

Genworth's Homebuyer Confidence Index falls in March

- The majority of borrowers surveyed believe getting into the property market is harder now than it was for the previous generation;
- 49% of respondents cited the rising cost of living as the key driver of mortgage stress;
- The proportion of those surveyed that thought that now was a good time to buy a home fell from 46% in September 2013 to 42% in March 2014.

(SYDNEY) 25 March, 2014 – The Genworth Homebuyer Confidence Index decreased slightly by 1.6 points from September 2013 due in part to a decline in confidence in the first homebuyer segment and cost of living pressures for mortgage holders.

The Index, based on a survey of over 2,000 consumers, looks at the proportion of monthly income borrowers use to service debts, their repayment history over the last 12 months and expectations for the next 12 months. It also surveys whether consumers believe that now is a good time to buy a home and the maximum loan-to-valuation ratio borrowers are comfortable borrowing.

“The marginal decline in confidence was driven largely by homebuyers experiencing or expecting mortgage stress,” said Genworth Australia Chief Commercial Officer, Bridget Sakr.

“Of those surveyed, 49 per cent cited the rising cost of living as the key driver of mortgage stress.

“The high cost of living has remained the number one cause of mortgage stress for homeowners since September 2011,” said Bridget Sakr.

The Index fell by 1.6 points from September 2013 to March 2014 (92.4 to 90.8 points) with the first homebuyers component falling from 85.0 in September 2013 to 82.3 in March 2014. This drop in first homebuyer sentiment was driven primarily by concerns around underemployment.

Despite mortgage stress being experienced by some of those surveyed, around four in ten borrowers continue to make overpayments to their mortgage.

The proportion of homeowners using over half of their income to service debt fell from 28 per cent in September 2013 to 25 per cent in March 2014.

“While 71 per cent of first homebuyers consider the dream of homeownership to be realistic, this group continues to struggle to save for a deposit,” continued Bridget Sakr.

Around three out of ten prospective first homebuyers believed it would take them four years or longer to save a 20 per cent deposit, compared to 60 per cent of all respondents who thought it would take them at least four years to save a deposit. This suggests that saving a 20 per cent deposit may be harder than many prospective homebuyers realise.

“Nearly two thirds of all borrowers believe that today’s first homebuyers will have a tougher time getting into the market than the previous generation did,” said Bridget Sakr.

Respondents from across the generations reported a willingness to help their children buy property: 86 per cent of baby boomers, 89 per cent of generation X and 90 per cent of generation Y said they would assist.

However, only 37 per cent of baby boomers and 40 per cent of generation X feel that they are in a financial position to do so.

“The struggle to enter the property market may also be exacerbated by any future dwelling price growth,” said Bridget Sakr.

“This ongoing challenge for prospective first homebuyers highlights the value of low deposit options such as Lenders Mortgage Insurance which can help people enter the property market sooner,” said Bridget Sakr.

A copy of the full report will be published online tomorrow at: <http://genworth.com.au/streetsahead>

*****ENDS*****

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Genworth Australia is the leading provider of Lenders Mortgage Insurance (LMI) in the Australian residential mortgage market. For almost 50 years, Genworth and its predecessor business has been supporting the Australian mortgage industry by prudently enabling borrowers to purchase a home with less than a 20 per cent deposit. By utilising LMI, lenders are able to provide loans to these borrowers with small deposits at competitive market interest rates. In partnership with over 100 lenders, Genworth helps borrowers to get into their homes sooner and helps to keep them there.