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## Low interest rates little help for first homebuyers

The current low interest rate environment is doing little to help first-time homebuyers into the property market, according to new research by HomeStart Finance.

The research gathered the view of 146 first homebuyers on the biggest motivators in applying for a home loan, with interest rates being ranked as the factor that has the lowest impact.

The results showed that the two biggest motivators in applying for a home loan were saving enough money for a deposit, as well as affordable property prices.

HomeStart Chief Executive Officer John Oliver said the results once again showed that upfront costs and housing affordability were the biggest barriers for first-time buyers wanting to break into the property market.

“A widely held view is that low interest rates are good for homebuyers,” he said.

“While that’s true to a degree, low interest rates do little to help first homebuyers overcome the upfront barriers that exist when looking to buy a home.

“Low interest rates mean little if you don’t have the deposit to obtain finance for a loan, or if there is a gap between how much you can borrow and the price of property.

“Although we’ve been in an extended period of low interest rates, unfortunately for many first homebuyers the dream of home ownership is no closer.”

The median house price in metropolitan Adelaide in March 2006 was \$280,000. In June 2015 the price had increased by \$148,250.

“As prices rise, so does the amount required for a deposit,” Mr Oliver said.

“Loans may be more affordable when there are low interest rates, however this has no effect on homebuyers if they can’t save enough of a deposit to get a home loan.

“Another potential issue of low interest rates is they can increase investor demand, which in turn has been said to drive property prices even further out of reach of first homebuyers.”

Mr Oliver said the other drawback of low interest rates is first-time buyers earning less interest on their savings accounts, making it even harder to save for a deposit.

HomeStart Finance offers a range of products designed to overcome the deposit and affordability barriers, including a low deposit loan that enables eligible homebuyers to get started from a 3% deposit, and a shared equity option that boosts borrowing capacity.

*HomeStart makes home ownership a reality for more South Australians in more ways. We are a statutory authority that reports to the Minister for Housing and Urban Development. We were created in 1989 and since then have helped over 66,000 households into home ownership.*