

Homebuyer confidence buoyed by Queensland rebound but down overall

- The latest Index result is 3% above the index low of 2008
- 41% of borrowers made an overpayment on their mortgage in last 12 months
- 36% of Australians still believe it's a good time to buy a home.

(SYDNEY) September 21, 2011 – While Australian homebuyer confidence was down 2% from March 2011, 36% of borrowers still think now is a good time to buy a home, according to the latest edition of the 2011 Genworth Homebuyer Confidence Index (HCI) – a biannual measure of borrower and would-be borrower sentiment.

While the Genworth HCI shows homebuyer confidence across the nation was down 2% from March 2011, sentiment was buoyed by a return to confidence in Queensland. Despite the drop, the index is still 3% higher than levels recorded in 2008 during the global financial crisis.

Genworth CEO Ellie Comerford said: “The results show the drop in borrower confidence is mainly due to an increase in the number of borrowers experiencing mortgage stress - up from 21% in March this year to 25% in this survey.”

Despite higher rates of mortgage stress, the vast majority (85%) of borrowers who are experiencing mortgage stress say they are not actually behind on repayments. Borrowers are also becoming more conservative, with over 41% having overpaid their mortgage within the past 12 months.

As to the reasons for mortgage stress, the survey showed the rising cost of living is the number one concern for an increasing proportion (72%) of home owners struggling with their mortgage. The second and third factors which worry home owners are rising interest rates and existing debt obligations, which are affecting 50% and 33% of stressed mortgage holders respectively.

“Consistent with the March HCI and more recent Genworth International Mortgage Trends Report, cost of living pressures are weighing heavily on borrower’s minds,” said Comerford.

FHBs optimistic

In contrast to these subdued results, Comerford said Genworth was pleased to find the first homebuyer segment performing strongly and is optimistic about the near future. “Despite 40% of recent FHBs putting more than half their monthly income towards servicing debt, we found just 15% expect to have difficulties paying their mortgage in the year ahead, and in fact 58% project they will easily meet repayments,” she said.

Aspiring FHBs sacrifice to save for deposit

With housing affordability issues persisting, the September Genworth HCI also surveyed aspiring first homebuyers about their experience in reaching their home ownership dreams.

“Existing debt is a hurdle for some potential homebuyers - almost two thirds of would-be home owners have some form of outstanding debt, mainly from paying for education and wedding expenses, along with general living costs,” explained Comerford.

The survey showed young Australians have not relinquished the ambition of owning their own home. Instead, they are opting to cut spending across a wide range of expenses including two thirds (68%) cutting back on luxury goods, 60% reducing their clothes budget, and 56% spending less on groceries and other necessities.

Uptick for Queensland while Victoria and Western Australia slide

Following the Index in March this year, which showed the devastating impact of natural disasters, particularly on Queensland, this survey reveals the majority (almost 60%) of home owners who were affected by those events have fully recovered. Furthermore, most business owners impacted by recent natural disasters are not suffering from any great degree of mortgage stress.

Comerford said, “We were pleased to see Queensland recorded a 4.2% rebound in overall homebuyer confidence since March, on the back of recovery from natural disasters and improving property prices. Other states fared less well, with Western Australia now the least confident, while Victoria recorded the largest confidence drop (7.1%) during the period.”

Outlook

Despite some difficult market conditions, 36% of borrowers surveyed still think now is a good time to buy a home, and aspiring FHBs continue to make the necessary sacrifices to get a foot on the property ladder. If analyst predictions of future interest rate cuts are correct, this may also help support borrower sentiment in the near future.

About Genworth

As the leading provider of lenders mortgage insurance in Australia, Genworth works in partnership with over 120 lenders to make the dream of home ownership more accessible to borrowers. Genworth has been insuring mortgages in Australia since 1965. Through our partnerships we continue to provide a unique insight into mortgage trends throughout the country.

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