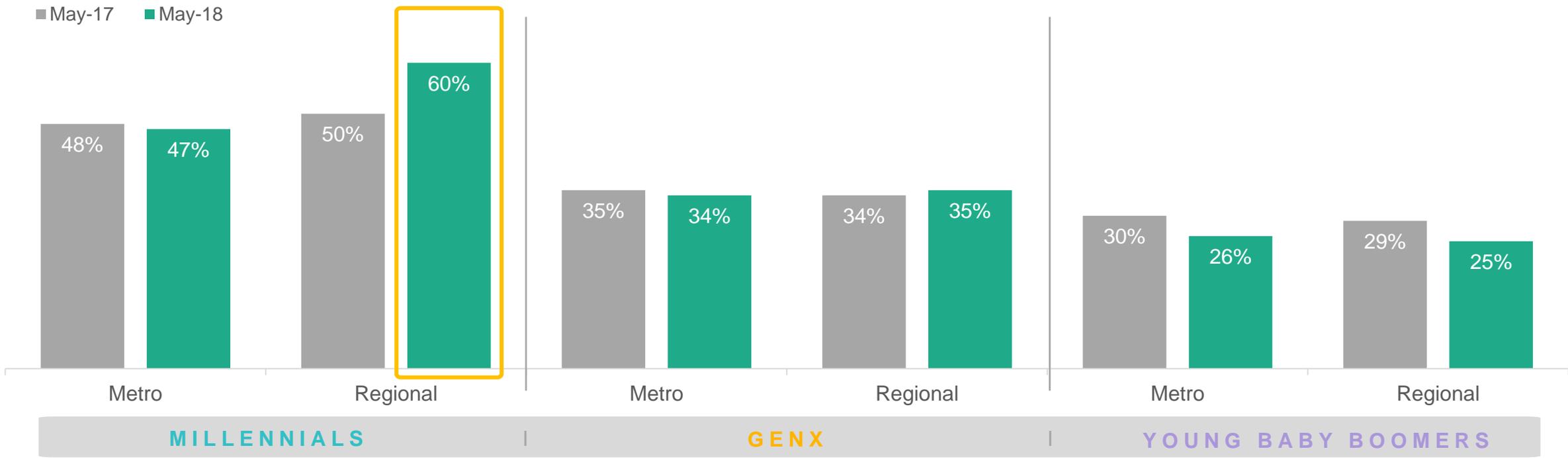
HOUSING AFFORDABILITY - LEVELS OF WORRY



Source : SCAR Consumer Sentiment Study, May 2018, "How worried are you about the following things....?" PROMPTED - Total Worry. Total n=3036 Millennials n=1392 GenX n=1052 Young Baby Boomers n=578.

If we narrow in on those who are 'very worried' about housing affordability, we can clearly see that Regional Millennials are the group with the most angst, increasing by +20% YOY

How worried are you about the following things?  
HOUSING AFFORDABILITY - VERY WORRIED



Source : SCAR Consumer Sentiment Study, May 2018, "How worried are you about the following things....?" PROMPTED - Very Worried. Millennials May 17, Metro n=933 Regional n=1278 | May 18, Metro n=1078 Regional n=404 | GenX May 17, Metro n=1133 Regional n=1226 | May 18, Metro n=717 Regional n=295 | Young Baby Boomers May 17, Metro n=416 Regional n=699 | May 18, Metro n=394 Regional n=178.

# Driving this concern are many financial reasons impacting ability to pay rent, secure a home loan and pay the mortgage off...

Filter: 'Very or quite worried' about housing affordability

JOB SECURITY

LOW INCOME

RISING PROPERTY  
PRICES/RENT

INTEREST RATES

ASSOCIATED COSTS  
OF BUYING

ABILITY TO SAVE  
FOR A DEPOSIT

*The amount needed for **deposit keeps rising**. Would need to give up all enjoyable activities to stay home to afford mortgage.*

***Wages are not high enough** for the average person to afford a home.*

***Job security even for professionals is scarce** and difficult to come by. Casual employment is exhausting especially if you have multiple – it's difficult to arrange and ask for loans when your pay differs week to week.*

*I worry for **my children not being able to live where they want** and for my wife and I being put in a position of most likely have to move to somewhere cheaper to afford a lifestyle when we retire.*

*Working for myself and near 50 and I am **not able to borrow any money** to buy my own place.*

***Rent prices seem to have skyrocketed**. \$300 p/w seems to be the price for an average house.*

*I worry that I soon **won't be able to afford to put a roof over my children's head**...*

*The **interest rates you need to pay are insane**, as well as the cost of an average house are extreme! Not to mention the power bills on top of all of that!*

*Being able to **save up enough to have a deposit** and then being able to afford all the **associated costs** with a house and still maintain a social lifestyle.*



# 52%

of Aussies say that if interest rates were to increase tomorrow it would have a major/moderate impact on their household.

For Millennials, they are reducing this pressure mainly through budgeting hard and cutting back where they can; working harder and longer; living in more affordable housing and trying to get the best financial deal for their loans and other products.

Q: Have you taken any action to alleviate your concerns or reduce the pressure of housing affordability?

#### BUDGETING BEING FRUGAL

*Only use heater when it's really cold so we use blankets and rug up*

*Cutting back on everything to bare minimum*

*You cut back in certain areas, but then things like power, petrol etc increase, and you are back to square one*

*I try to stick to a budget which means no holidays or treats*

*Cut down on our water and power use to try and reduce our bills*

#### WORKING HARDER, LONGER/SECOND JOB

*I have now taken in a second job but we haven't seen any ease yet*

*I have applied for full-time work but have had no luck*

*Not having a social life and working hard now to afford the prices now*

*Tried getting pay rises*

*Trying to get more work to pay the rent*

*Trying to up skill to get into higher sectors of my career*

#### LIVE IN MORE AFFORDABLE HOUSING

*We stay at a place we are unhappy in because it is cheap*

*I've moved to a poorer area*

*Chose to stay in the house we purchased despite wanting to relocate as our mortgage repayments are within our means*

*Purchased house in the outer suburbs to at least get a foot in the door*

*We brought an older home, as much as we'd love a new modern home we couldn't afford the mortgage*

#### REASSESSING FINANCIAL PRODUCTS

*Always looking for better rates with our bank*

*Change bank institutes to try and get better offer*

*Looking at high interest savings account*

*Have spoken to financial advisors*

*Got a better home loan interest rate recently*

*Meeting with bank and real estate*

### Millennials aren't afraid to voice their concern with influencers

*We've tried speaking to the local MP's about it.*

*I should contact my MP to stop foreign ownership of Australian land.*

*I have raised my concerns with a few organisations around Orange.*

*I have contacted Josh Willie and The Mercury.*

For **GenX**, they are reducing this pressure largely through working harder and helping out their children now and into the future. Watching their spending and reassessing their financial products and providers are also key actions taken.

Q: Have you taken any action to alleviate your concerns or reduce the pressure of housing affordability?

#### WORKING HARDER, LONGER/SECOND JOB

*I'd like to try to sell my business and go back to earning a wage to contribute to our situation*

*I work 60-65hours a week as well as run my own business as a sideline*

*Secured a good paying job through hard work, and my partner is now working nights to earn extra too*

*I returned to study at a mature age so I can get a better job*

*Better job and moved state*

#### ASSISTING CHILDREN

*We may have to build cabins in our property to house our children in the future if planning allows*

*Purchasing a house now for my kids to buy later on*

*Helping family member who are struggling because of it*

*Thinking of advice for my kids on how to manage their finances in the future and make sensible decisions*

*Bought some shares for them for when they are adults*

#### BUDGETING BEING FRUGAL

*Spend less, reduce energy costs that I can control, look at re-financing*

*Don't go out anymore or have takeaway to save money*

*Yes, I had to sacrifice doing a few things so I could pay my mortgage*

*Reduced time going out and wastage on junk foods*

*We go without to survive, don't eat out or go out, because we don't have the money*

#### REASSESSING FINANCIAL PRODUCTS

*We are comparing interest rates at the moment*

*Will continue to monitor loan market and refinance if necessary*

*I'm going to my bank to see if they can refinance my mortgage*

*I've looked at other banks*

*Shopped around for bigger discount of every company*

**Purchasing properties abroad by GenX is a fast-growing trend as a way of getting into the property market, with a year on year increase of +29%. The reason... they can't afford Australian property.<sup>^</sup>**

For Young Baby Boomers, they are reducing this pressure most notably through creating multi-generational homes; helping their children out; moving to more affordable accommodation and improving their financial planning.

Q: Have you taken any action to alleviate your concerns or reduce the pressure of housing affordability?

#### MULTI-GENERATIONAL HOMES

*I live with my daughter in her home and help pay her mortgage*

*Have my son and his partner living with me rent free so they can try and save for a deposit*

*Trying to sell our house and move in with my parents to make it easier to look after them and reduce the cost of maintaining two houses*

#### ASSISTING CHILDREN

*Trying to build a nest egg so that we can help the kids*

*For my children I have given them a bit of money to help them*

*We have savings accounts for the grandchildren*

*Assisted kids obtain loan*

*Purchased a rental property for them to rent while they save*

*My husband & I have helped two of our sons firstly with logical advice and also monetary help*

#### BETTER FINANCIAL PLANNING

*Seeing a financial advisor*

*Better financial planning*

*We've invested in commercial property as a plan for future financial security*

*Paying extra off mortgage to try to get ahead, but this really wont assist in upgrading*

*Trying to pay loans off quickly and looking for ways to make extra income to help pay them off*

#### MOVING TO MORE AFFORDABLE HOUSING

*I will be downsizing when we reach retirement*

*Still got the kids at home and looking for another place to buy / rent*

*I have started looking at rural living*

*Move to the country*

*We are moving*

**Prefabricated homes in new-age 'caravan parks' are growing in popularity amongst Baby Boomers as a growing number of them are finding themselves short on superannuation and housing becomes unaffordable – helping free up cash for this older generation.\***

The Great Aussie Dream of owning a home remains strongly intact, however the financial woes of trying to achieve that dream are really quashing this desire, with many saying 'just forget it', it's not worth the angst.

## THE AUSSIE HOME-BUYING DREAM IS STILL ALIVE

- 96% Buying a home is something I want to do
- 93% I would rather buy a home than rent
- 83% Owning a home gives me more flexibility with my lifestyle

## BUT THERE IS CONCERN THAT DREAM WON'T BE REALISED

- 65% It's just too hard to own a home these days
- 25% Buying a home is something I don't think I'll ever be able to do
- 36% It's cheaper to rent a home than buy one these days

# 1 in 5

people say younger generations will be happier, less stressed, have better relationships and family lives by sacrificing the stress of buying a home.

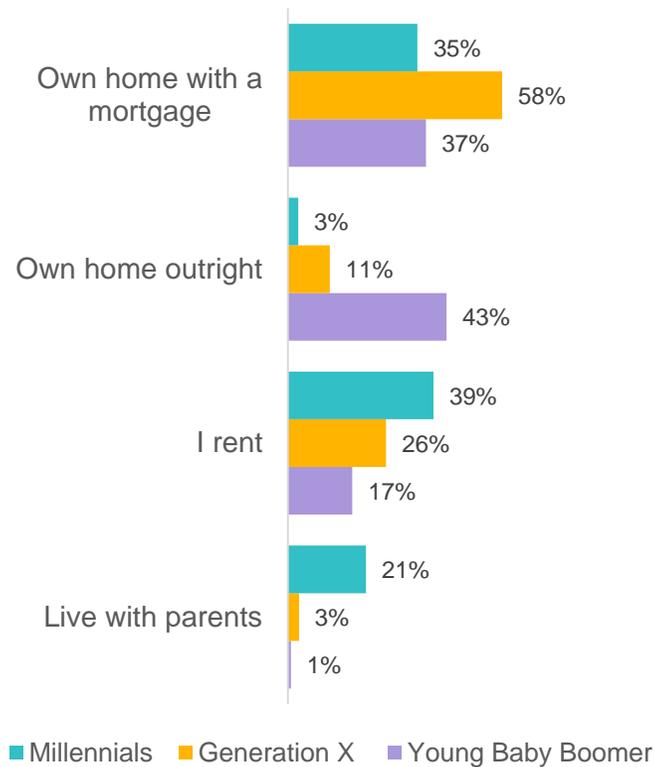
- 20% Millennials
- 19% GenX
- 14% Young Baby Boomers



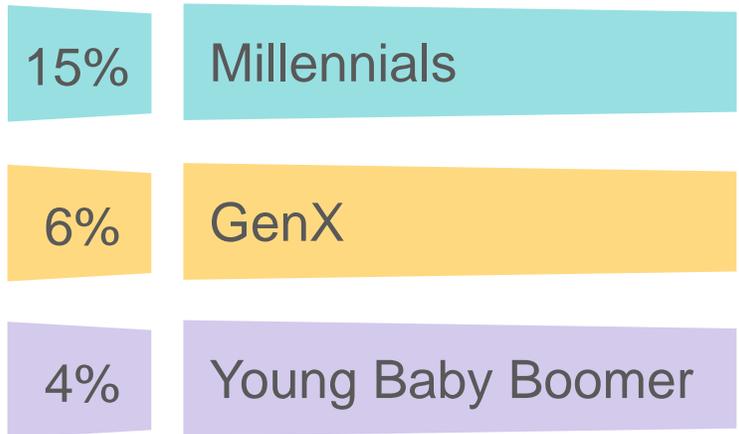
Perhaps ironically, young baby boomers are the generation to most likely disagree that it's too hard to own a home, however are also more likely to be content with renting and the flexibility it gives them.

But Aussies are resolute and continue to try and buy a home – 1 in 3 Millennials and 3 in 5 GenX have a mortgage, while 10% of Aussies planning to move home in the next 6 months. Staying put and renovating is on the cards for 13% of Aussies.

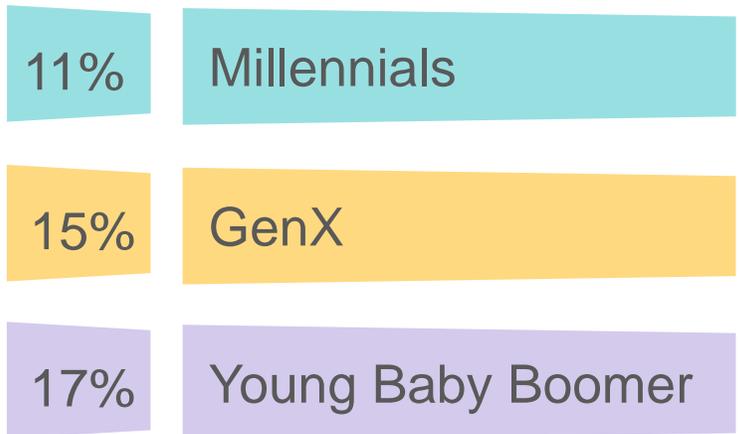
### Current home ownership status



**Millennials are doing the most home moving**  
 (out of the family nest, switching flat-mates, buying their first home)



**Young Baby Boomers are doing the most renovating**  
 (many have paid of their mortgage and have the financial means, time, desire)



More specifically for home-buying in the next 12 months, 9% of Aussies intend to buy their first-home, of which 84% belong to the Millennial generation.

## INTEND TO BUY A FIRST HOME...

12 MONTHS

9% of Australians

84% of this market  
are Millennials

YES, BUT NOT IN THE  
NEXT 12 MONTHS

43% of Australians

82% of this market  
are Millennials

*"The number of first home buyers receiving loans has hit a **six-year high** for the month and is high as well for the last year. Over the past 12 months, the volume of first home buyer owner-occupier loans has increased by **11.4 per cent**. There are a few reasons... several state governments, including NSW and Victoria, have enhanced their incentives giving the first home buyer segment a new lease of life"*

**Shane Garrett, HIA**



There is some judgement, particularly amongst Young Baby Boomers, that younger generations need to lower their standard for what their first home should look like. And, they are critical of how the youngsters are 'flittering' away their potential home deposits.

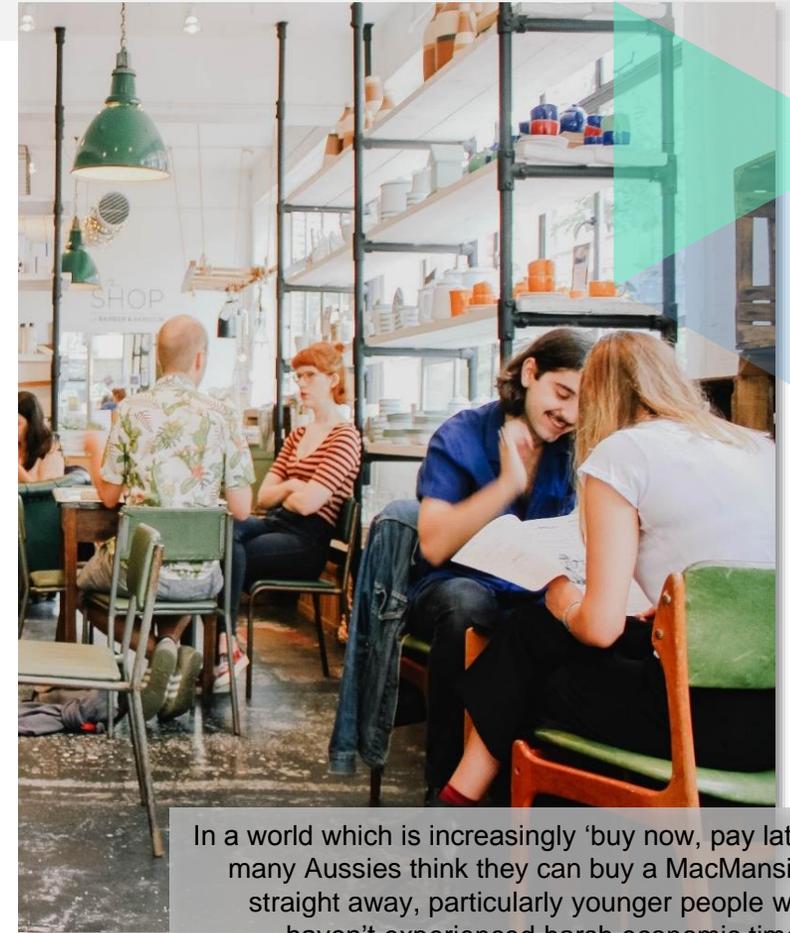
**66%**

of Young Baby Boomers say young people's expectations of what their first home should be is unrealistic.

1 in 2 Millennials also agree to this statement (are they judging themselves, or their peers?)

**1 in 3**

Young Baby Boomers believe that if younger people stopped eating smashed avo on toast, they might be able to afford to buy a home.



In a world which is increasingly 'buy now, pay later' many Aussies think they can buy a MacMansion straight away, particularly younger people who haven't experienced harsh economic times.

IN SUMMARY...



Even if your business is not in the financial industry, you can still play a strong part in alleviating housing affordability concerns for your target market.

Think of the 'smashed avo' debate that Bernard Salt started... cafes got on the bandwagon to offer cheap avo breakies so youngsters could still save for a house, and enjoy a meal out.

It's all about acknowledging the conflict Aussies have with how to part with their cash. They don't want to compromise on their lifestyle to achieve buying their own home. Be creative and help make it happen for them.



Well, young people may not need to make the sacrifice, with several cafes this week offering new, home-saver-friendly prices.

At Little Big Sugar Salt in Melbourne's Abbotsford, a new penny-saver version of smashed avocado on toast is now on the menu.

The dish, now named The Retirement Plan, loses the expensive goat's curd and beetroot kraut offered on the more luxurious \$17 version and offers simply avocado, Vegemite and tomato on toast for \$10.

"We'd rather be happy and full with some friends in a cafe than sad, hungry and alone in some run-down investment property any day," a post on the cafe's Facebook page says.

"Save \$7 on our avocado take, put it towards the Retirement Plan."

For more information please contact:

SOUTHERN CROSS AUSTEREO RESEARCH | [scaresearchdepartment@sca.com.au](mailto:scaresearchdepartment@sca.com.au)

## Research Methodology

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### The results of this survey are “INDICATIVE” ONLY

The survey was conducted by Southern Cross Austereo using its online panel nationally.

The panel is obtained from our radio networks database under the labels of ‘Hit VIP’ on the HIT Network and ‘The Club’ on the MMM Network. All members of these databases would be considered listeners to these stations.

The database contains about **200,000** members. This is split between the Hit database and the Triple M database.

Of these members, approximately 20,000 people were invited to be part of our Insights panel community. This survey recruited members with approximately 3036 completing the study.

Various filters have been placed over the data at different times.

Certain questions asked for an ‘essay’ or ‘verbatim’ type of response OR brands/words that first came to mind.

A keyword search was used to sort and rank the responses to these questions.

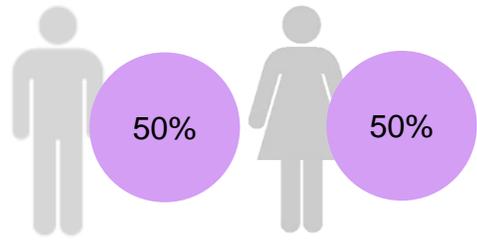
The results are an un-weighted sample, but are reflective of the Southern Cross Austereo Austereo audience. SCA brands reach approximately 40% of the 10+ population and approximately 46% of the 25-54 population in the five metropolitan markets in Australia, suggesting it would be reasonable to consider these results to be a fair if not fully balanced representation of the opinions in these marketplaces.

Furthermore, as it is an online survey, the respondents would also be skewed towards being ‘early adopters’ for technology, ‘trend setters’ in general and likely to be a good early indication of brand leaders, trend setters and early adopters in general.

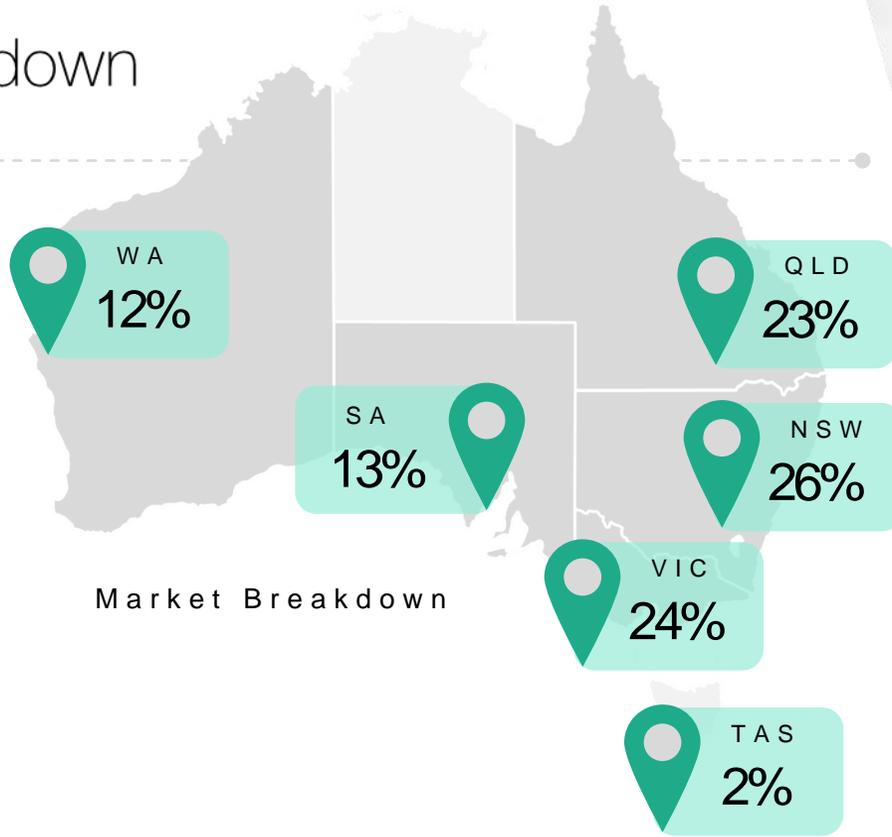
These research surveys conducted by Austereo are done so to provide a general understanding of the opinions, interests and attitudes of the metropolitan marketplaces only.

ICONS: <http://www.flaticon.com>  
Photos: <http://www.unsplash.com>

# Respondent Breakdown

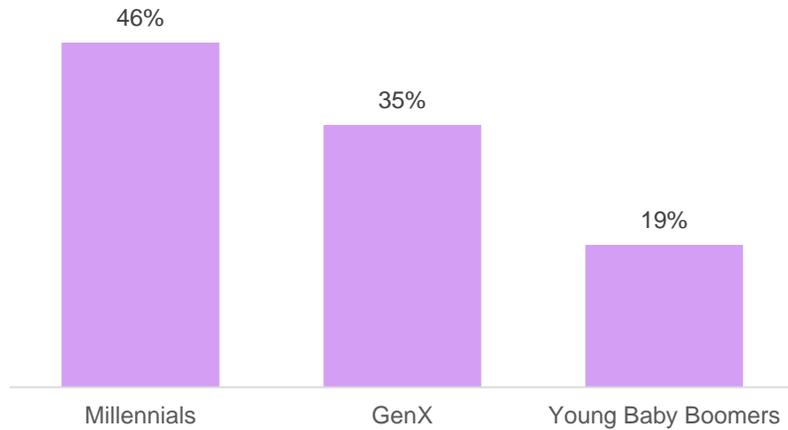


Gender Breakout



Market Breakdown

Generation Breakout



Region Breakout

