

## STRUCTURAL CHANGES EMERGE AS MORE FIRST HOME BUYERS ENTER THE PROPERTY MARKET

**(SYDNEY) 22 September 2019:** The Australian dream of a free-standing home to grow old in, is being replaced by a desire amongst first home buyers to buy a small apartment and trade up within five years.

According to the Genworth First Home Buyer Sentiment Report (Report)<sup>1</sup> some distinct structural changes are emerging in the first home buyer market.

The Report based on a survey undertaken in June and July 2019, of 2,001 Prospective First Home Buyers<sup>2</sup> and 1,008 Recent First Home Buyers<sup>3</sup> across Australia, reveals that almost **three in four** Prospective First Home Buyers believe now is a good time to buy their first home, with **one in two** citing recent “falling property prices” as the primary reason.

The **8.4%**<sup>4</sup> decline in median house prices since 2017 is providing Prospective First Home Buyers with an opportunity to ‘get a foothold’ in the property market. Many are keen to capitalise on this opportunity with **three in five (~60%)** planning to buy now with a less than 20% deposit compared to just under **one in two (47.4%)** Recent First Home Buyers who bought their first property with less than a 20% deposit.

To bridge the deposit gap Prospective First Home Buyers are intending to rely on other sources of support. **Three in four (75.1%)** are proposing to apply for the Federal Government’s ‘*First Home Loan Deposit Scheme*’; **27.5%** are purporting to ask their parents or family for assistance and **15.8%** are planning to use lenders mortgage insurance.

This is consistent with the path to home ownership taken by Recent First Home Buyers with approximately **70%** reporting that they did not fund 100% of their deposit from their own savings. The majority (**56.9%**) of these relied on parental or family assistance (via gifts, guarantees and loans) to supplement their deposit. Lenders mortgage insurance (LMI) was also a popular option with more than **one in three (35.6%)** Recent First Home Buyers using LMI to secure a home loan with a less than 20% deposit.

<sup>1</sup> Genworth First Home Buyer Sentiment Report is a report commissioned by Genworth Mortgage Australia Limited (Genworth) and prepared by CoreData dated 22 September 2019

<sup>2</sup> A Prospective First Home Buyer (or Prospective FHB) someone who is looking to buy their first property in the next 24 months

<sup>3</sup> Recent First Home Buyer (or Recent FHB) someone who has bought their first property in the previous 24 months

<sup>4</sup> CoreLogic Hedonic Home Value Index, July 2019

Whilst parental and family support is understandable, the increasing use of parental guarantees is cause for concern given the “knock-on” effect in the event of a borrower default. There are also broader implications for the strength and stability of the Australian financial system during an economic downturn.

Another distinct trend that is emerging is the intention to hold a first home for a shorter timeframe. **One in three (32.3%)** Prospective First Home Buyers plan to **sell within five years** - more than double the proportion of Recent First Home Buyers (**15.8%**) – reflecting a more pragmatic approach to entering the market sooner by purchasing an “entry level” property and trading up in a few years.

As a result, the free-standing home is starting to be superseded by small apartments<sup>5</sup> as the most popular property amongst Prospective First Home Buyers. This is particularly the case in Sydney and Melbourne where more than **one in three (36.3%)** and **one in four (24.9%)** Prospective First Home Buyers respectively are planning to buy a small apartment as their first property.

Investment properties are also increasingly popular amongst Prospective First Home Buyers keen to enter the market, with **one in six (15.5%)** planning to buy an investment property as their first home, compared to **one in ten (10.3%)** Recent First Home Buyers. This trend is especially prevalent in Sydney where affordability poses the greatest barrier to entry into the market, with **one in four (24.8%)** Sydney based Prospective First Home Buyers looking to buy an investment property and using the rental income to service the loan.

Genworth Mortgage Insurance Australia Limited (Genworth) CEO and Managing Director Georgette Nicholas said, “Dynamic market conditions are resulting in changing first home buyer behaviour and needs. Genworth has responded to these changes by developing new product offerings that provide more options and greater flexibility.

“To address the increasing demand for “entry level” first homes which are held for less than five years we recently announced a new monthly premium LMI offering in addition to our current single upfront premium product. This offering provides borrowers with the option of not capitalising the premium into their loan, as many do today with the single upfront premium product or paying the entire LMI premium in one lump sum payment. Instead they can pay the LMI premium in instalments over time, which means a greater portion of their loan can be utilised to support the purchase of their first home.

“Importantly, our new monthly premium LMI provides borrowers with the flexibility to refinance at a later date (without the need for a refund of LMI premium) and lenders with the option of structuring this offering to enable borrowers to cease paying the LMI premium when their loan achieves a certain loan-to-value ratio.

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<sup>5</sup> Small apartment in the Report was defined as one to two bedrooms. Other options were a small house (one to three bedrooms); a large house (four or more bedrooms); townhouse/terrace; and large apartment (three or more bedrooms)

“As first home buyer needs continue to evolve it is important that a range of stakeholders (both public and private) work together to develop solutions that complement each other and continue to support the Australian dream of home ownership.”

To download a copy of “The Genworth First Home Buyer Sentiment Report (September 2019)” go to: [www.genworth.com.au](http://www.genworth.com.au).

## **ENDS**

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### **About the CoreData Survey**

The CoreData survey of 2,001 Prospective First Home Buyers and 1,008 Recent First Home Buyers was undertaken during the period June 2019 to July 2019 across Australia, including all capital cities and regional areas. The geographic split of survey respondents closely matched the geographic distribution of the broader Australian population.

### **About Genworth**

Genworth Mortgage Insurance Australia Limited (Genworth), through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd and Genworth Financial Mortgage Indemnity Ltd (together, the Genworth Group or the Group), is the leading provider of Lenders Mortgage Insurance (LMI) in the Australian residential mortgage lending market. The Genworth Group has been part of the Australian residential mortgage lending market for over 50 years since the Housing Loans Insurance Corporation was founded by the Australian Government in 1965 to provide LMI in Australia. Genworth is currently a subsidiary of Genworth Financial, Inc. and part of the Genworth Financial, Inc. group of companies. The Genworth Financial, Inc. group of companies' current ownership interest in Genworth is approximately 52% of the issued shares in Genworth.