

# FACTORS IMPORTANT IN THE DECISION TO BUY A FIRST HOME

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## ABSTRACT

*The purchase of a first home is seen as a very important stage in the housing career of an individual or household and has received considerable attention in the literature. Explanations of the switch in tenure have traditionally been explained using the family life cycle or the life course models. More recently, the importance of housing market factors has been recognized. This study reports on a survey conducted in Australia in March 2000 in which first home buyers were asked which factors were most important in the timing of their decision to purchase. Attention was paid to the sampling process in order to ensure a representative sample. The results show that housing market conditions are critical in understanding the timing of the decision to purchase a first home.*

**Keywords:** Home purchase, housing career

## BACKGROUND TO THE STUDY

The purchase of a first home is seen as a very important stage in the housing career of an individual or household. Mulder and Wagner (1998) suggest that the effect of such a step in terms of the impact on the accumulation of wealth, living situation and disposable income of households, cannot be overstated. The term 'housing career' describes the sequence of housing tenures achieved over time, for example from rental to purchaser to outright owner (Clark & Huang, 2003). The timing of tenure changes within a housing career, in particular the move from rental to first home purchase, has received considerable attention in the literature. Clark (1976), Kendig (1984), Rossi (1955) and Thorns (1980) used the concept of the family 'life cycle' to explain the decision to purchase a first home. This suggested that the onset of the child bearing and child rearing stages in the life of a family prompted the decision to leave rental accommodation and to purchase a new home. More recently, Baxter and McDonald (2004), Mulder and Manning (1994) and Mulder and Wagner (1988) have stressed the importance of marriage and children in the decision to purchase a first home. Baxter and McDonald (2004) state that the most significant factor associated with the decision to buy a first home, is 'marriage meaning formal marriage'.

On the other hand, change in employment status, a new job, relocation in a job or an increase in income have been also described as important 'triggers' in prompting a change

in a household's housing career (Clarke & Huang, 2003; Kendig, 1990; Smith, 1989). Changes in employment status, job career or income are described as 'life course' stages. Clark and Huang (2003) suggest that the life course approach has emerged as an excellent way to conceptualize and organize the sometimes complex changes that occur in households as they go through the ageing process:

We know that individuals and households do not get married, have children or change jobs in a lock step fashion with age. Rather, the life course emphasizes the timing and different sequencing of different states in the job, household and housing careers (Clark & Huang, 2003 p.143).

Clark and Withers (1999) and Clark et al (2003) have suggested that income growth, job change, or loss of a job are important life course factors in explaining a household's change in tenure. Merlo and McDonald (2004) used a life course approach to propose that employment status had the strongest impact on the fulfilment of home ownership aspirations, with two income couples three times more likely to buy a house than single incomes households.

It is recognised also that the decision to purchase a home needs to be interpreted within the pricing and political framework of the housing market at the time. More recently housing market conditions and arrangements have been considered increasingly important in explaining the decision to switch tenure. Mulder and Wagner (1998) have suggested house price at the time, house price change and shortages in the rental tenure, are all important factors, as well as purchase arrangements with regard to stamp duty or loan deposits. Dielemans and Everarers (1994) also considered a rise in interest rates, or in rents, to be important prompts in the decision to buy a first home.

There has been discussion as to the respective weighting in the purchase decision of family factors, as against life course, or housing related factors. Van der Vlist, Gorter, Nijkamp and Rietveld (2002) suggest, in their study of the Dutch housing market, that life course factors related to employment were very unimportant in the decision to purchase, while housing related items, such as housing costs, were by far the most important. Merlo and McDonald (2002) in their Australian study, also identify employment outcomes as not important in the decision to purchase a first home. Alternatively, Clark et al (2003) and Clark and Withers (1999) propose that income growth and job career are important explanations of a switch in tenure. Dieleman and Everaers (1994) have suggested that marriage and the birth of children are very important triggers in the decision to move. However, Clark and Huang (2003) found in their study of the London housing market, that the birth of a child was not associated with the decision to move house. Clark and Huang (2003) consider changing family needs and marital status change to be important in the wider United Kingdom market but suggest that local contextual effects, such as price levels and rental shortages, are also very important in order to understand the priority attached to different factors in the purchase decision.

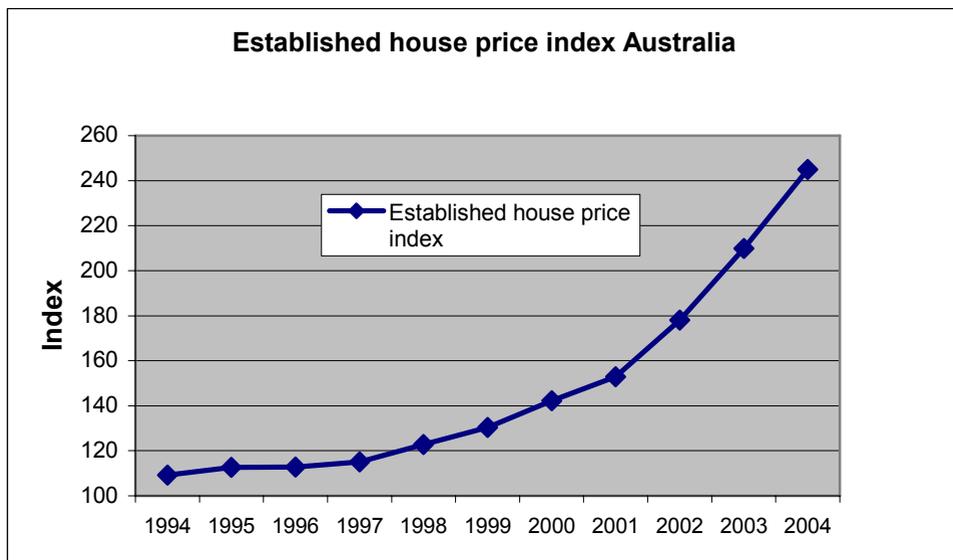
## INTRODUCTION TO THE STUDY

This study aimed to reexamine the purchase decision of first home buyers at a time of decreasing housing affordability within Australia. It attempted to determine those factors, most influential in the timing of the decision to purchase, for first home buyers across three Australian state capitals; Adelaide, South Australia (SA), Perth, Western Australia (WA) and Sydney, New South Wales (NSW). The research method used to gather information was a postal survey conducted by the author, distributed in March 2000, and based on a representative sample of first home buyers who had purchased between 1st January and 30th June 1999. This was before the formal announcement that a Goods and Services Tax (GST) was to be introduced in Australia. The introduction of the GST was expected to increase new house prices by about eight per cent. The cities were selected as they represented a range in housing affordability between 1997 and 2002, with Adelaide being one of the most affordable and Sydney the least. As housing became more expensive within this period housing affordability indexes dropped throughout Australia (Figure 2). As well, in each of these three cities, the housing transaction data used to establish the sampling frame was collected by a central agency which made the obtaining of addresses, and the obtaining of permission to use them, much easier.

In the final quarter of 1998, just before the survey period, housing was relatively affordable for most first time buyers in Australia, as indicated by the joint HIA and Commonwealth Bank Index of Housing Affordability (2001). The Housing Industry Association (HIA) index, which is published on a quarterly basis, is measured as the ratio of average disposable income for a first time buyer to the income required to meet payments on a typical dwelling. In calculating this required income, a deposit of 20 per cent with repayments equivalent to 30 per cent of gross income is assumed, using a conventional 25-year loan. An increase in the HIA index represents an improvement in housing affordability and is likely to reflect a fall in house prices or increases in disposable income through falls in mortgage rates or a rise in income.

Falling interest rates, from just over 10 per cent in 1995 to just over six per cent at the end of 1998, accounted for the improvement in housing affordability at the start of 1999. However, very early in 1999, the picture began to change as median house prices began to rise across Australia, on average by six per cent for established dwellings (Figure 1). Given that some 80 per cent of first home buyers buy established dwellings, the affordability of housing for first time buyers began to drop significantly within the study period of January to June 1999 (Australian Bureau of Statistics, 2005b; Macquarie Bank, 2001).

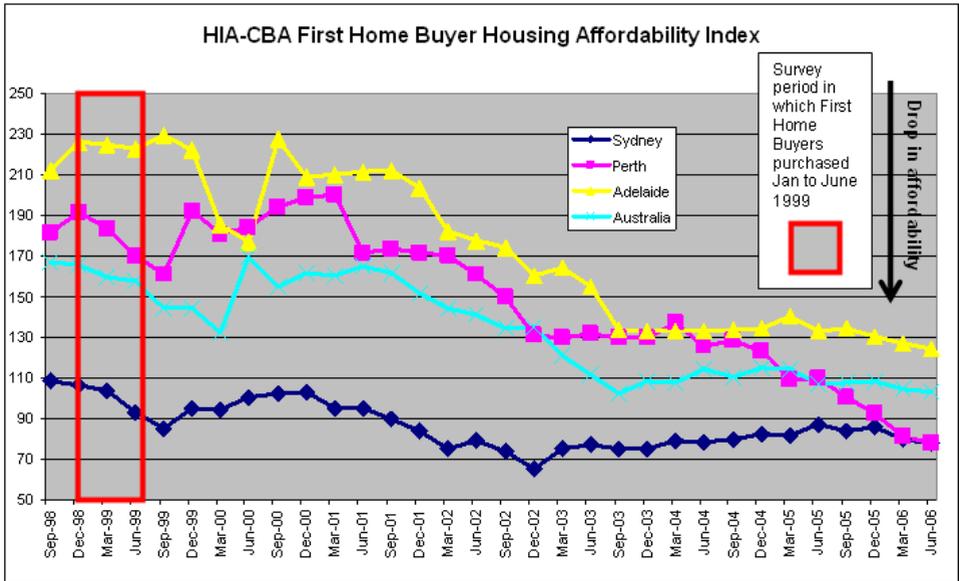
**Figure 1: Established house price index Australia: 1994 – 2004**



Source: Commonwealth Bank Housing Industry Association (2004) Housing A Quarterly Review of Housing Affordability

As of June 1999, the loan repayment needed on a typical first home mortgage had increased significantly to 18.3 per cent of average gross household income (Housing Industry Association. Commonwealth Bank, 2004); up from 17.7 per cent 12 months earlier. Of the three metropolitan areas covered in this study, Perth showed the largest decrease in overall house affordability between March and June 1999 (Figure 2). In the preceding 12 month period, median house prices in Perth had risen by eight per cent and, as a result the affordability of housing fell by seven per cent. In Sydney, where house prices were moving off from an already high base, house prices increased by 4 per cent, with affordability falling by a further 9 per cent between March and June 1999. In Adelaide, house prices rose by nearly 3 per cent over the same period (Housing Industry Association. Commonwealth Bank, 2004).

**Figure 2: Index of housing affordability capital cities Australia: 1998 – 2006**



Source: Commonwealth Bank Housing Industry Association Affordability Reports 2000, 2002, 2007

## IDENTIFYING FIRST HOME BUYERS

The success of the study was dependent on an accurate identification of first home buyers and as there were no national data sets available, the following methodology was adopted by the author in order first to identify, and second to survey first home buyers in Adelaide, Perth and Sydney.

For each city, residential sales transfer data was obtained, which included the property address, type of property and purchase price of the dwelling. In Adelaide, the identification of potential first time homebuyers was based on transfer data contained within the SA Real Estate Sales History File (Department of Information and Administrative Services SA, 2000) (DAIS). Purchasers in SA whose names have not appeared on the Sales History File before are given a Purchaser Number. This Purchaser Number can be used to identify first time buyers with an approximate success rate of 70 per cent (DAIS 2000, private correspondence). For Perth and Sydney, sales transfer data was obtained for suburbs where prices were on, or below, the metropolitan median price, which also showed significant inter censal population growth between 1991 and 1996 and where significant percentages of households were paying substantial mortgages (Australian Bureau of Statistics, 1996). The transfer data for Perth was obtained from the

WA Valuation Office (Department of Land Information WA, 1999) by permission of the Minister, and for Sydney from a commercial supplier, Residex (1999), who obtain their data from the NSW Valuation Office.

## **SELECTION OF THE SAMPLE**

Using the criteria described above, a list of almost 10,000 potential property transfers, which occurred between 1st January and 30th June 1999, was obtained from the various agencies made up of transfers for Adelaide (3003), for Perth (1238) and for Sydney (5438). This constituted the sampling frame and was the list from which the addresses used in the postal survey were drawn. Some six per cent of Australian households purchased their first home between 1997 and 2000 (Australian Bureau of Statistics, 2000). For Australia, this represents about 400,000 households per annum. In the period between January and June 1999, there were some 19,000 housing mortgage commitments made in SA, 34,000 in WA and 85,000 in NSW (Australian Bureau of Statistics, 2000). On average, over these six months, some 21.2 per cent of mortgage commitments were made to first home buyers (Australian Bureau of Statistics, 2000) which equates to about 4,000 first home buyers in SA, about 7,400 in WA and 18,000 in NSW. On average, 87 per cent of first home buyers had a mortgage secured against their dwelling in the three years to 1999 (Australian Bureau of Statistics, 2003). This suggests therefore, that between January and June 1999, about 4,500 dwellings in total were purchased by first home buyers in SA, about 8,500 in WA and 20,500 in NSW. This represents approximately 750 first time buyer sales per month in SA, about 1,400 per month in WA and about 3,000 sales per month in NSW and provides a potential population of about 33,500 sales for the six month purchase period of the survey.

Based on this state ratio of first home buyers, a survey was sent in March 2000 to 450 randomly selected property addresses in Adelaide, 550 in Perth and 950 in Sydney to give a total of 1950 addresses. Given at least a 20 per cent response rate and dependent on the first time buyer hit, 390 returns would represent at least one per cent of the first time buyer population (33,500 property sales for the six month period). After one follow up letter, 399 surveys were returned which equaled an overall response rate of 20 per cent. Of these responses, 252 households were identified as first home buyers by means of a filtering question which confirmed that the recently purchased dwelling was the first residential property the individual, or partner, had owned, or partly owned. These 252 responses are approaching one per cent of the estimated total population of buyers for Adelaide, Perth and Sydney who had bought their first home between 1st January and 30th June 1999. Of these households, 84 were from Adelaide, 54 were from Perth and 114 were from Sydney (Table 1).

**Table 1: First home buyer survey response**

Metropolitan area	Frequency	Percent of sample
Adelaide	84	33.3
Perth	54	21.4
Sydney	114	45.2
Total	252	100

Respondents were asked to provide information on their household composition, age, source and level of income. These characteristics were then used to test the respondents against the 1998 Australian Bureau of Statistics (ABS) Housing Occupancy Survey (Australian Bureau of Statistics, 1998) and the 1999 ABS Australian Housing Survey (Australian Bureau of Statistics, 1999) to ensure that the SA, WA and NSW first home buyer sample was representative in terms of age, income source and household makeup (Table 2). For items such as percentage of couple households, age of households, and source of income (Table 3), the study survey shows similar values to the ABS survey. However one item, the number of single person households, is higher than that represented in the ABS findings (Table 4) which may be explained by the use of a postal survey in this study rather than a door to door survey as used by the ABS.

**Table 2: Validation of the sample of first home buyers - age %**

	ABS Australian housing survey 1999 <sup>1</sup> (N=176)	ABS housing occupancy 1998 <sup>2</sup> (N=457)	Survey of first time buyers 2000 (N=252)
Under 25 years	15.9	11.0	18.0
25 to 34 years	56.3	56.1	50.0
35 to 44 years	19.9	22.0	22.0
45 to 54 years	5.1	6.4	8.4
55 to 64 years	1.1	2.3	1.6
65+ years	1.7	2.2	0.0
Total	100	100	100

1 ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months.

2 ABS Housing Occupancy & Costs Australia Cat 4130.0

**Table 3: Validation of the sample of first home buyers - household type %**

	ABS Australian housing survey 1999 <sup>1</sup> (N=176)	ABS housing occupancy 1998 <sup>2</sup> (N=457)	Survey of first time buyers 2000 (N=252)
Couple only	33.0	33.8	25.4
Couple with dependent children	34.1	29.3	38.0
Couple - other	11.4	4.3	1.6
Total Couples	78.4	67.4	65.0
One parent family	2.8	5.7	5.0
Lone person	15.9	17.3	29.0
Other	2.8	9.6	1.2
Total	100	100	100

<sup>1</sup> ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months.

<sup>2</sup> ABS Housing Occupancy & Costs Australia Cat 4130.0

**Table 4: Validation of sample of first home buyers - income source %**

	ABS Australian housing survey 1999 <sup>1</sup> (N=176)	ABS housing occupancy 1998 <sup>2</sup> (N=457)	Survey of first time buyers 2000 (N=252)
Wage or salary	84.7	82.6	81.0
Own business	9.7	5.1	8.4
Government pension or allowance	4.0	9.6	4.0
Other income	1.7	2.2	6.4
Total	100	100	100

<sup>1</sup> ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months.

<sup>2</sup> ABS Housing Occupancy & Costs Australia Cat 4130.0

## METHOD

In the survey, first home buyers were asked to indicate the importance of the following 16 items in the timing of their decision to buy a first home:

- Affordable house prices
- Saved enough for a deposit
- Low interest rates
- Flexible lending arrangements
- Low inflation rate
- Expected house prices to rise

- Expected interest rates to rise
- Eligible for stamp duty exemption
- Expected rents to rise
- Pay rise
- Birth of a child
- Introduction of GST
- Relationship change or marriage
- Relocation in present job
- New job
- Getting hard to find rental accommodation.

The items were to be described along a Likert Scale as ‘not important’, of ‘some importance’ or ‘very important’. The items covered the three themes common in the literature that is family life cycle, life course stage and housing factors. The first theme covered family life cycle items considered important by writers such as Baxter and McDonald (2004), Mulder and Wagner (1998), Thorns (1980) and Rossi (1955). These were the birth of a child and relationship change or marriage. The second theme included life course factors considered important by writers such as Kendig (1990), Clark et al (2003) and Clark and Withers (1999) such as a new job, relocation in an existing job, a pay rise, or the gathering of a deposit. The final theme covered factors relating to housing market conditions and purchase arrangements such as those proposed by Deurloo et al (1987), Flatau et al (2004), van der Vlist et al (2002), Henley (1998) and Dielemans et al (2000). These included affordable house prices, low interest rates, low inflation rate, expected house prices to rise, expected interest rates to rise, expected rents to rise, getting hard to find rental accommodation, introduction of GST, flexible lending arrangements and eligibility for stamp duty exemption. The items were then ranked according to the average score across all respondents. The number of cases (N) upon which this average score was based is provided in the table below (Table 5). Responses were also broken according to age, income, household composition and location.

## RESULTS

For the large majority of first homebuyers, the decision to move out of their previous tenure was influenced most by housing related items rather than family or employment factors. Based on an average score across all respondents, the top five ranked items in order of importance were affordable house prices (1st), the gathering together of a deposit (2nd), the financial climate of low interest rates (3rd), flexible lending arrangements (4th), which included a mix of variable and fixed rates, and low inflation (5th) (Table 5). The life course factor of saving for a deposit, was rated second most important, while a pay rise was ranked lower (10th) but above domestic items such as the birth of a child (11th) or relationship change or marriage (13th) which were ranked as lower in importance. However other life course factors such as relocation in a job (14th) or a new job (15th) were not considered important factors in the timing of the decision to buy.

**Table 5: Items important in the timing of decision to purchase a first home**

Items important in the timing of decision to purchase a first home	Rank	Mean score	N
Affordable house prices	1	2.56	236
Saved enough for a deposit	2	2.53	233
Low interest rates	3	2.38	238
Flexible lending arrangements	4	2.17	225
Low inflation rate	5	1.86	223
Expected house prices to rise	6	1.74	222
Expected interest rates to rise	7	1.69	217
Eligible for stamp duty exemption	8	1.50	217
Expected rents to rise	9	1.45	212
Pay rise	10	1.37	210
Birth of a child	11	1.31	211
Introduction of GST	12	1.25	216
Relationship change/ marriage	13	1.25	200
Relocation in present job	14	1.11	206
New job	15	1.11	205
Getting hard to find rental accommodation	16	1.10	215

A Likert Scale 1 Not important to 3 Very Important

When broken down by age of respondent, the rankings of the top five items remained the same with affordable house prices ranked as very important by 57 per cent of those aged under 25 years, by 70.5 per cent of households aged 25 to 35 years and by 66 per cent of those aged 35 to 44 years. The saving of a deposit was ranked as most important by 71 per cent of those aged 25 to 34 years and by 69.4 per cent of those aged 35 to 44 years. On the other hand, only 4.7 per cent of those aged 25 to 34 years and only 5 per cent of those aged 35 to 44 years considered a new job an important trigger in their tenure change. Relationship change or marriage was ranked as not important by 80 percent of those aged under 25 years, by 81.9 per cent per cent of those aged 25 to 34 years, by 73 per cent of those aged 35 to 44 and by 80 per cent of those aged over 45 years.

When broken down by income level, the same housing factors were ranked as most important with saved enough for a deposit, affordable house prices, low interest rates and flexible lending arrangements the top four items within each income category. For households earning more than A\$1,500 per week (4.2 per cent of respondents) and for those earning less than A\$500 per week (23.3 per cent of respondents), the saving of a deposit was the most important factor. Greatest differences were in pay rise, ranked significantly higher by those on higher incomes (6th by those on weekly incomes over A\$1,500), and 'getting hard to find rental accommodation', which was ranked significantly higher by those on lowest incomes (10th by those on less than A\$500 per week).

A cross tabulation of this rental factor against income showed a significant association. Table 6 shows that some 15.2 per cent of those households on under A\$500 gross per week described this item as very important in their decision to buy a home compared to less than one per cent of those earning over A\$500 per week.

**Table 6: Getting hard to find rental accommodation % by household income**

Getting hard to find rental accommodation	\$0 to \$500	\$500 to \$1000	\$1000 to \$1500
Not important	76.1	91.5	97.3
Of some importance	8.7	7.5	2.0
Very important	15.2	.9	.7
N= 189	100	100	100

This is an important finding, as it suggests that those earning least may have moved into owner occupation not so much by choice, as through necessity. Dieleman and Everares (1994) have identified rising rents as an important item in the decision to purchase a first home and the implications of a shortfall in affordable rental accommodation has been identified by writers such as Wulff and Evans, (1998) and Wulff et al., (2001). Clark and Huang (2003) also have discussed the importance of rental shortages in the timing of the purchase decision.

When the rankings are broken down by household composition, to include couples only, couples with children, singles and one parent families, all groups consistently ranked affordable house prices, low interest rates and a deposit, as most important in the timing of their purchase. However, some 42 per cent of couples with dependent children did suggest that the birth of a child was an important consideration and overall this factor was placed within the top five rankings by couples with children, the only group to do so (Table 7).

**Table 7: Items important in the timing of decision to purchase a first home by couples with children**

Couples with dependent children	Rank	Mean score	N
Affordable house prices	1	2.66	86
Saved enough for a deposit	2	2.61	89
Low interest rates	3	2.51	92
Flexible lending arrangements	4	2.35	84
Birth of a child	5	1.84	79

On the other hand, some 49.3 per cent of couples with children (Table 8) and some 65.1 per cent of those aged 25 to 34, and 67.4 per cent of those aged 35 to 44 years, considered the birth of a child as not significant in their decision to move out of the rental sector.

**Table 8: Importance of birth of a child in decision to buy a first home by household type**

Birth of a child		Not important	Of some importance	Very important	Total
Couple only	Count	49	5	0	54
	% within household type	90.7	9.3	0.0	100
Couple with dependent children	Count	37	6	32	75
	% within household type	49.3	8.0	42.7	100
One parent family	Count	10	0	0	10
	% within household type	100	0	0	100
Lone person	Count	48	2	1	51
	% within household type	94.1	3.9	2.0	100
	Count	144	13	33	190
TOTAL	% within household type	75.8	6.8	17.4	100

Across the three metropolitan areas, the same five items were included in the top five rankings; that is, affordable prices, saved enough for deposit, low interest rates, flexible lending and low inflation. This implies that even in cities such as Sydney where the population is younger (index of ageing 58.73 in 2001 compared to Adelaide, 77.54), and where there are more couples with children (54.7 per cent of households, compared to Adelaide 48.8 per cent), childbirth and marriage were not as significant as housing factors related to affordability and mortgage cost, in the decision to purchase a first home.

## DISCUSSION OF RESULTS

The emphasis on housing factors in the purchase decision is consistent with van der Vlist et al's (2002) study of the Dutch housing market in which factors related to tenure and housing costs were by far the most important in explaining the decision to move house, while employment related factors were very unimportant. It is also supported by Flatau et

al (2004) in their Australian study of home ownership aspirations. They suggest that housing market arrangements such as stamp duty and the gathering of a sufficient deposit, which can be interpreted as a life course factor, in that it is showing economic progress, are important in understanding the timing of the purchase decision. In this survey, the saving of a deposit was ranked as the second most important factor in the decision to buy, while stamp duty exemption was ranked also in the top ten items (8th). Deurloo et al (1994) also identify the gathering of a deposit as important while Henley (1998) emphasizes house price change as an explanation of the decision to move house. In this study affordable house prices was ranked first while an expected rise in house prices was ranked sixth. Dieleman and Everaers (1994) highlight interest rates and rent rises as important items in the purchase decision. In this survey, interest rates were ranked 3rd while the expectation of rising rents was ranked as ninth, above other factors such as the birth of a child, marriage or a new job.

Deurloo et al (1994) suggest that an increase in income can also be an important incentive to purchase. In this study, the only life course factor that was significant was the gathering together of a deposit, while other life cycle factors such as a new job, or relocation in an existing job, were ranked as not important. Merlo and McDonald (2002) found also that employment factors do not explain the propensity to purchase a home, but suggest that better testing of their data might reveal other results.

The emphasis in this study on housing, rather than domestic factors in the switch to home ownership runs contrary to the early family life cycle model of Rossi (1955) and Thorns (1980) and the later findings of Baxter and McDonald (2004) and Mulder and Wagner (1998), who argue strongly that marriage and child birth are key factors in forecasting the propensity to purchase a first home. Flatau et al (2006) also consider marriage to increase the propensity of home purchase. In particular, they recognize that while divorce rates in Australia have been rising, remarriage rates have not. This in turn impacts on home ownership rates in that divorced and separated people exhibit a lower probability of attaining and maintaining home ownership compared to those who have been continuously married (Flatau et al., 2006). However, Clark et al (2003) consider employment factors to be important in the decision to move, and Clark and Huang (2003) found, in their study of the London housing market, that the birth of a child did not trigger a housing move, nor were they able to detect such an influence in their major cross sectional study of the UK market as a whole.

The low ranking of marriage and child birth in this study is likely to reflect the many respondents who were single (29 per cent), childless (25.4 per cent), or under 25 years (18 per cent). Within the Australian population, a delay in marriage (Australian Bureau of Statistics, 1997), and child birth (Australian Bureau of Statistics, 2001) and increasing levels of childlessness (Australian Bureau of Statistics, 2002) have been identified. According to ABS 2000 estimates (Australian Bureau of Statistics, 2002), about one quarter of women in Australia, in their reproductive years, are likely never to have children. This trend of childlessness is true also for women in other developed countries

such as the UK (20 per cent) and the US (22 per cent). Delay is also apparent in terms of family formation in that women, who are having children, are having them later in life. In 1993, 27.6 per cent of mothers in Australia were having their first child were aged over 30 (Australian Bureau of Statistics, 2001). By 1999, in just six years, this figure had increased to 34 per cent. Childlessness, or a delay in child rearing, are seen as reflecting lifestyle choices related to career paths or education attainment but it may also be the result of economic constraints. Jackson (2002) has hypothesized that in Australia, the rise in university fees is acting as an impost on fertility, further delaying the family formation of tertiary educated couples. As such, young people are achieving financial independence later in life. This is reflected in the higher proportion of under 25 year olds still in tertiary education, living with parents, working in part-time employment and entering their careers at an older age than in previous decades (Australian Bureau of Statistics, 2002a); all factors which are aligned to a delay in family formation. Flatau et al (2006) also suggest that the traditional housing career in Australia has been significantly impacted by the rise in the age at which young people first leave the parental home.

Any such delay in family formation has implications for home ownership, especially when housing affordability is a particular issue (Yates, 1999; 2002), and a home can only realistically be purchased on two incomes (Badcock, 1995; Merlo & McDonald, 2002). Percival (1998) and Winter and Stone (1998) have provided evidence to show that the purchase of a first home in Australia is being delayed in terms of age. Between 1988 and 1997, the proportion of first home buyer income units whose reference person was aged less than 35 declined from 70 per cent to 62 per cent (Australian Bureau of Statistics, 2000a). As a result, the median age of first home buyers increased from 30.2 years to 31.8 years (Australian Bureau of Statistics, 2000a). Tanton et al (2008) suggest that as of 2006, the trend in first home purchase after the age of 30 has continued and show that between 1996 and 2006 the numbers of first home buyers delaying their purchase until their 30s had not changed significantly.

In this study, the rankings of factors which have influenced the purchase decision would suggest that any delay in the purchase of a first home may not necessarily be for reasons associated with delay in marriage or the birth of a child, as these were not considered important in the decision to buy. If there is a delay, it is more likely to be for financial reasons, such as the inability to save a deposit or lack of affordable house prices. These are the housing and life course items that were most important in the timing of decision to purchase a first home and thus any difficulty or delay in achieving home ownership is more likely to reflect lack of housing affordability and difficulty in gathering a sufficient deposit. This is an important finding as it would tend to support the argument that it is housing affordability (Yates, 2002) rather than demography or delays in family formation (Mudd et al 2001) which may be accounting for the drop in home ownership levels in Australia within the under 35 aged bracket (Percival, 1998; Winter & Stone, 1998; Yates, 2002). It also strengthens the case for understanding the purchase decision within the context of housing market factors (Flatau et al, 2004; Mulder and Wagner, 1998; van der Vlist et al, 2002).

This emphasis on housing market factors in this study needs to be interpreted within the context of housing market trends which, for each city at the time of the study, included rising house prices, a decrease in housing affordability, especially in Sydney, an increase in repayment to income ratios for first time buyers and the threat of an increase in interest rates, which did take place in the second half of 1999. For buyers, these changes in the housing market are likely to act as important incentives in the decision to purchase overtaking other factors which might more traditionally explain the decision such as marriage. There is a feeling of urgency about the decision reflected in the importance of items such as the expectation of rising house prices (6th) and interest rates (7th). For many purchasers, it would seem important to get into the market as soon as financially feasible. As indicated by Mulder and Wagner (1998), policy instruments such as stamp duty exemptions and the proposed introduction of a GST, which would further increase house prices, also need to be taken into account.

In the period since the survey, the decline in housing affordability across Australia has continued particularly for Perth and less so for Sydney though house prices have remained consistently higher in Sydney than for any other city over the same period. In June 2007, the lowest affordability for Australian housing overall was recorded since the Housing Industry Association index was first published (Housing Industry Association. Commonwealth Bank, 2007), that is the ratio between the average disposable Australian income and the qualifying income required for an 80 per cent mortgage on a median priced home was at an all time low (Commonwealth Government, 2008). Such trends lend further weight to the findings presented here, that delay in purchase is primarily an economic decision. A more recent survey of 1000 potential first home buyers in Australia (Mortgage Choice, 2008) found that some 37 percent of purchasers would be aged over 40 years when they purchased their first home and that their largest concern in terms of purchase by far was not being able to afford their repayments if interest rates were to rise and the most important aspect of their property purchase was the price of the home. This recent survey bears out the earlier findings that it is economic factors such as prices, current and future interest rates that are the primary considerations in the timing and inclination of first home purchase.

## **CONCLUSION**

In conclusion, there are important consistencies in the items that have prompted the decision to purchase a first home. Economic factors such as affordable house prices, saving a deposit and low interest rates are important factors for every household irrespective of age, income, or family make up in the decision to buy. Domestic factors such as the birth of a child, relationship change or marriage or even a new job are not considered as important. This emphasis on housing market factors, rather than family, or even employment factors, supports the findings of van der Vlist et al (2002), Flatau et al (2004) and Mulder and Wagner (1988). It may also strengthen the case for those who

suggest that it is housing affordability (Yates, 2002), rather than delay in marriage (Mudd et al, 2001), that is putting home ownership in Australia most at risk.

This has important implications for home ownership, as it shows that housing affordability may be a very broadly based influence on home purchase in the same way as more traditional factors, such as delay in marriage or family formation, are hypothesized to be. Housing affordability would appear to be a relative measure and, despite differences in the rate of house price increase across Adelaide, Perth and Sydney over the period of this study, all households considered affordable house prices to be the number one trigger in their decision to make a switch in tenure and buy their first home.

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