



New confidence index a window on homebuyer sentiment



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In order to better understand the Australian borrower, Genworth Financial has launched its Homebuyer Confidence Index to see what drives homebuyer confidence and what is affecting their property purchasing decisions. *Paul Caputo* explains

As Australia's largest lenders mortgage insurer, Genworth Financial (Genworth) is committed to providing the market with valuable insights into the attitudes and sentiment of homebuyers and would-be borrowers. This is why we've launched the Genworth Homebuyer Confidence Index (GHCI) and the report, *Streets Ahead* – to gain greater insights into what factors are driving homebuyer confidence in Australia and what is enabling and hindering their decisions to purchase property.

The residential property market is one of the key drivers of the Australian economy and, unlike many other countries, our residential property market held its own during the global financial crisis. Indeed, results from the GHCI show homebuyer confidence is back to pre-GFC levels. But while confidence is up, cautious optimism should prevail, with a number of signals suggesting confidence is on a delicate balance.

The bi-annual index is based on five years of consumer attitudinal data collected by Genworth and examines respondents' ability to service debt, past and future ability to repay home loans, levels of comfort with LVRs (loan-to-value ratios) and whether or not respondents believe it's a good time to buy a property.

Results from the inaugural GHCI show rising employment was the primary driver behind the strong levels of confidence, with the index reaching 99.1 in 2010 – a slight decrease from 99.5 in 2009 but well above 2008 levels of 92.4. Factors such as higher levels of employment, lower interest rates and government stimulus made it easier for homebuyers to meet their mortgage payments over the past year, with 49% of respondents over-paying their mortgage – up from 41% in 2009.

While most borrowers have comfortably met their mortgage obligations, rising interest rates and higher costs of living are expected to impact confidence in the future. Indeed, the GHCI shows the proportion of respondents who expect to experience repayment difficulties in the next 12 months has jumped from 15% to 20% over the past year. Of these, the amount citing rising interest rates and rising cost of living rose to 61%.

Meanwhile, the rental trap is set to return for many would-be homebuyers who are renting and finding rent rises, coupled with increasing cost of living expenses, are hindering their efforts to save for a deposit. In fact, the survey results indicate that saving for a home is harder than it was before the GFC. Just 25% thought it was a good time to buy a house in 2010, a sharp plunge from the 50% in 2009.

The next edition of *Streets Ahead* and the GHCI will be released in March 2011 and it will be interesting to see any changes to homebuyer confidence post-election and once we have more clarity around the future direction of interest rates. For brokers and lenders, new borrowers will need your help to negotiate their entry into what is likely to be the largest, most important purchase of their life to date. This will inevitably include the vital role of lenders mortgage insurance in their purchase.

For a copy of *Streets Ahead* visit genworth.com.au

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