

# The Evolving Great Australian Dream

## 2017 Whitepaper

June 2017



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# Foreword

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Australians have long had a strong love affair with property. In fact, for many of us, owning property is considered to be the 'Great Australian Dream'. But is this still the case and has the dream evolved in recent years? In a bid to answer these questions, we surveyed more than 1,000 Australians, investigating their thoughts and opinions on home ownership and whether or not it remains the 'Great Australian Dream'.

Overall, it would appear home ownership is the ultimate 'Great Australian Dream'. However, that dream is evolving. The 'Great Australian Dream' has traditionally been seen as owning a free standing house on a quarter-acre block in the suburbs. Today, however, that dream has evolved to include any style or type of property.

Over the last few years, we have seen a dramatic surge in the number of people embracing apartment living. And, when you look at the level of apartment construction taking place across the country, it is likely that we will continue to see more Australians calling apartments 'home'.

Data from the Australian Bureau of Statistics found approximately 52,000 apartments were approved for construction in 2011. In 2016, that number had jumped to in excess of 100,000. But while a lot of Australians are happy to buy and live in an apartment, the data would suggest others are only choosing this property purchasing path because they believe they cannot afford the traditional dream of a free-standing home.

An overwhelming majority of Australians believe the 'Great Australian Dream' is becoming increasingly difficult to achieve.

Of course, this mentality is hardly surprising. The median dwelling price (houses and units combined) has increased by 200%<sup>1</sup>, over the last 20 years. Meanwhile, the average weekly earnings of full time adults has increased by 121%<sup>2</sup> over the same time period. From this data we can see that property price growth continues to outpace wage growth, making it harder for first time buyers and other property purchasers.

Given that it is becoming increasingly difficult for people to achieve the 'Great Australian Dream' of property ownership, our research shows almost three quarters of Australians believe the time has come to imagine a new 'Dream' that is more in line with reality.

**John Flavell**

CEO

**Mortgage Choice**

1 Source: Residex, ABS Catalogue, Abelson Research (2004)

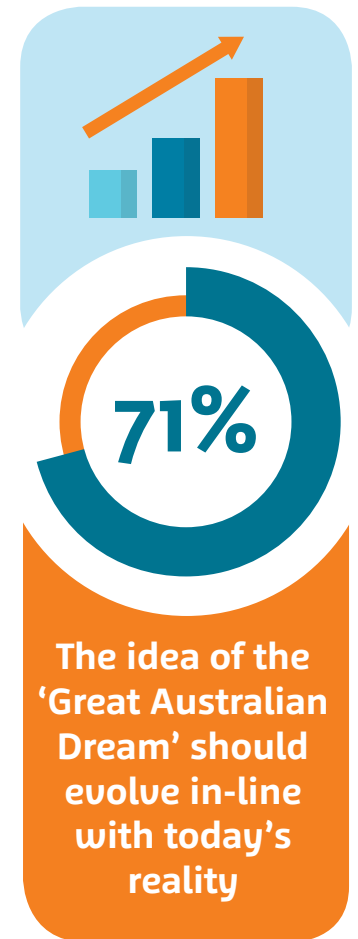
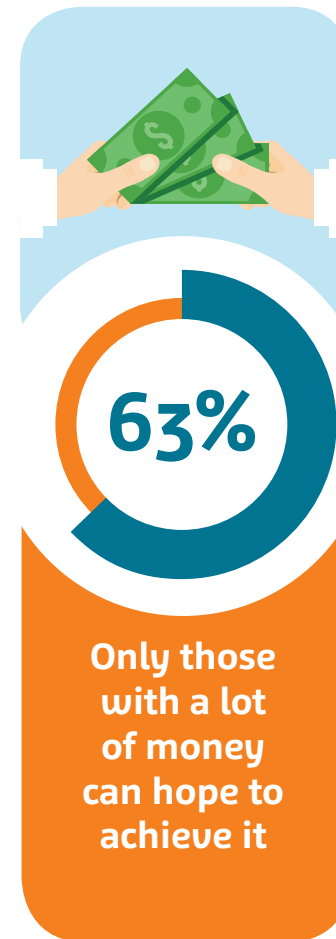
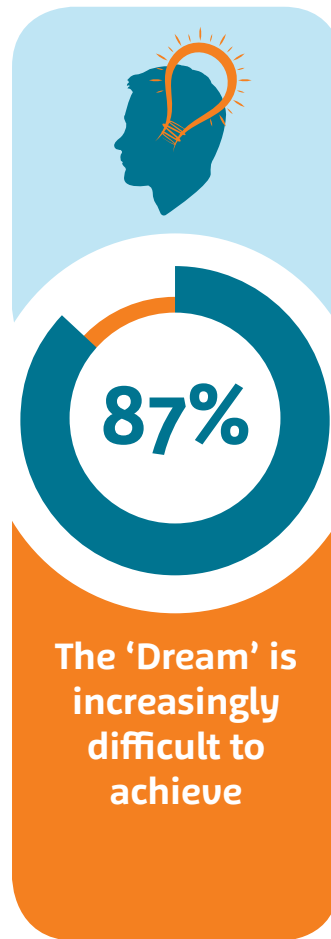
2 Source: ABS Average Weekly Earnings, Australia

The 'Great Australian Dream' of owning a free standing house on a quarter acre block in the suburbs is getting tougher to achieve.



## Key Take Outs

Times are changing and now the vast majority of Australians agree.





# Key Take Outs

Tactics adopted to achieve property ownership goals include:



Progressively upgrading



Buying apartments instead of houses



Moving to more affordable suburbs



Rentvesting



Buying property with family and friends



Moving in with parents to save

**The good news is that property ownership is not out of reach, and Australians are becoming increasingly resourceful at adopting different tactics to achieve their goals.**



Essentially the 'Australian Dream' is really about financial wellbeing i.e. having some peace of mind and not worrying about money.

However, nearly half of Australians worry about money weekly.



The path to financial wellbeing is all about building confidence by taking small steps towards your dream.

## Key Take Outs

So what are Australians doing to improve their financial wellbeing?



*The key to achieving the Great Australian Dream is making better choices.*

**The 'Great Australian Dream' of property ownership is still alive and well among Australians.**

**Australians of all ages put property ownership ahead of other dreams including; career success, business growth and luxurious travel.**

**But while property ownership is the 'Dream', most people believe this 'Dream' is becoming increasingly unattainable.**



## The Path to Purchasing

Property price growth combined with increased local and foreign investment activity has made it difficult for first home buyers to get their foot on the property ladder – a sentiment that is echoed across all generations.



While more than three in five (63%) Australians believe only those with “a lot of money” can hope to achieve the traditional Australian dream of home ownership, this increases to three quarters (75%) of first home buyers.

But while the majority of surveyed respondents feel as though only those with money can hope to buy property, not all first home buyers are deterred.

This buyer group is happy to try and test different strategies in a bid to get their foot onto the property ladder.



Nine in ten (90%) potential property buyers said they would be happy to buy a dwelling in a more affordable suburb to allow them to get into the market sooner rather than later.

**Of the first home buyers who bought a property within the last couple of years, many admit to using a variety of strategies and techniques in order to achieve this goal.**



## The Path to Purchasing

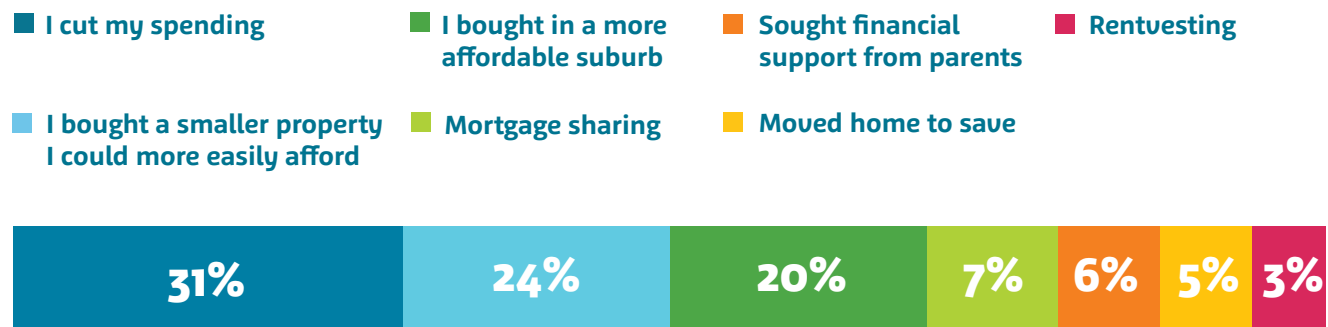
Let's now have a look at customers who overcame these barriers. Some 31% said they reduced their spending in order to save their deposit, while a further 24% said they just decided to buy a property they could afford, rather than the property they desired.

Other purchasing strategies employed by first home buyers include sharing a mortgage (with friends and family); seeking financial support from family; moving in with their parents to save; rentvesting and buying specific types of property to maximise government grants.

The research suggests first home buyers are savvy. They understand that the hardest step is the first. As a result, they are happy to compromise on their first purchase and buy something that is smaller than planned or located in a more affordable suburb just to get into the market.

They also understand that it is easier to upgrade into a bigger and better premise that is more ideally located once they already own a property.

### What strategies did you use to get into the property market?





# The Path to Financial Wellbeing

Australians who implemented savings tricks and hacks; furthered their financial knowledge through education; kept abreast of the latest economic developments; and sought professional advice, believed they were acting in a “financially savvy” manner.

What do you do to feel financially savvy?



Some 72% of Australians believe they need to act in a “financially savvy” manner and become “money smart”, so as not to be left behind.

While some will implement savings tricks and habits, others said they regularly reviewed their finances to ensure they remained “money smart” and on top of their finances.

More than half (55%) of Australians reported monitoring their finances (outgoings, incomings, bank account balances etc.) at least once a week, while a further 28% said they reviewed their bank accounts and financial situation at least once a month.

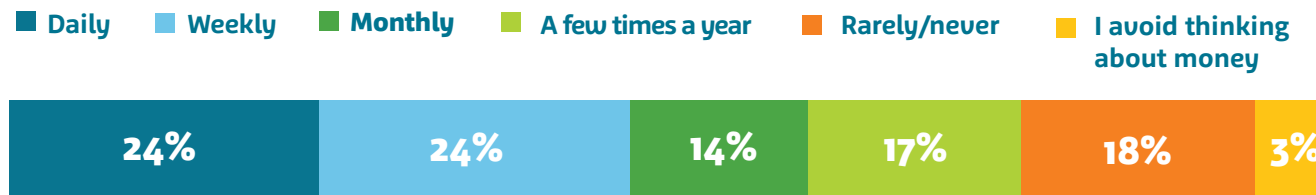
**Mortgage Choice’s Evolving Great Australian Dream research uncovered some common themes that contributed to the feeling of ‘financial wellbeing’ for all Australians.**



# The Path To Financial Wellbeing

Nearly one quarter (24%) of Australians said they worried about their money “daily”, while a further quarter (24%) admitted to worrying about their financial situation at least “once weekly”.

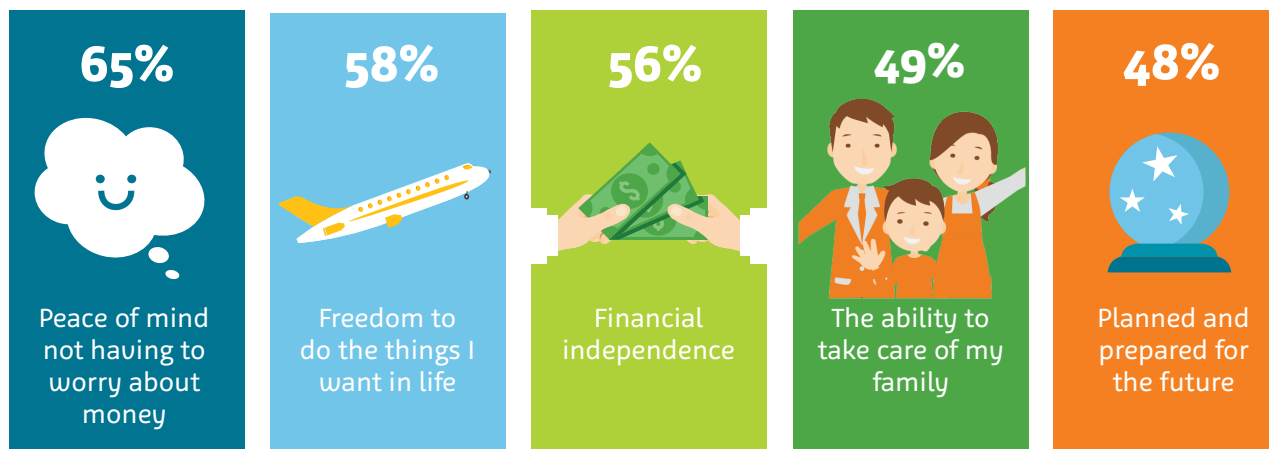
## How often do you worry about money?



With the cost of living and the cost of property continuing to rise, it is little wonder why so many Australians freely admit to worrying about their money on a regular basis.

To the vast majority of Australians, financial security or financial wellbeing means having peace of mind and not having to worry about their money on a day-to-day basis.

## What does financial wellbeing mean to you?

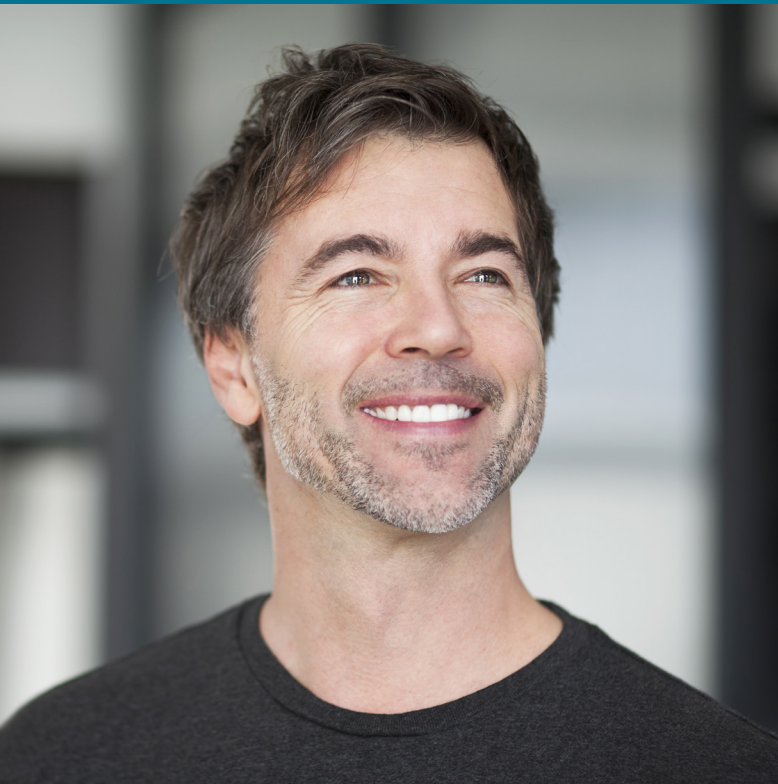


Despite the fact that the vast majority of Australians feel they are “financially savvy”, more than half of surveyed respondents said they worried about their finances on a regular basis.

More education is needed with one in three Australians feeling stressed about their finances because they don’t know how much they should be saving.

If Australians want to feel more financially secure, they need to take charge of their finances, review their accounts regularly, actively monitor their incomings and outgoings, and seek professional advice.

**“I would work from 9am to 5pm at my first job and then leave that job and travel to the next one, which was semi-permanent. Between the two jobs, I worked approximately 70 hours per week for two years.”**



## Case Study

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### Stephen Burge

By his own admission, buying his first property and saving the deposit was “hard work”. But, through dedication, perseverance, compromise and by employing some innovative purchasing strategies, Stephen was able to turn his property goals into a reality.

“When I was saving for my first home, I worked two jobs,” he said.

“I would work from 9am to 5pm at my first job and then leave that job and travel to the next one, which was semi-permanent. Between the two jobs, I worked approximately 70 hours per week for two years.

“I took on that second job to basically get ahead. At the time, all my friends were getting married and getting their own homes. That was a catalyst for me.

“I tried to save as much as possible and as soon as I had built up a bit of money, I put it into a 12 month term deposit.

“Then, as soon as I had saved a reasonable deposit, I spoke to my lender about obtaining a loan. They told me I couldn’t qualify, so I ended up buying the property with my brother.

“Sharing the mortgage ultimately helped me to improve my loan serviceability and obtain finance.”



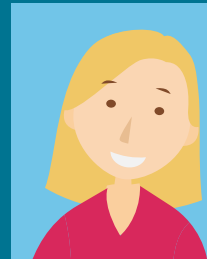
# Top Tips for First Home Buyers

Mortgage Choice asked some homeowners to share their top tips for first home buyers looking to get into the property market, and here's what they had to say:



"Follow the market and know what is happening with property in your preferred suburbs. I recommend going to a few auctions and 'open homes' before you actively embark upon your purchasing journey. It will give you a feel for what's around and what the properties you like are selling for." - **David**

"Don't start with your dream house. Buy what you can afford but in an area that has good potential for strong capital growth. Once you are in the market, it is easy to take the next step. If you are handy, try renovating your home and keep flipping properties till you can afford your dream place." - **Sandra**



"Save as much of a deposit as possible. This will help you keep your loan size down. You have no idea what tomorrow could bring, so make sure you can always manage the loan repayments with your current salary (even if rates go up). Do not rely on increases in your salary as this may never come." - **Melissa**



**"First home buyers have long found it hard to take their first step into the property market. Saving a deposit, and having finance approved are two of the big hurdles they face.**

**But while it is hard for first home buyers to take that first step, it is not impossible.**

**Diligent spending and saving combined with a little elbow grease and some well thought-out property strategies, ensures first home buyers can still achieve their property ambitions."**

**John Flavell,  
CEO Mortgage Choice**

# About the Whitepaper

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Mortgage Choice's *Evolving Great Australian Dream* Whitepaper is based on primary research conducted by CoreData, surveying 1,043 Australians about their experiences with property.

Respondents to the survey were aged 18 and upwards and were questioned about their views on the 'Great Australian Dream' and home ownership. Respondents were not only asked whether or not the 'Australian Dream' still existed, but were asked to identify how the 'Australian Dream' had evolved and where it was headed. In addition, the Whitepaper sought to investigate what the term 'financial wellbeing' meant to Australians.

The *Evolving Great Australian Dream* Whitepaper provides invaluable insights into the financial psyche of Australians and how their attitude towards property has evolved over the past few years.

Notably, the Whitepaper shows the 'Great Australian Dream' continues to be directly linked with the concept of home ownership.

However, the vast majority of respondents believe the 'Great Australian Dream' is becoming harder to achieve in its traditional form. The 'Dream' has evolved to include different types of property ownership and property purchasing methods.

Mortgage Choice aims to support more Australians achieve their dreams by helping them make better choices for a better life.



**“The ‘Great Australian Dream’ is becoming harder to achieve in its traditional form. The ‘Dream’ has evolved to include different types of property ownership and property purchasing methods.”**

**John Flavell,  
CEO Mortgage Choice**