

Homebuyer confidence on the rise as mortgage stress eases

Affordability improves as interest rates fall and wages rise

First homebuyers confident

(SYDNEY) 21 March 2012 – Thirty-nine percent of homebuyers believe now is a good time to buy a home, with homebuyer confidence up 2% and back to levels last seen in March 2011, according to the latest edition of the Genworth Homebuyer Confidence Index (HCI) – a biannual measure of borrower and would-be borrower sentiment.

The key drivers of confidence are the decrease in mortgage stress and Australians' increasing comfort with debt. As of March 2012, only one in five (22%) homeowners has experienced mortgage stress in the last 12 months, compared with one in four (25%) in September 2011.

Commenting on the findings, Ellie Comerford, President & CEO of Genworth said:

“Despite lenders not passing on the full 50 basis points of cuts, we can see the lowering of the cash rate by the RBA since September 2011 has made a significant impact on borrower sentiment.”

Mortgage stress caused by interest rates has fallen from 50% in September 2011 to 32% in March.

Affordability improves

House prices are seen as less of a hurdle for potential First Home Buyers (FHBs) than any other factor – only 7% of respondents said the area they wished to buy in was too expensive, down from 21% in September 2011.

This finding is supported by the Housing Industry Association (HIA) Affordability Index, which improved 2.3 points between the second and fourth quarters of 2011, and is now at its highest point since December 2009. Falling interest rates and rising wages are the main factors influencing this increase.

Comerford commented:

“While cost of living pressures and an increase in unemployment are likely to strain households, currently these problems are being offset by positive factors such as wage growth, low inflation and interest rate cuts. The Australian dream of home ownership is not fading as increasing affordability improves borrower sentiment.”

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FHB confidence was up by 1.5% to 99, levels similar to the national confidence level before the GFC (global financial crisis).

The proportion of potential FHBs surveyed who said they were unable to save for a deposit fell from 45% to 30% between September 2011 and March 2012.

Recent FHBs were more optimistic about meeting mortgage repayments than the average homebuyer, with 84% of those surveyed not expecting to have difficulty meeting repayments in the coming year, compared with 78% of average homebuyers.

“The proportion of first homebuyers who said they would be unable to afford repayments fell to 19% down from 38% in September 2011,” Comerford noted.

WA rebounds as employment stable

Western Australia saw a sharp increase in the Index, rebounding 11.2% from a low of 90.5 in September 2011 to 100.6 in March 2012. NSW also saw a slight increase, up 1.3% from 95.5 to 96.7.

“We have seen a recent stabilisation of property prices in Western Australia which is likely to have boosted confidence. Flatter property prices combined with stable unemployment levels will have driven the spike,” Comerford said.

Economic indicators	2007	2008	2009	2010	Mar-11	Sep-11	Mar-12
Official cash rate	6.25%	7.25%	3.00%	4.50%	4.75%	4.75%	4.25%
Inflation	2.40%	4.50%	2.50%	3.10%	2.70%	3.60%	3.10%
Unemployment	4.30%	4.30%	5.80%	5.10%	5.00%	4.90%	5.20%
Oil prices per barrel US\$	\$66.30	\$127.76	\$67.73	\$75.69	\$96.97	\$91.96	\$109.77
HIA Housing Affordability Index	51.5	47.6	69.7	51.8	51.9	56.2	58.5
Average FHB loan	\$238,600	\$243,100	\$270,200	\$283,300	\$280,800	\$280,200	\$283,100
Genworth HCI	100	91.1	98.1	97.8	96.3	94.4	96.3
Change in Genworth HCI	-	-8.9%	7.7%	-0.3%	-1.5%	-2.0%	2.1%
Key drivers in Genworth HCI		Rising interest rates heading into the GFC	Recovering from the GFC and interest rate cuts	Rate rises, expected stress	Disasters leading to increased stress, less comfort with debt	Rise in cost of living, experience and expectation of mortgage stress	Increasing comfort with debt and falling mortgage stress due to interest rate cuts

About Genworth

Genworth is a leading provider of Lenders Mortgage Insurance in Australia. Genworth has customer relationships with over 100 lenders, including three of the four major Australian banks. For almost 50 years, the business has been supporting the Australian mortgage market through prudently getting borrowers into their homes sooner through the provision of Lenders Mortgage Insurance. For more information visit genworth.com.au.

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For more information, contact:

Contact:

Justin Clark
FTI Consulting
0429 361117
justin.clark@fticonsulting.com

Justin R Ellis
Genworth
0459 127 712
justinr.ellis@genworth.com