News Release
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Genworth

Genworth Homebuyer Confidence Index: Australian Homebuyers Cautious About the Future

- **Experience and expectation of mortgage stress increase despite relative stability of the economy**
- **First homebuyer sentiment falls more sharply than national average**
- **Declines in confidence recorded across all states**

(SYDNEY) 27 March 2013 – Despite the official unemployment rate holding steady during the past six months, borrowers' fears around future job security contributed to a fall in the latest Genworth Homebuyer Confidence Index.

The Index, a biannual measure of homebuyer and would-be homebuyer sentiment, dropped from 98.4 to 93.4, a decrease of 5.1% since September 2012, and has now reached its lowest level since 2008 (when it reached 91.1). This fall was primarily driven by a 42% increase in the proportion of borrowers who expect to experience mortgage stress over the next 12 months (rising from 19% in September 2012 to 27% in March 2013).

Despite stable unemployment, 46% of borrowers who expect to struggle with mortgage repayments over the next 12 months are worried about job security. This increased focus on the possibility of future unemployment is the most likely reason that homebuyer confidence continues to lag in the face of a range of otherwise positive economic indicators.

Commenting on the findings, Bridget Sakr, chief commercial officer of Genworth, said:
"Despite historically low interest rates and continuing improvements in housing affordability, the Genworth Homebuyer Confidence Index for March shows that current and expected mortgage stress have both increased since September 2012. Australian consumers are viewing the housing market with caution, due to a reduced willingness to take on debt in favour of paying off existing debt."

Reserve Bank of Australia statistics support this assertion, with the ratio of household debt to disposable income falling steadily since the global financial crisis, along with a commensurate increase in the household savings rate. External data has also shown that demand for credit has been decreasing over this period: mortgage applications have fallen sharply since December 2009, with mortgage demand flat over the past six months. Interestingly, more general measures of consumer sentiment (e.g. Westpac – Melbourne Institute) have recorded increases recently, suggesting that concerns about future job security are being focused on the primary source of consumer debt – mortgages.

First homebuyer sentiment drops significantly

First homebuyer sentiment declined by an even greater degree, with the decrease in the index from 98.5 to 85.9 representing a 12.8% fall over the six month period. Again, both current and expected mortgage stress were the primary drivers, with 41% of recent first homebuyers expecting difficulty with mortgage repayments over the coming year – up from 18% in September 2012.

Forty-nine percent of first homebuyers felt that now is a good time to buy, falling from 54% in September 2012. This decrease was most pronounced in those states that saw the removal of the First Home Owners Grant on established homes late last year, implicating the impact that such policies have had on the attitudes of aspiring entrants to the housing market.

Sentiment drops across all states

All states saw falls in the Genworth Homebuyer Confidence Index in March 2013, with New South Wales reporting the largest decrease since September (5.7%), as well as the lowest current index (91.8). Residents in this state are among the most heavily indebted, with 31% of borrowers spending more than half of their income on servicing debt, and are also among the most likely to be anticipating having difficulty meeting their repayments in the coming year (29%).

“While both aspiring and current homeowners are concerned about job security, recent Australian Bureau of Statistics data shows that forecasts of rising unemployment have failed to materialise,” Sakr said. “Continued stability in the labour market over the coming months should serve to allay these fears and encourage consumers to take advantage of current market conditions. Our results suggest that prospective investors – at least – recognise that now is a good time to buy (72%, up from 57% in September); an increase in sentiment that is reflected in the recent uplift in investment loans.”

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