

Home buyers lower sights

Cheaper houses popular

FIRST home buyers are turning away from McMansions after the Federal Government's halving of the first home owners grant.

About half of would-be first home buyers are looking for a cheaper property, according to the latest Mortgage and Finance Association of Australia/Bankwest survey.

And many of those who are renting while looking for their house feel stuck in an expensive rental trap, the survey found.

"The financial crisis has changed the aspirations of home buyers, effectively downsizing the great Australian dream," said MFAA chief executive Phil Naylor.

The Federal Government slashed the boost — which is in addition to Victorian Government grants — from \$7000 to \$3500 from October 1.

First home buyers are divided over the merits of grants to first home buyers, with 28 per cent saying they simply over-inflate house prices.

But 24 per cent said the grant helped to buy a home, while 10.5 per cent said the grant was not high enough.

About 44 per cent of those surveyed said they intended to save instead of buying, in preparation for the economy taking a turn for the worse.

And about a third of those looking for a first home are putting away more than 20 per cent of their take-home pay to buy a house.

Head of mortgages at Bankwest Dean Gillespie said the savings of first home buyers would help insulate them from rising mortgage repayments as interest rates surge.

"First time buyers are actively saving to protect themselves from an economic downturn, which suggests people are more strategic than they are given credit for," he said.

Just 21 per cent of respondents who are renting said they were happy with the situation.

The survey sampled 850 people in November.