



press clip

# Buyers' confidence starting to recover

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THE property market recovery appears to be entering a new stronger phase transitioning from market observers to participants as clearance rates jump around 10 per cent from this time last year.

The market is cyclical and buyers will only stay out for so long.

Many have been sitting on the sidelines watching proceedings, waiting for the right time to move.

When you look at the broader financial factors that drive consumer confidence in the property market there were clear signs that it was not a question of if the market would bounce back, but when.

There were a number of factors that indicated a market recovery.

Affordability – a high Aussie dollar has put pressure on the manufacturing sector and this has been on the Reserve Bank's radar. As a result the RBA lowered the cash rate by 75 basis points in the last financial year.

Falling interest rates instantly increases affordability. Buyers rushed back to the market in 2001 and 2009 mainly due to falling interest rates. But this time it's not come with increased first-home buyer incentives.

This means that the first-home buyer markets will lag.

Capacity – many Australian households have continued to save their disposable income.

Many borrowers have been making substantial excess principal repayments, increasing their equity and cash flow positions.

Demand – Home ownership in Australia is high with around 70 per cent of people living in a property with their name on the title.

The needs of a home owner change over time, whether it be to

upsue or down size.

Although many owners have put these plans on hold, necessity is forcing them to make their move.

Furthermore, property is a great Australian pasttime and this continues to be the case.

Web statistics show that, although competition from buyers was relatively soft in 2012, web browsing continues to be high.

Nielsen's online analysis of real estate portals suggests more than three million Australians search for property every month. That means around 15 per cent of Australians are actively looking at property at any one time.

Buyer confidence has rebounded significantly and is now at its highest level since lenders mortgage insurance (LMI) provider Genworth began surveying mortgage holders in 2007.

The latest Homebuyer Confidence Index, based on a survey of 2124 mortgage holders, jumped from an index reading of 93.4 in March, 2013, to 100.1 in July.

What this means is that confidence about the housing market has rebounded to what it was before the 2008 global financial crisis.

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.

It appears that consumers are more confident about making repayments, with the index showing that 29 per cent of home owners expected interest rates to decrease over the next 12 months – compared to 12 per cent in March.

The index is compiled based on

mortgage holders responses to questions about the proportion of monthly income used to service debts, the maximum loan-to-valuation ratio they are comfortable borrowing at, their repayment history over the past 12 months, their repayment expectations for the next 12 months, and whether they believe that now is a good time to buy a home.

It found that 32 per cent of mortgage holders are comfortable with borrowing more than 80 per cent of the value of the property they are purchasing – the point at which lenders mortgage insurance is usually payable – compared with 28 per cent in the March quarter.

Only 17 per cent of respondents expect to experience mortgage stress in the next 12 months compared with 27 per cent last quarter, while the proportion who said they were experiencing mortgage stress fell from 23 to 17 per cent.

The latest Homebuyer Confidence Index suggests that home owners realise that 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.

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