

Genworth Homebuyer Confidence Index: Sentiment hits record levels for Australian mortgage holders

- **Homeowner sentiment at record high, buoyed by expectations of less mortgage stress**
- **First homebuyer confidence bounces back after record low in March**
- **Aspiring homeowners concerned about affordability and saving for a deposit**

(SYDNEY) 1 August, 2013 – New figures from an independent survey commissioned by Genworth, Australia's leading provider of Lenders Mortgage Insurance, suggest that homebuyer confidence has rebounded significantly in Australia over the past quarter on the back of improved consumer expectations of mortgage stress.

The Genworth Homebuyer Confidence Index, which measures homeowner sentiment from a sample group of 2124 mortgage holders, jumped from a record-low of 93.4 in March 2013 to 100.1 at the end of July 2013.

The 7.2 per cent increase saw the Index reach its highest level since it was first calculated in 2007.

"The spike in consumer confidence recorded since March was driven by a 37 per cent decrease in the proportion of surveyed borrowers who expected to experience mortgage stress over the next 12 months," said Genworth's Chief Commercial Officer, Bridget Sakr.

"It appears that consumers are becoming more confident about making repayments, with the Index showing that 29% of homeowners expected interest rates to decrease over the next 12 months – compared to 12% who held this expectation in March," said Bridget Sakr.

Participants are surveyed on the proportion of monthly income used to service debts, the maximum loan-to-valuation ratio borrowers are comfortable borrowing, their repayment history over the last 12 months, their repayment expectations for the next twelve months, and whether they believe that now is a good time to buy a home. These combined results make up the quarterly Index.

The 17 per cent of borrowers who did expect to experience mortgage stress in the coming 12 months continued to cite concerns about the cost of living as the main driver.

In March 2013, homeowners' concerns about servicing their mortgage over the coming year were heightened for recent first homebuyers, with the recent first homebuyer component of the Index plummeting to a record low of 85.9.

However, the July Index showed a rebound in confidence to a record level of 99.9.

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The Index suggested that for those looking to enter the property market, housing affordability and saving for a deposit remain the biggest barriers to homeownership.

“Research showed that 80 per cent of non-property owners considered it unrealistic to save a 20 per cent deposit. Also, 34 per cent of prospective first homebuyers believed that affordability may be an impediment to achieving their goal,” continued Bridget Sakr.

“The latest Genworth Homebuyer Confidence Index suggests that homeowners realise that current market conditions – particularly historically low interest rates – make buying property and servicing a mortgage a more attractive proposition than it’s been for a number of years.

“However, affordability remains a challenge for those yet to enter the market, with 70 per cent of non-property owners believing the dream of homeownership to be unrealistic,” concluded Bridget Sakr.

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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.

A copy of the full report can be found at:
<http://genworth.com.au/streetsahead>

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