

First home buyer demand is increasing – seize the opportunity.

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Foreseechange and Neuro Insight have collaborated to identify an emerging opportunity for home loan finance providers and the broader consumer market targeting the milestone of first home ownership. Our previous collaboration in 2020, during the early stages of the last peak in first home buyer demand, predicted a significant opportunity and identified the key strategies for connecting with first home buyers. Here again, we see this as an important opportunity in a sluggish economy. This document summarizes our findings.

A leading indicator for first home buyer finance commitments

A leading indicator for first home buyer finance commitments (FHB) has been developed by foreseechange. It includes two explanatory variables:

1. The proportion of adults for whom saving for residential property to occupy is a high priority for discretionary funds. This is based on tracking surveys conducted by foreseechange since 2013. This is considered to be a measure of latent demand, which will be converted to actual demand when sufficient savings have been accumulated.
2. Interest rates (RBA cash rate).

These two variables have individually and collectively a high degree of predictive accuracy over the period 0 to 6 months in the future. (note that data becomes available from the ABS with a lag of just over one month, so a zero lag prediction is still of value). The peak predictive accuracy occurs at four months in the future. The variance explained four months into the future is 72% with interest rates alone and 81% with the saving data. The results are highly statistically significant.

The relationship between the saving data and FHB six months later is shown in Chart 1 below:

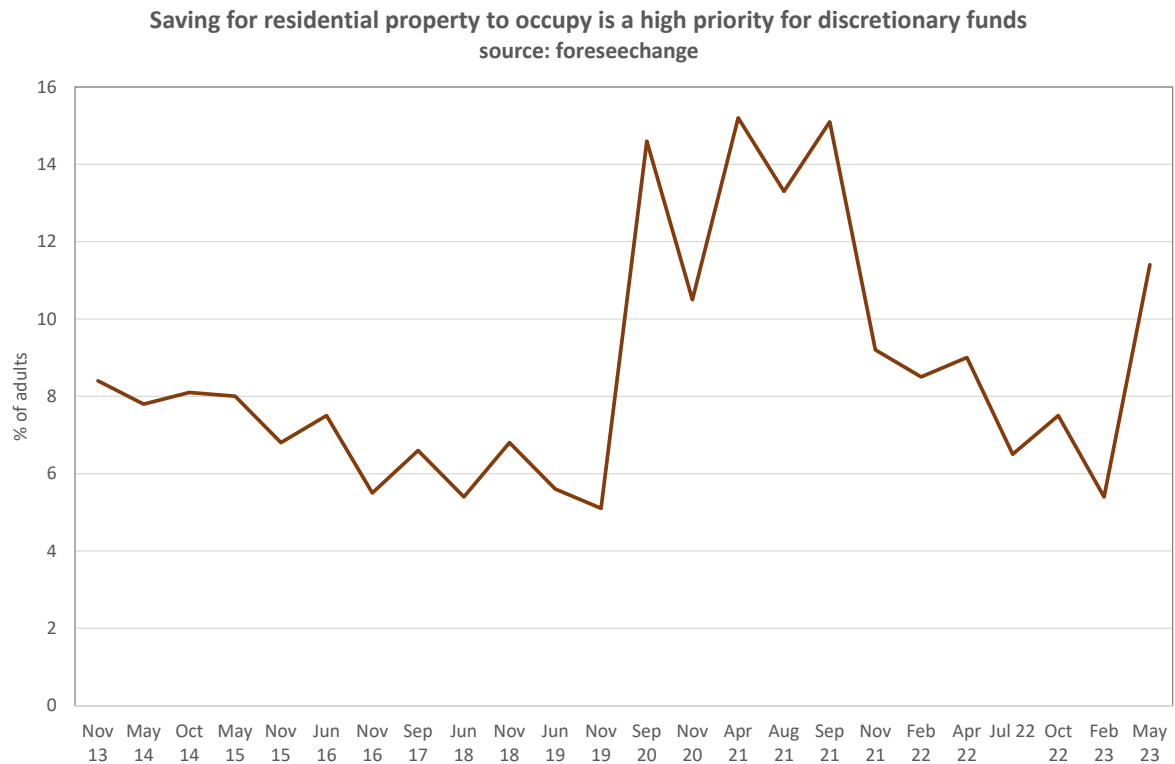
Chart 1



In our model, the two observations for late 2020 have been excluded on the grounds that there were several pandemic-related incentives available for first home buyers. These conditions are unlikely to be repeated in the near future.

The saving data is shown in Chart 2

Chart 2



Priority for saving discretionary funds for residential property to occupy increased significantly in May. Reasons for this include an expectation that the fall in house prices is over, so now may be the best time to act. There is also an expectation amongst consumers that interest rates will rise in the next six months, another reason for acting now and fixing loan rates.

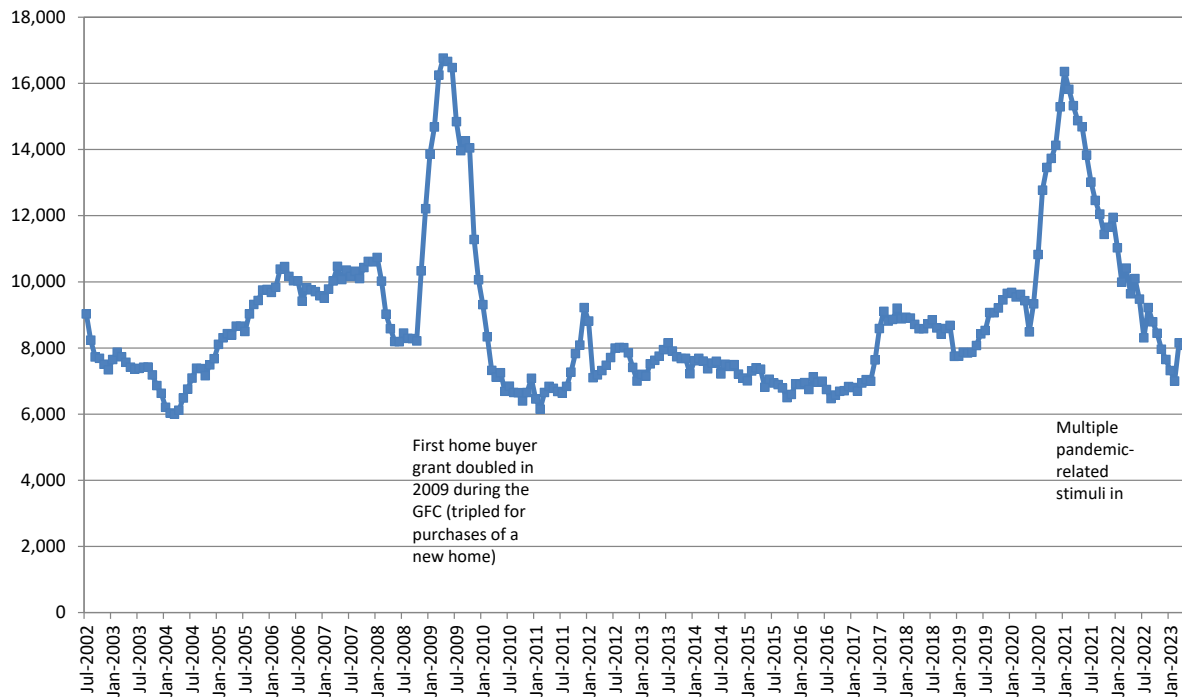
The latent demand based on the May 23 survey is 10,000 commitments per month.

Taking this data into account plus current interest rates (at 5 May 23) we predict that first home buyer finance commitments for property to occupy will come in at 8,000 for May and will be slightly lower in the following six months.

This confirms that the long decline in commitments between early 2021 and 2023 is now over. This is consistent with the data observed in March and April (Chart 3).

Chart 3

Number of dwellings financed - first home buyers for owner occupation
source: ABS 5601, seasonally adjusted



If interest rates rise again, we would expect a decline of 275 commitments per month for each 0.25% increase. On the other hand, should interest rates decline, commitments would rise by a similar amount. A fall in interest rates would likely lift latent demand above 10,000, especially if expectations for future interest rates switched from rising to falling.

We plan to update our survey and forecasts in August.

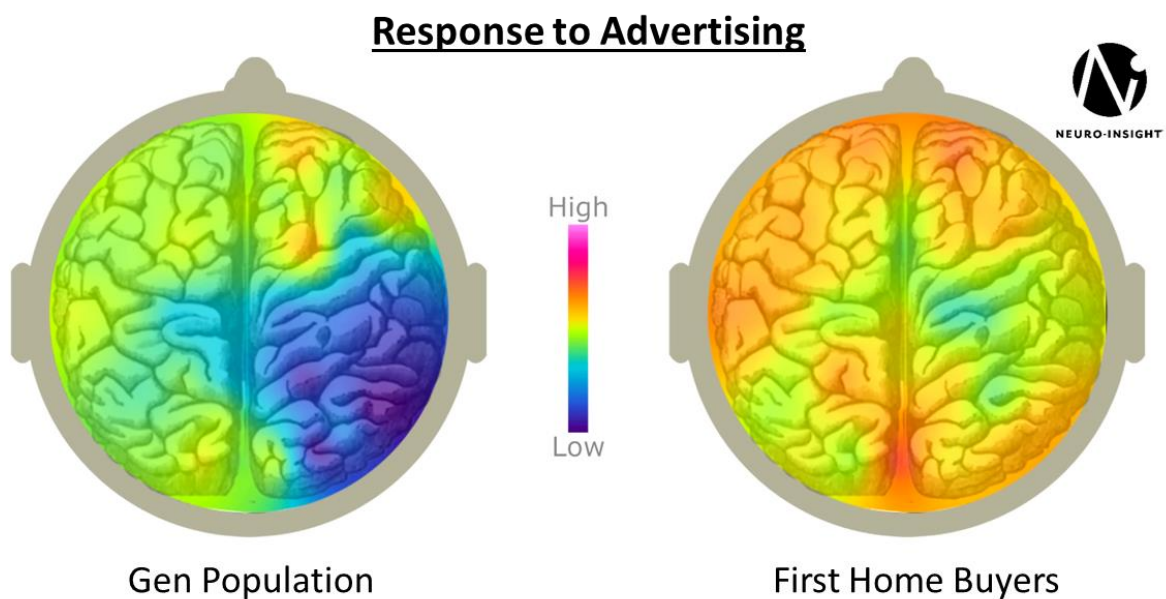
Now is a great time for finance providers to be engaging with the increased number of latent first home buyers and making their brand top of mind and the preferred brand.

Longer-term considerations support this engagement. Immigration is again running high, adding to the number of prospective first home buyers. Furthermore, there is an imminent lift in prospective Australian born first home buyers – the annual number of births in Australia averaged 252,000 in the years 1995 to 2005 and have averaged 302,000 since 2006. The leading edge of this larger cohort will be looking to buy homes from the late 2020's.

Connecting With FHB's in Marketing Communications

As the last major peak was forming in Aug/Sept 2020, Neuro Insight examined a range of advertisements and explored how First Home Buyers (FHB's) were responding to marketing communications. Overall, FHB's engagement in advertising was 24% higher than the General Population – Chart 4 demonstrates this stronger average response. Their receptivity was generally higher – possibly a function of their in-market status as a consumer group. So, they're definitely 'open' to the right type of communication!

Chart 4



Key Triggers for FHB's in Marketing Communications

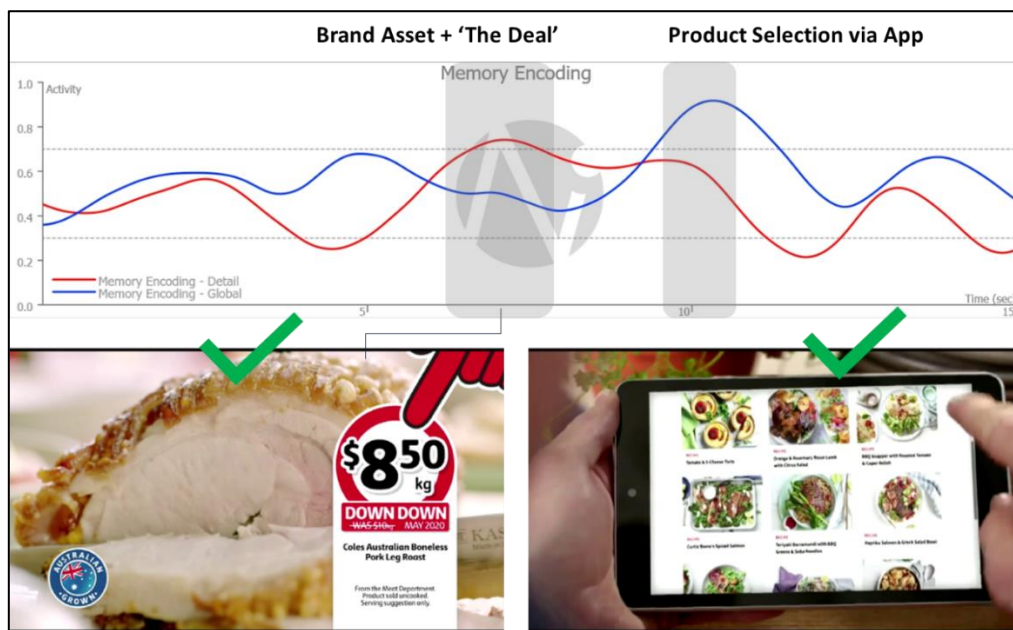
A more granular analysis of the advertising content revealed a range of specific messages, themes and techniques tended to be highly effective. These distinctive communications triggers – whilst

quite common – tended to strongly resonate with FHBs in a unique way. Specifically, FHBs had heightened responses to:

- **Technology** – the use of phones / devices as part of the storyline,
- **New Products** – the announcement of a ‘new’ product, service or feature,
- **Product Interaction via an App** – connected devices / Product Apps where the consumer is demonstrating choice and selection,
- **Supers / Text** – responding strongly to specific details and ‘the deal’ (Chart 5) - often linked to the abovementioned themes.

Neuro Insight would recommend – where creatively possible – that when advertising deploys the above triggers, these moments also integrate branding &/or assets that are strongly associated with your unique brand codes. The example below (chart 5) is an exemplar of the integration of brand codes at key trigger moments!

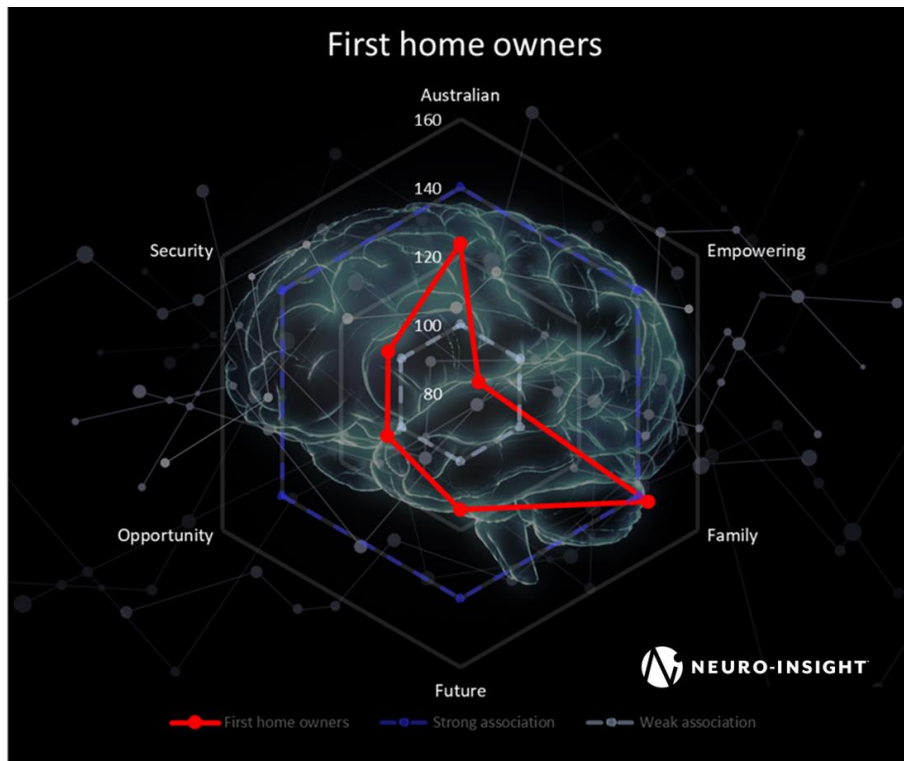
Chart 5



Connecting With FHB's – Emotional Territories

Whilst Neuro data reveals the effectiveness of specific trigger moments in advertising, our Implicit data highlighted a range of unique subconscious associations that FHB's have formed with the process of owning their first home. These implicit associations can strongly contrast to those that are consciously stated (eg. in surveys). They can provide marketers with powerful insights into the unique consumer emotions and territories upon which to build strong, engaging and relevant communications.

Chart 6



Tapping the Strongest Associations

'Family' was by far the strongest implicit association of a FHB, followed by **'Australian'**. Communications that leverage these attributes can benefit from these established network of memories and associations. Another potential strategy which may yield salient messaging is to target associations that are the weakest - offering consumers a solution to a fear or concern. The weakest associations of first home ownership were **Empowering, Security and Opportunity**. We believe these territories offer potential strategies to demonstrate understanding, empathy and re-assurance in what is no doubt, a daunting consumer journey ahead.

Seizing The FHB Opportunity

Our leading indicators tell us that market conditions and consumer sentiment are changing, which are highly likely to manifest as an opportunity in an otherwise difficult economic climate. FHB's have much to navigate which presents an opportunity for astute marketers. Strong clues have been identified as being unique marketing triggers to FHB's. Their heightened response to communications strategies and their implicit associations with first home ownership may offer highly effective marketing returns.

We can help you capitalise. Contact:

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