

# Genworth First Home Buyer Report

2020



Report prepared by

CORE|DATA

Genworth 

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# Dream of home ownership

At Genworth, our vision is to help Australians achieve the dream of home ownership. As Australia's leading lenders mortgage insurer for over 50 years, Genworth supported the strength of the Australian residential mortgage market by issuing 66,895 insurance policies in 2019 that secured home loans valued at \$26.7 billion.

Lenders mortgage insurance (LMI) facilitates the residential mortgage lending by transferring the risk from the lender to the LMI provider, which is predominantly in the low deposit home loans. We work with our lender customers, regulators and policy leaders to promote a stronger and more sustainable housing market in Australia.

# Key First Home Buyer insights

Prospective First Home Buyers (FHBs) are proving to be resilient and as eager and ready as ever to get their foot on the property ladder, despite persistent and emerging challenges and uncertainty.

## Readiness to enter the market

For FHBs, the opportunity to enter the market despite the uncertainty due to COVID-19 is having comfort in the low interest rates and low market pricing. The FHBs' decisions are not only based on a financial readiness but a life stage and emotional readiness that is driving the decisions to save less than the required 20% deposit. However, tempering the opportunity is the increase in job and income security concerns.

While falls in property prices and the record low interest rates are important drivers of the positive sentiment, it is clear that emotional drivers of life stage readiness and 'fear of missing out' are playing a critical role in urging Prospective FHBs to buy their first property sooner. Many feel a growing sense of urgency to be prepared to enter the market sooner, particularly with the lower entry prices and mortgage rates.

## Being better prepared

FHBs are using these uncertain times to be better prepared through a considered and proactive approach to buying their first home. From their approvals, budgets, savings and even the location and type of home, by being increasingly prepared to take advantage of the current buyers' market.

The proportion of FHBs that are poised to enter the property market is growing where four of five FHBs believe it is a good time to buy. FHBs are using this time to become better prepared with more than one in three FHBs have now secured a loan pre-approval, up from 30% in 2019, and two-thirds have already established their borrowing capacity.

## Adjusting buying expectations

As a result, Prospective FHBs are prepared to adjust their behaviours and intentions accordingly. It is clear that this cohort is willing to adjust their view of their 'dream' or 'ideal' property, for example, by buying in the outer suburbs or buying a different type of property.

The tendency to compromise is also likely to reinforce the preferences among Prospective and Recent FHBs for a smaller entry level property and for a relatively short holding period before upgrading to another property – preferences that are more prevalent in the larger capital cities of Sydney and Melbourne.

## Strategies to enter the market

Prospective FHBs are also using or planning to use a range of strategies to achieve their goal sooner, including considering Lenders Mortgage Insurance (LMI), which has been found to be highly valuable by Recent FHBs who used it. Cutting back on lifestyle expenses, working overtime and relying on the 'Bank of Mum and Dad' are other common strategies for Prospective FHBs to buy sooner – strategies that were also popular among Recent FHBs.

FHBs recognise that saving for a deposit remains difficult, ranking it in the top three barriers to owning a home. Given this, and the heightened sense of urgency among FHBs, many are seeking to boost their savings while lowering their target deposit size.

Over the last 12 months, we have seen FHBs becoming increasingly comfortable to purchase with less than a 20% which indicates that saving for a deposit has become less of an issue than before where there is a sense of urgency to enter the market. This is supported by the increased awareness of the value of LMI in being able to enter the market with a low deposit.

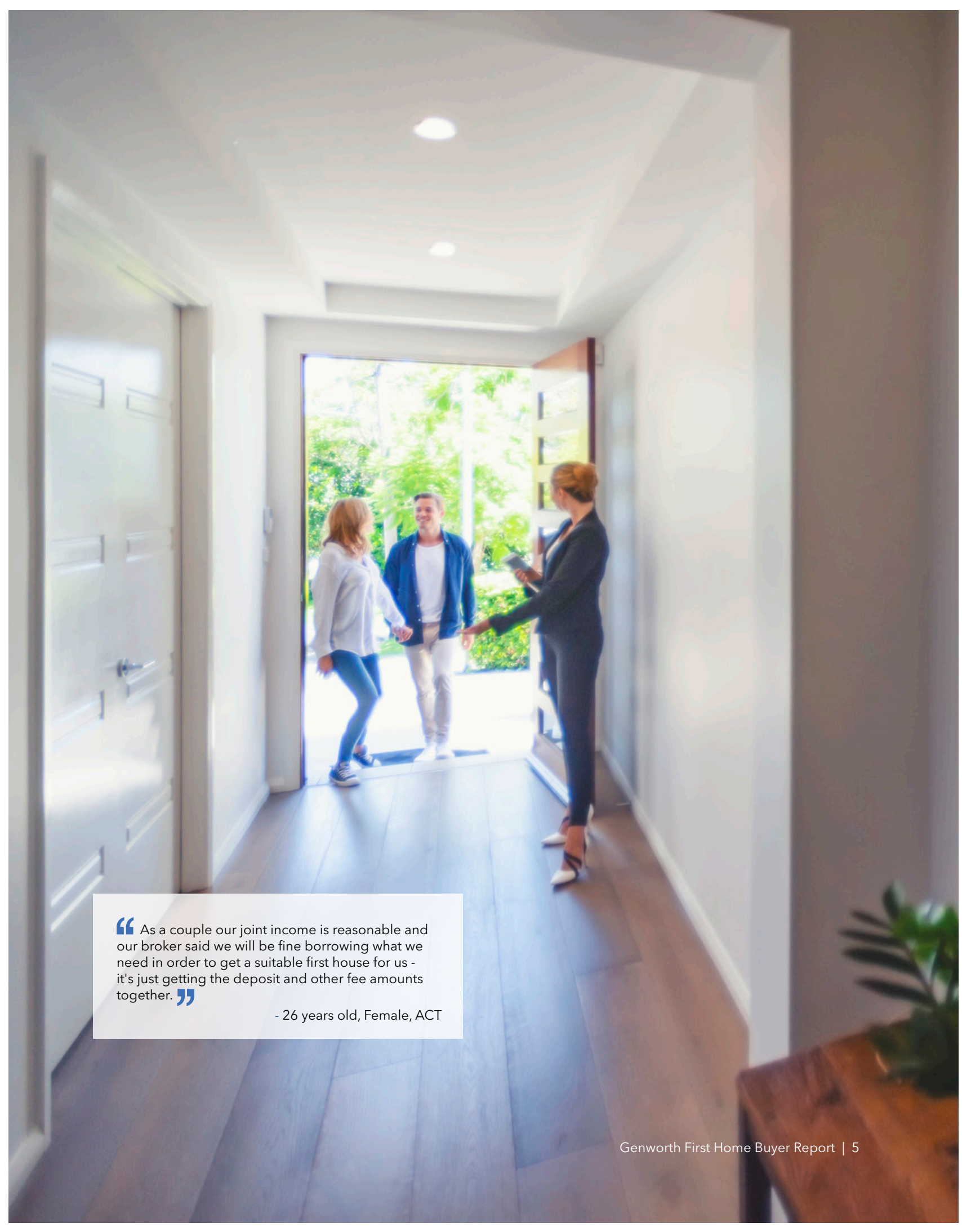
## Holding until the time is right

On the other hand, one in five FHBs also had the view that now is not a good time to purchase a home, and many of these are waiting for property prices to fall further. This is also reflected by the perspectives of those who have recently purchased their first home, with 58% concerned about recent price depreciation – the 'winner's curse'.

## Support during the buying processes

However, the experience of buying a first home can be challenging, with obtaining the right loan and reviewing the contract being key concerns among Prospective and Recent FHBs. These concerns highlight the value of support from a mortgage broker and a solicitor or conveyancer throughout the home buying process.





“ As a couple our joint income is reasonable and our broker said we will be fine borrowing what we need in order to get a suitable first house for us - it's just getting the deposit and other fee amounts together. ”

- 26 years old, Female, ACT

# About the Report

## The Genworth First Home Buyer Report has been prepared on the basis of:

- The survey was commissioned by Genworth and undertaken by CoreData during the period April to May 2020
- The respondents consisted of 2,193 Prospective First Home Buyers and 1,036 Recent First Home Buyers across Australia, including all capital cities and regional areas
- Desktop research and analysis undertaken by CoreData.

## Who constitutes a Prospective First Home Buyer?

A Prospective First Home Buyer (or Prospective FHB) is someone who is looking to buy their first property in the next 24 months.

## Who constitutes a Recent First Home Buyer?

A Recent First Home Buyer (or Recent FHB) is someone who has bought their first property in the past 24 months.

## Geographic spread of survey

The geographic split of survey respondents closely matches the geographic distribution of the broader Australian population. A table showing the breakdown of survey respondents by state/territory, location (metropolitan and regional) and age is shown below.

Figure 1 – Breakdown of survey respondents by state/territory, location and age

Location	Prospective First Home Buyer	Recent First Home Buyer
ACT	1.5%	1.6%
NSW Capital City (Sydney)	22.7%	18.6%
NSW Regional/Rural	10.8%	12.8%
NT	0.7%	0.6%
QLD Capital City (Brisbane)	11.4%	10.2%
QLD Regional/Rural	6.5%	6.5%
SA Capital City (Adelaide)	5.8%	5.7%
SA Regional/Rural	0.9%	0.8%
Tasmania	1.8%	1.9%
VIC Capital City (Melbourne)	23.4%	22.8%
VIC Regional/Rural	6.9%	10.2%
WA Capital City (Perth)	6.5%	7.2%
WA Regional/Rural	1.0%	1.0%
Overall	100.0%	100.0%

Age (banded)	Prospective	Recent
29 years old and below	51.8%	41.5%
30-39 years old	36.0%	43.3%
40-49 years old	9.7%	11.4%
50-59 years old	2.5%	3.8%
60 years old and above	0.0%	0.0%
Overall	100.0%	100.0%





“ The first thing you need to do is carefully probe the financial market. Know what financing options you have and then explore the real estate market. ”

- 35 years old, Male, WA





# Overview of the market





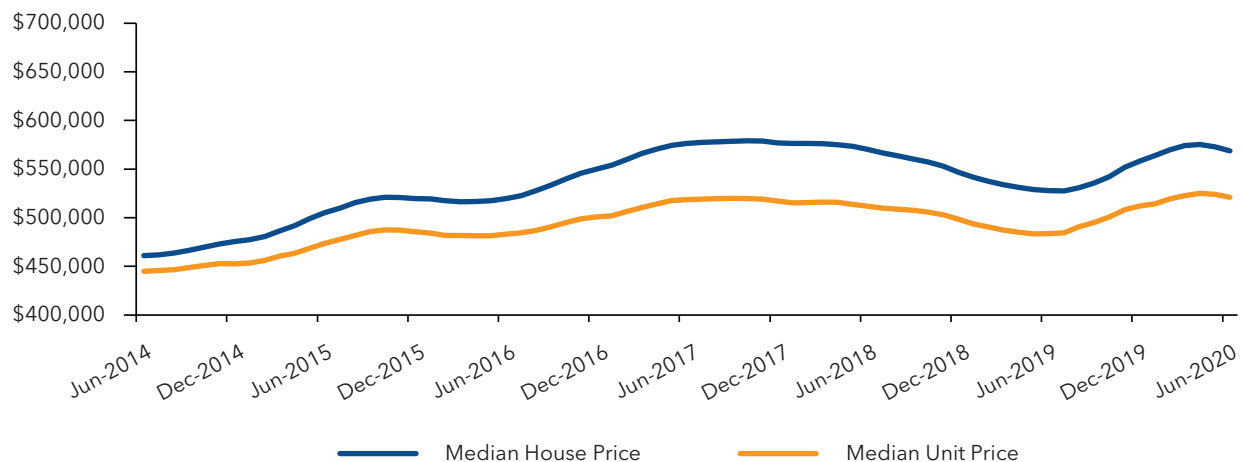
The downturn in the Australian residential property market provides an opportunity for Prospective FHBs to enter the market at a lower price point



Prospective FHBs are adjusting their home buying expectations, which are likely to reinforce the preferences on property type and holding period among Prospective and Recent FHB

After years of stellar growth, the Australian residential property market is undergoing a downturn on the back of the COVID-19 pandemic with falls in prices over the last months. The median Australian house price has fallen by 0.9% to \$568,730 and the median Australian unit price has fallen by 0.3% to \$521,020 in the quarter to June 2020<sup>1</sup>.

Figure 2 - Australian median house prices and Australian median unit prices (2014-2020)



Source: CoreLogic median price series, June 2020

However, the downturn appears to be an opportunity for Prospective FHBs, who remain resilient and as eager as ever to get their foot on the property ladder, as they are now provided with an opportunity to secure their first property at a lower price point.

At the same time, recent events have pushed Prospective FHBs to adjust their expectations, with around one in five looking to buy in other areas, such as in the outer suburbs, or looking to buy a different type of property, such as a smaller property (19.5% and 17.9%, respectively).

Overall, these renewed expectations are likely to reinforce the pre-existing general preferences on property type and

holding period among first home buyers. The dramatic property price movements over the past five years, particularly in major capital cities, such as Sydney and Melbourne, have led to some distinct changes and trends in the first home buyer market.

The Australian dream of a free-standing house is being superseded, as first home buyers look at new ways to get a foothold in the competitive and dynamic property market. These include buying a smaller entry-level property and looking to sell their first property within five to 10 years.

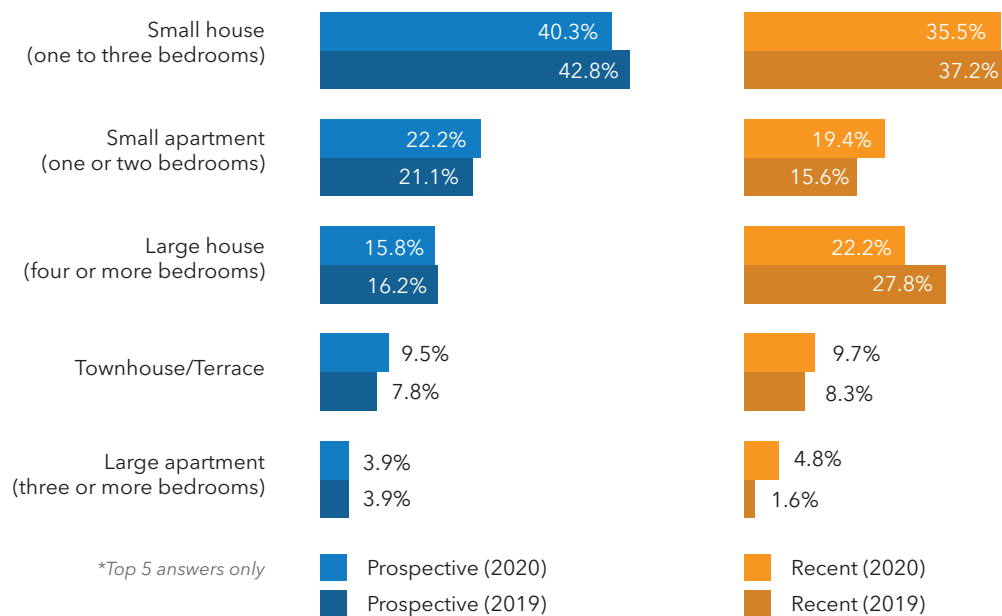
<sup>1</sup> CoreLogic median price series

Consistent with last year's research, a small house and a small unit are the most popular property types among Prospective FHBs (40.3% and 22.2%, respectively). A small house is most preferred among those in Adelaide (53.5%), while a small unit is most preferred among those in Sydney (34.4%). By age group, a small house is most preferred among Generation Y (42.7%), while a small unit is most preferred among Generation Z (29.0%).



An entry-level small house or small unit remains the most preferred property type among Prospective FHBs

Figure 3 - Property type preferences amongst Prospective and Recent FHBs



n = 2,193 Prospective FHBs (2020), 2,001 Prospective FHBs (2019); 1,036 Recent FHBs (2020), 1,008 Recent FHBs (2019)

Similar trends are observed among Recent FHBs, with preference for a small unit increasing (19.4% vs. 15.6%) and preference for a large house declining (22.2% vs. 27.8%). A small house is most popular among those in Adelaide (45.8%), while a small unit is most popular among those in Sydney (40.4%). By age group, a small house is most popular among Generation Y (37.1%), while a small unit is most popular among Generation Z (35.6%).

Consistent with last year's research, a notable proportion of Prospective FHBs intend to hold their first property for a relatively short period of time, with more than one in three (35.3%) intending to sell within five years, up slightly from 32.3% last year. Prospective FHBs looking to buy an investment property are more likely to sell within five years (44.3% vs. 34.1%). By geography, this intention is most evident among those in Sydney and Melbourne (39.8% and 39.2%, respectively), while by age group, this

is most evident among Generation Z (aged 23 years old or younger) (42.5%).

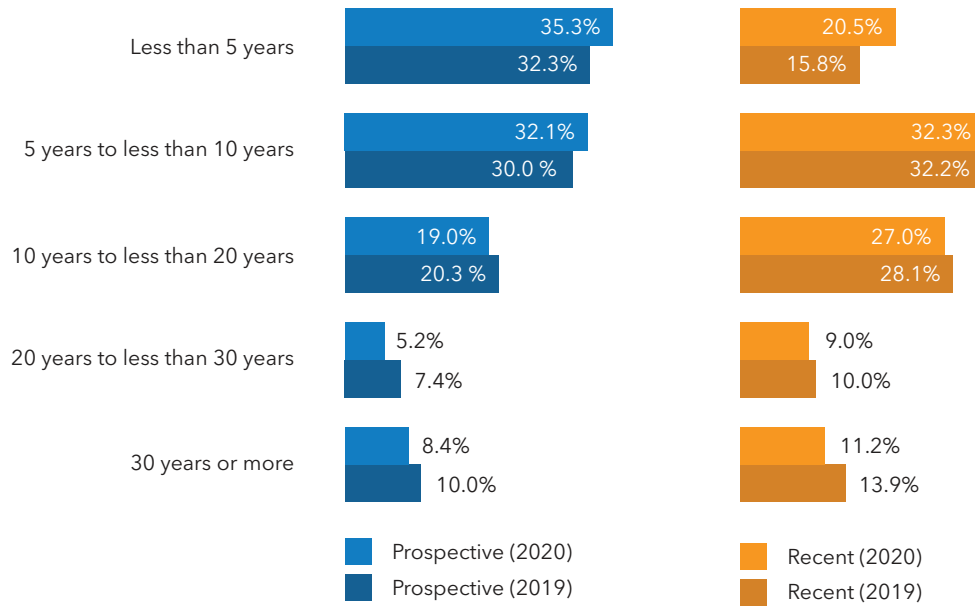
Although this trend is less pronounced among Recent FHBs, compared to last year's research, there are more Recent FHBs who intend to sell within five years (20.5% vs. 15.8%). By geography this is most evident among those in Sydney (29.0%), while by age group, this is most evident among Generation Z (32.9%).



Two in five Prospective FHBs in Sydney and Melbourne intend to sell their first property within five years



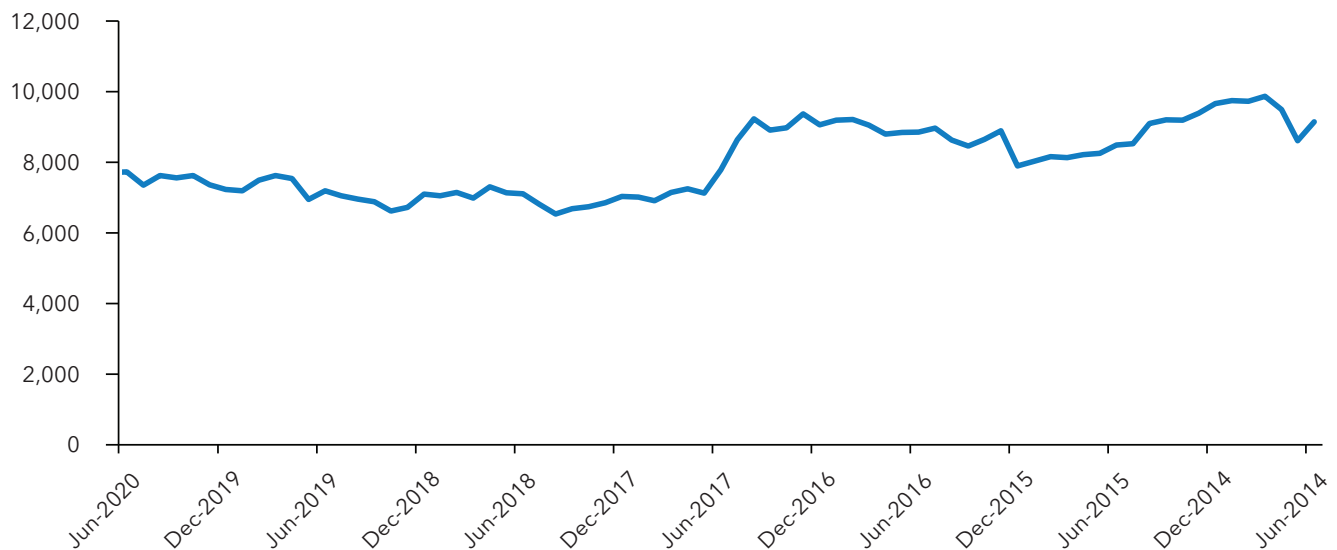
**Figure 4 – Duration that Prospective and Recent FHBs propose to hold their first property**



n = 2,193 Prospective FHBs (2020), 2,001 Prospective FHBs (2019); 1,036 Recent FHBs (2020), 1,008 Recent FHBs (2019)

The number of owner occupier first home buyer loan commitments increased by 6.2% in the month to June 2020, and remains notably higher than the most recent low point of December 2018, on a seasonally adjusted basis<sup>2</sup>.

**Figure 5 – New loan commitments to owner occupier first home buyers (seasonally adjusted), number, Australia (2014-2020)**



Source: ABS Catalogue 5601.0 - Lending Indicators, August 2020

<sup>2</sup> ABS Catalogue 5601.0 - Lending Indicators, August 2020



# A good time to buy



The recent fall in property prices and low interest rates appear to urge some Prospective FHBs to buy their first property sooner. This is driven by rational and emotional factors despite the market uncertainty



Prospective FHBs are looking to adjust their view of a property that is not necessarily their 'dream' or 'ideal' property as long as they have a property

There is also some variation across the capital cities, with Prospective FHBs in Adelaide and Perth being more optimistic (73.2% and 71.8%, respectively), and those in Sydney and Melbourne being less optimistic (64.2% and 63.5%, respectively).



Two in three Prospective FHBs believe it is a good time to buy a property now

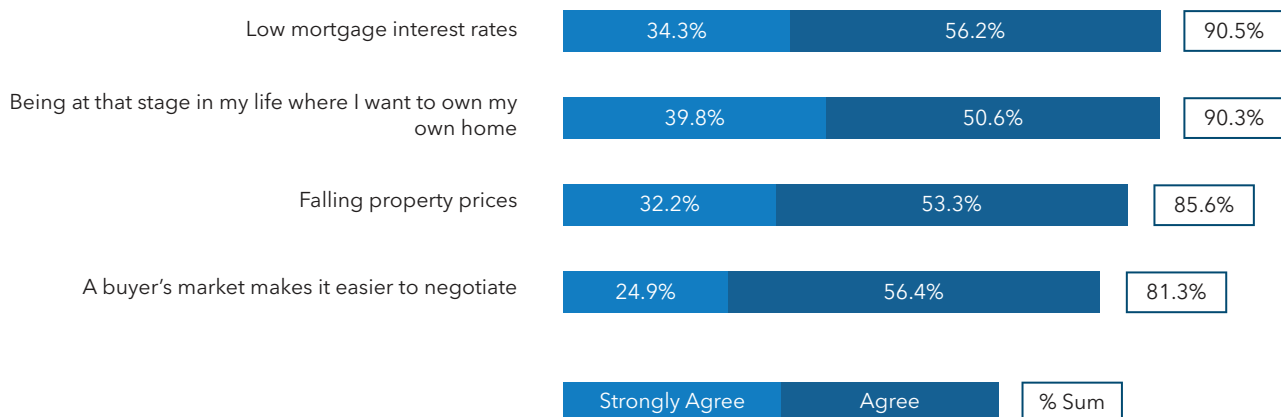
The relatively strong momentum in first home buyer lending activity is also likely to continue with almost two in three (65.6%) Prospective FHBs believing it is a good time to buy a property now.

Older Prospective FHBs are more likely to hold the optimistic view, with almost three in four (72.8%) Generation X (aged 40 years old or older) thinking it is a good time to buy a property now, compared to two in three (66.3%) Generation Y (aged between 24 and 39 years old) and almost three in five (57.2%) Generation Z (aged 23 years old or younger).

While the recent falls in prices and market uncertainty due to COVID-19 may be deterring some Prospective FHBs from buying a property now, at the same time these appear to provide other Prospective FHBs with a greater impetus to secure their first property before prices rise again. Indeed, falling property prices is one of the most common reasons for believing that it is a good time to buy a property now (85.6%). Other key reasons are the record low mortgage interest rates (90.5%), making it more affordable than ever for Prospective FHBs to service a loan.

More than four in five (81.3%) believe the market is currently a buyer's market, making it easier to negotiate, while nine in 10 (90.3%) believe it is a good time to buy a property now as they are at a stage in their life where they want to own their own home.

Figure 6 - Reasons for believing it is a good time to buy a property now



n = 1,440 Prospective FHBs who think it is a good time to buy a property now





It is likely, however, that beyond these rational factors lies underlying emotional factors associated with the fear of missing out, which are pushing Prospective FHBs to secure their first property sooner.

Although the growth in residential property prices has moderated over the past three months, over the longer term prices have grown considerably across most of the major capital cities, particularly in Sydney and Melbourne. Unfortunately, the growth in prices has typically exceeded the growth in incomes, meaning that the time taken to save a 20% deposit for a median-priced house or a median-priced unit has trended upwards in most instances, with the notable exception of Perth.

For instance, it is estimated that it takes around 15 years and 12 years, respectively, to save a 20% deposit for a

median-priced house and unit in Sydney, a notable rise compared to last year and in 2014. This is also true for Melbourne, where it is estimated it takes around 12 years and 9 years, respectively, to save a 20% deposit for a median-priced house and unit, a notable rise compared to last year and in 2014.



On average, it takes around 15 years and 12 years, respectively, to save a 20% deposit for a median-priced house and unit in Sydney

Figure 7 – Median house and unit prices by capital city (2014-2020)

City	Year*	Median house price <sup>1</sup>	Median unit price <sup>1</sup>	Years to save a 20% deposit for median-priced house <sup>2</sup>	Years to save a 20% deposit for median-priced unit <sup>2</sup>
Sydney	2014	\$721,294	\$591,031	11.8	9.6
	2015	\$858,248	\$669,538	13.8	10.8
	2016	\$876,780	\$689,855	14.0	11.0
	2017	\$1,033,818	\$773,102	16.4	12.3
	2018	\$971,096	\$741,946	15.3	11.7
	2019	\$866,524	\$682,374	13.5	10.6
	2020	\$992,414	\$754,717	15.3	11.7
Melbourne	2014	\$552,857	\$460,263	9.0	7.5
	2015	\$640,376	\$482,102	10.3	7.8
	2016	\$686,682	\$493,210	11.0	7.9
	2017	\$802,109	\$535,870	12.7	8.5
	2018	\$804,152	\$545,702	12.6	8.6
	2019	\$709,092	\$527,748	11.1	8.2
	2020	\$784,247	\$576,800	12.1	8.9
Brisbane	2014	\$481,837	\$400,125	7.8	6.5
	2015	\$499,700	\$400,277	8.0	6.4
	2016	\$521,595	\$402,092	8.3	6.4
	2017	\$538,324	\$386,334	8.6	6.1
	2018	\$546,862	\$383,068	8.6	6.0
	2019	\$533,133	\$372,396	8.3	5.8
	2020	\$559,501	\$379,090	8.6	5.9
Adelaide	2014	\$417,793	\$296,559	6.8	4.8
	2015	\$426,867	\$304,063	6.9	4.9
	2016	\$440,483	\$312,209	7.0	5.0
	2017	\$459,931	\$316,215	7.3	5.0
	2018	\$467,683	\$319,666	7.4	5.0
	2019	\$465,266	\$322,598	7.3	5.0
	2020	\$474,672	\$329,624	7.3	5.1
Perth	2014	\$561,398	\$464,558	9.1	7.6
	2015	\$542,073	\$446,168	8.7	7.2
	2016	\$518,901	\$417,485	8.3	6.7
	2017	\$507,994	\$398,351	8.1	6.3
	2018	\$503,223	\$383,503	7.9	6.0
	2019	\$458,137	\$345,754	7.1	5.4
	2020	\$446,748	\$337,928	6.9	5.2

\*30 June. Sources: 1. CoreLogic median price series, June 2020, 2. ABS Catalogue 6302.0, November 2019. The years to save is calculated as a Prospective FHB (earning the average income) saving 20% of this after-tax income towards a 20% deposit for a median-priced house or unit.

Reflecting these timeframes, the emotional fear-of-missing-out and life stage readiness drivers pushing Prospective FHBs to buy a property sooner are highly prevalent among this cohort. More than half feel they are losing hope in being able to buy their first property, and a similar proportion feel they are stretching themselves too much in order to achieve this goal (53.6% and 55.5%, respectively).

Furthermore, more than three in five (61.2%) also openly admit that the 'fear of missing out' is strongly driving their quest to buy their first property and four in five (80.4%) are feeling a growing sense of urgency to buy their first property as prices keep going up.

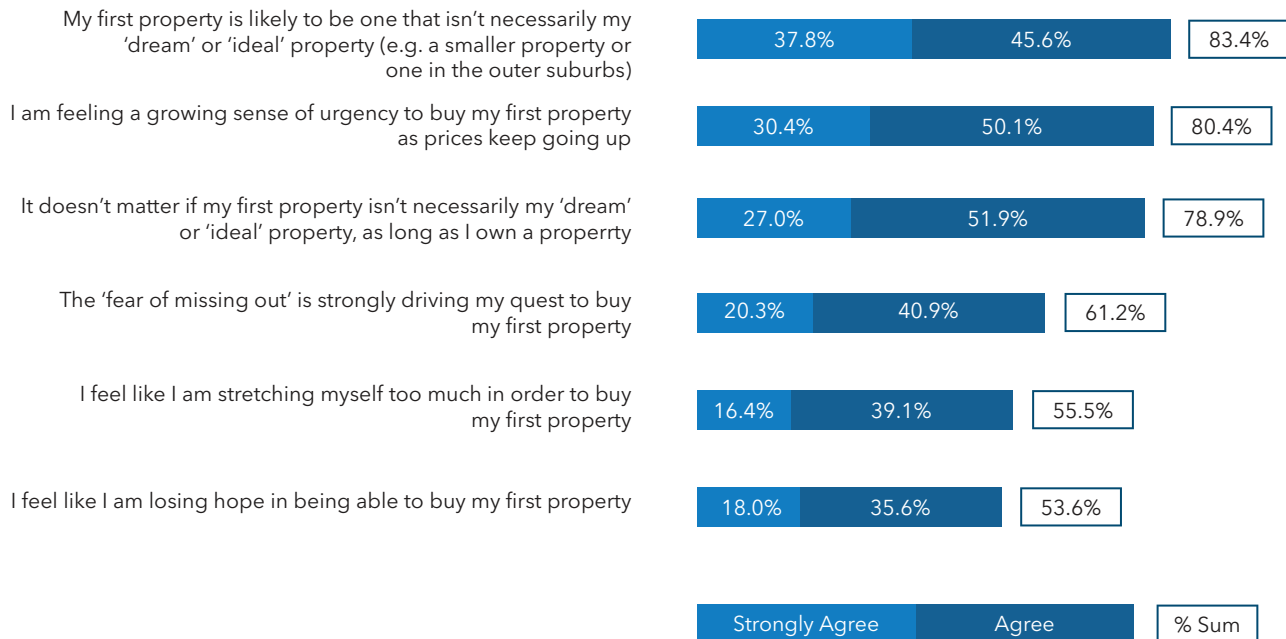
As a result, there is a strong tendency to compromise by settling for a property that is not necessarily their 'dream' or 'ideal' property. These adjustments include buying a smaller property and buying a property in the outer suburbs. However, this doesn't seem to faze this cohort, as it is clear that they would prefer owning a property, even if it is less-than-ideal in terms of size or location, than not owning one at all. Some Recent FHBs also appear to recognise that this is the reality that many Prospective FHBs will have to contend with.

Indeed, around four in five Prospective FHBs admit that their first property is likely to be one that isn't necessarily their 'dream' or 'ideal' property or that it doesn't matter that their first property is less-than-ideal as long as they have one (83.4% and 78.9%, respectively). Among those who are set to compromise, close to half (45.1%) think they will be able to eventually buy their 'dream' or 'ideal' property within two to five years.



Four in five (83.4%) Prospective FHBs are compromising by looking to buy a property that isn't necessarily their 'dream' or 'ideal' property

**Figure 8 - How Prospective FHBs feel about buying their first property**



n = 2,193



“ As a first home buyer, most likely you will not be able to purchase your dream home right away, such as ideal location, house size or if it's a brand new newly built property.

My recommendation is to get your foot in the door of the property market and settle for a property that is as close to what you would expect it to be but at a more affordable price.

Later down the track, when you have saved up more, you can combine the money that you've been saving plus the money from selling your first home to finally purchase that dream home you've been wanting. ”

- Female, 34 years old, Recent FHB, Vic







# Barriers to buying



The persistent barriers to buying are finding a suitable property within budget in a suitable location, affordability of the housing market and saving for a 20% deposit



Prospective FHBs find the greatest challenges in saving for a 20% deposit are meeting their living expenses, adapting to the behavioural changes on how to spend and save their money and adapting to the lifestyle changes in order to save



There is a view that property prices could fall further over the next 12 months, leading some to have a desire to avoid the dreaded winners' curse

There are persistent and emerging challenges faced by Prospective and Recent FHBs in buying their first property.

Consistent with last year's research, the greatest barriers for Prospective FHBs to owning their first home are finding a suitable property within budget in a suitable location (55.6%), affordability of the housing market (54.9%) and saving for a 20% deposit (51.5%).

Prospective FHBs in Sydney and Melbourne are the most likely to cite affordability of the housing market as a key barrier (59.2% and 56.1%, respectively), reflecting the higher property prices and the continued rise in prices in these cities over the 12 months to June 2020 (13.3% and 10.2%, respectively)<sup>3</sup>. Those in Perth are the least likely to (45.1%), reflecting the city's relatively subdued market, with dwelling prices falling by 2.5% over the 12 months to June 2020<sup>4</sup>.

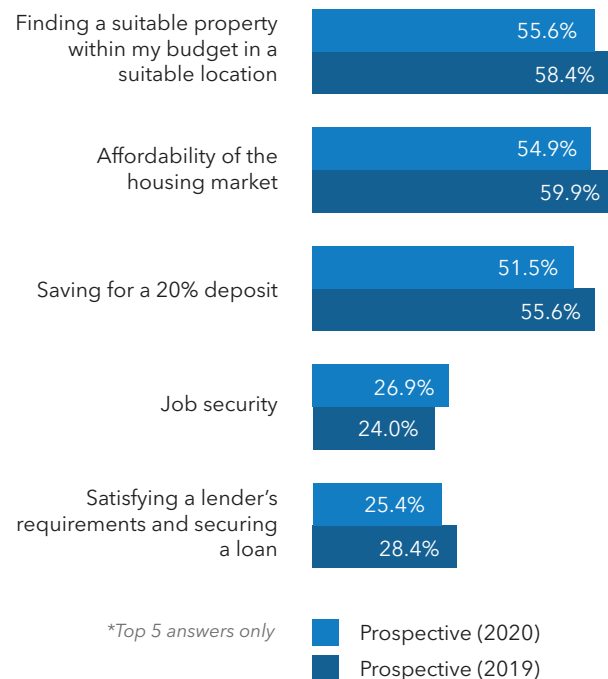
Finding a suitable property within budget in a suitable location, affordability of the housing market and saving for a 20% deposit were also the greatest barriers for Recent FHBs before they bought their first home.

However, while these are significant hurdles for Prospective FHBs, fewer of this cohort are citing these as a barrier to buying their first property this year, with slightly more citing job security as their barrier (26.9% vs. 24.0%).



Consistently the greatest barrier for Prospective FHBs is finding a suitable property within budget in a suitable location and affordability of the housing market

**Figure 9 - The greatest barriers for Prospective FHBs to owning their first home**



n = 2,193 (2020); 2,001 (2019)

<sup>3</sup> CoreLogic median price series, June 2020

<sup>4</sup> CoreLogic median price series, June 2020  
sda



One in six (16.9%) do not feel secure in their current employment and more than one in four (27.3%) feel some degree of insecurity over their income, compared to 14.5% and 28.1%, respectively last year.

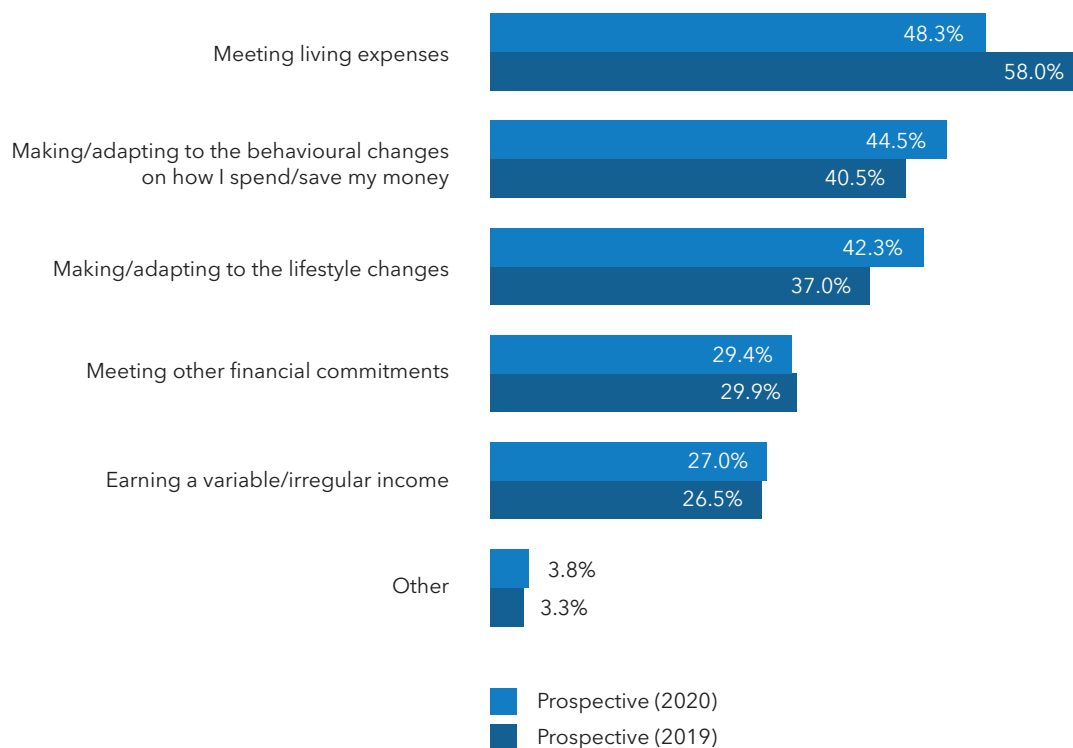
In turn, these worries appear to be impacting the ability of Prospective FHBs to save for a 20% deposit. Indeed, one in three (33.9%) concede that they are now looking to delay purchasing their first property due to difficulties in saving for a deposit given the ongoing COVID-19 pandemic.



One in three (33.9%) Prospective FHBs are set to delay purchasing due to difficulties in saving for a deposit given the COVID-19 pandemic

Although meeting living expenses remains the greatest challenge in saving for a 20% deposit, fewer of this cohort cite this as a challenge this year (48.3% vs. 58.0%). However, the period of uncertainty means that compared to last year, more Prospective FHBs say making and adapting to behavioural (44.5% vs. 40.5%) or lifestyle changes (42.3% vs. 37.0%) on how they spend and save their money is becoming increasingly challenging.

Figure 10 – The greatest challenges for Prospective FHBs in saving for a 20% deposit



n = 2,193 (2020); 2,001 (2019)

Making and adapting to the behavioural and lifestyle changes are key challenges for Prospective FHBs across all age groups regardless of geography. These also proved to be the key challenges for Recent FHBs in saving for a 20% deposit.

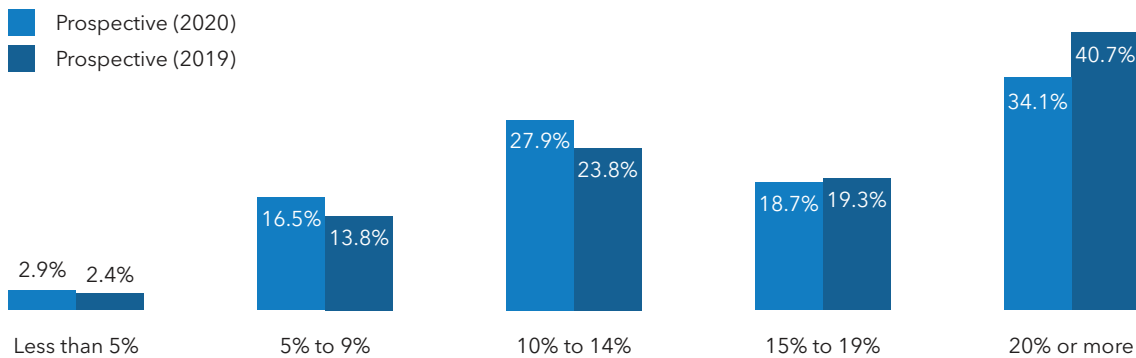
As a result, attaining a 20% deposit is becoming more difficult with tightening household budgets. Compared to last year, fewer Prospective FHBs are proposing to put a 20% deposit towards their first property purchase (34.1% vs. 40.7%).

Younger Prospective FHBs are more likely to fall short of a 20% deposit, with only one in four (27.3%) Generation Z proposing to have this amount for their first property purchase, a lower proportion compared to 34.1% among Generation Y and 42.9% among Generation X and older.



Two thirds (66%) of Prospective FHBs are proposing to put less than a 20% deposit towards their first property purchase

**Figure 11 – The proposed deposit size of Prospective FHBs**



n = 2,193 (2020); 2,001 (2019)

Overall, reflecting these issues, one in five (19.9%) Prospective FHBs do not think it is a good time to buy a property now, with a further one in seven (14.5%) being unsure.

Younger Prospective FHBs are more likely to hold a pessimistic view, with almost three in 10 (27.9%) Generation Z thinking it is not a good time to buy a property now and a further one in seven (15.0%) being unsure.

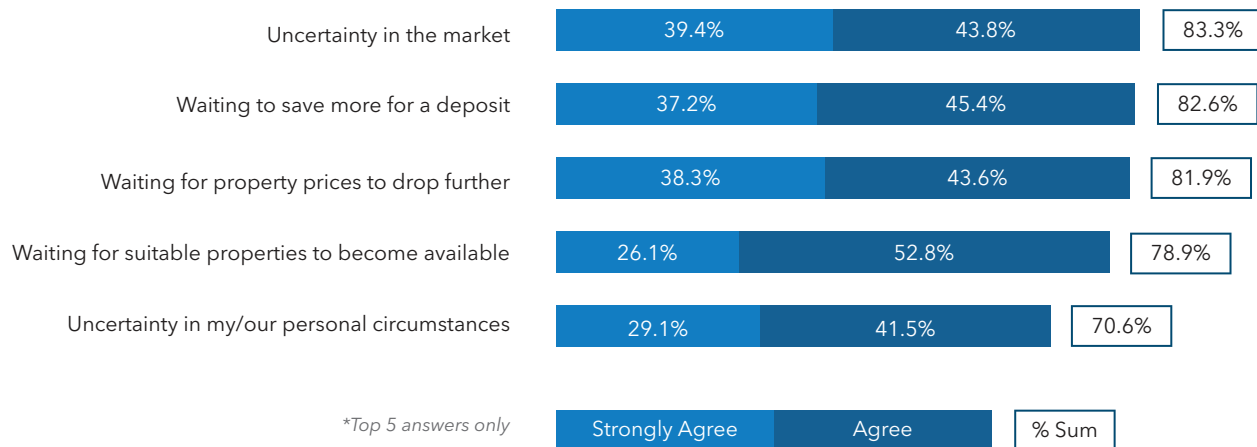
Reflecting the current environment, the most common reasons that are deterring some Prospective FHBs from buying a property now are 'uncertainty in the market' (83.3%), 'wanting to save more for a deposit' (82.6%) and 'uncertainty in my/our personal circumstances' (70.6%).



Of the one fifth (19.9%) Prospective FHBs that do not think it is a good time to buy a property now, cite the uncertainty in the market (83.3%) and wanting to save more for a deposit (82.6%) as reasons



Figure 12 – Reasons for believing it is not a good time to buy a property now



n = 436 Prospective FHBs who don't think it is a good time to buy a property now

There is also a view that the recent falls in residential property prices could be prolonged, with more than four in five (81.9%) holding off from buying now to wait for property prices to drop further.

The expected prolonged downturn in property prices extends across the broader Prospective FHB cohort, as well as the Recent FHB cohort, with around one in three expecting prices to continue to fall over the next 12 months (32.4% and 31.8%, respectively).

Older Prospective and Recent FHBs are more likely to have a negative outlook, with more than one in three Generation X and older expecting prices to continue to fall over this period (35.4% and 35.0%, respectively).

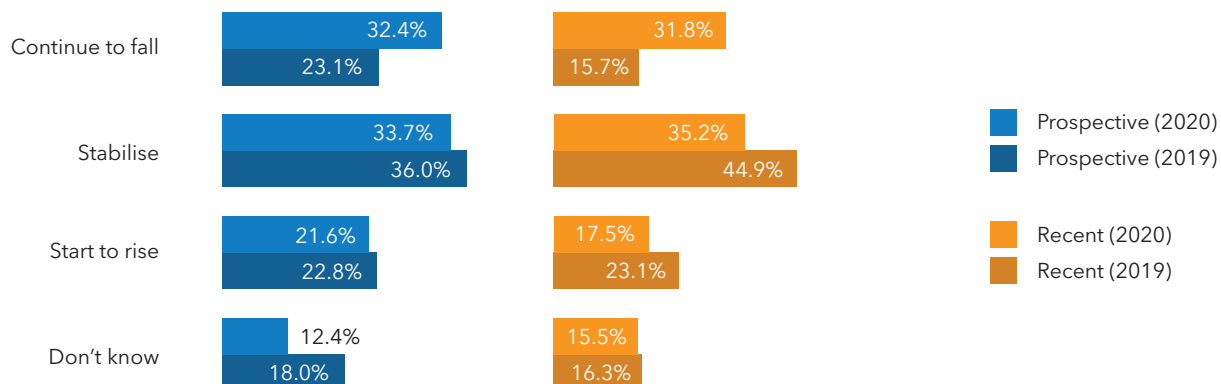
As a result, there appears to be a desire among some Prospective FHBs to avoid the dreaded 'winner's curse' as a result of overpaying for a property that may have fallen in value after the purchase.

Unfortunately, it appears that a large number of Recent FHBs may be suffering from the 'winner's curse'. Almost three in five (58.0%) admit they are concerned about recent property price depreciation in general, while more than half (54.4%) admit they are concerned about the price depreciation of their property.




Almost three in five (58.0%) Recent FHBs are concerned about recent property price depreciation in general

Figure 13 – Expected property price movements over the next 12 months



n = 2,193 Prospective FHBs (2020), 2,001 Prospective FHBs (2019); 1,036 Recent FHBs (2020), 1,008 Recent FHBs (2019)

A young couple is sitting on a rooftop terrace, smiling and holding coffee cups. The scene is bathed in the warm, golden light of a setting or rising sun, creating a romantic and cozy atmosphere. The couple is positioned in the lower half of the frame, with the woman on the left and the man on the right. They are both looking towards the camera. The background shows a cityscape and a body of water, with the sun low on the horizon, casting long shadows and a warm glow over the entire scene. The terrace has a wooden railing and some outdoor furniture is visible in the background.

“ We live in somewhat interesting times of late, and flexibility is good to have if one can’t be 100% sure circumstances are going to remain identical to what they are currently.”

- 34 years old, Male, NSW





# Ready to buy





Prospective FHBs are becoming increasingly prepared to buy, with more having established their borrowing capacity and having pre-approval for a loan



Awareness, understanding and consideration of LMI are high, with Recent FHBs who used LMI finding it to be valuable



Cutting back on lifestyle expenses, working overtime and relying on the 'Bank of Mum and Dad' are common strategies for Prospective and Recent FHBs to buy sooner

Despite the persistent and emerging challenges faced in buying, Prospective FHBs are becoming increasingly proactive by making themselves better prepared to buy, reflecting the greater sense of opportunity to secure their first property sooner.

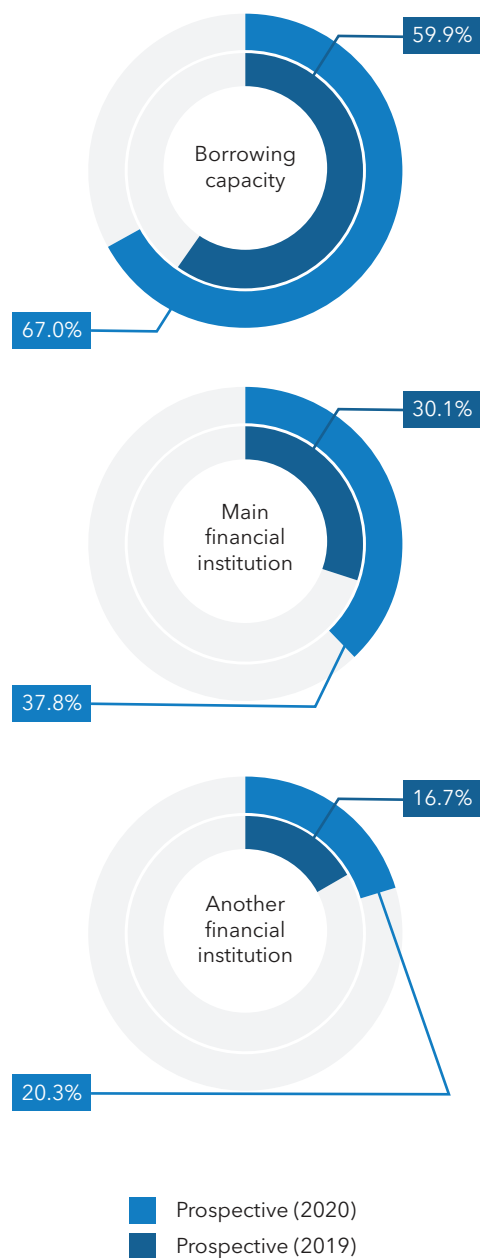
Compared to last year, there is a growing tendency for this cohort to have established their borrowing capacity and to obtain pre-approval for a loan. Two in three (67.0%) Prospective FHBs have established how much they can borrow for their loan, even if it is only vaguely, up from 59.9% last year. By age group, Generation Y are the most likely to have established their borrowing capacity (69.8%), while Generation Z are the least likely to (56.3%).

Furthermore, close to two in five (37.8%) Prospective FHBs have pre-approval for a loan from their main financial institution, while one in five (20.3%) have one from another financial institution, up from 30.1% and 16.7%, respectively, last year. Interestingly, by age group, Generation Z are the most likely to have obtained pre-approval, whether from their main financial institution (45.5%) or another financial institution (24.9%), while Generation X and older are the least likely to (32.1% and 14.9%, respectively).



There are more Prospective FHBs who have established their borrowing capacity and/or obtained pre-approval for a loan this year

Figure 14 - The proportion of Prospective FHBs who have established borrowing capacity and have pre-approval for a loan



n = 2,193 (2020); 2,001 (2019)

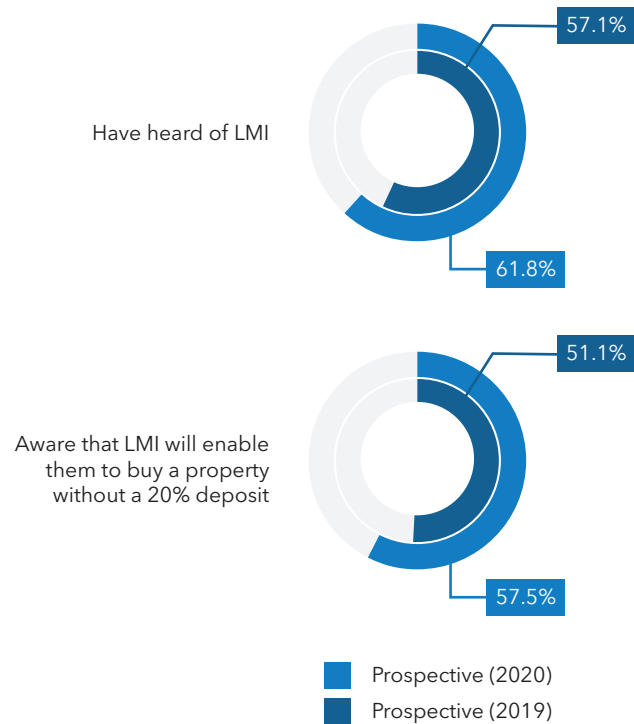
In another sign of proactiveness by making themselves better prepared to buy, application intention for Government assistance schemes is high among Prospective FHBs. More than two in five (43.7%) are applying or planning to apply for such schemes, up slightly from 41.7% last year. Intention to apply for Government assistance schemes is relatively high across all age groups regardless of geography.

There are high levels of awareness, understanding and application intention of LMI as an alternative for Prospective FHBs to buy their first property sooner. Compared to last year, there are more Prospective FHBs proposing to put less than a 20% deposit who have heard of LMI (61.8% vs. 57.1%) and are aware that LMI will enable them to buy a property without a 20% deposit (57.5% vs. 51.1%). Recognising the potential value of LMI, overall, more than four in five (82.7%) Prospective FHBs proposing to put less than a 20% deposit are 'very' or 'somewhat' likely to use LMI compared to 80.8% last year.

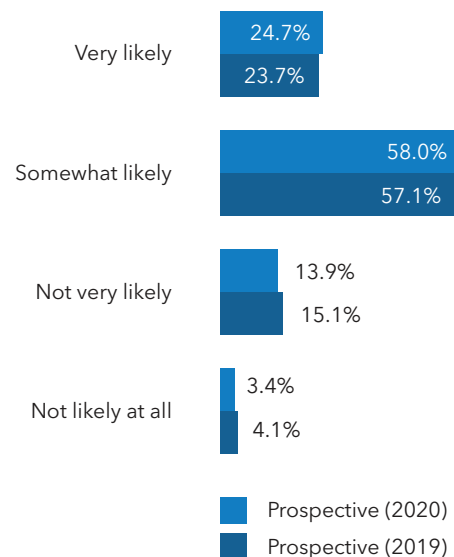


Awareness, understanding and usage intention are high for LMI among Prospective FHBs with less than a 20% deposit

**Figure 15 – Awareness and consideration of LMI among Prospective FHBs**



**How likely are you to use LMI to buy your first property?**



n = 1,445 (2020), 1,187 (2019), Prospective FHBs who propose less than 20% deposit



The value of LMI is evident among those who used it, with almost three in five (55.7%) Recent FHBs with less than a 20% deposit using it and more than two in three (67.2%) LMI users saying that it has been valuable for them.

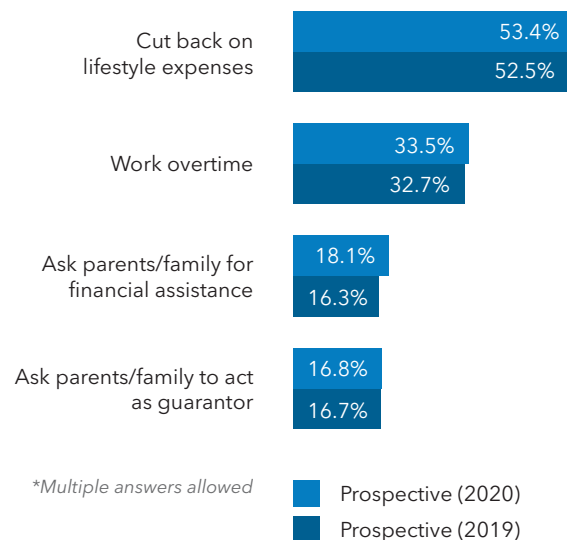
The most common reasons for using LMI are 'I wanted to buy my first property as soon as possible' and 'It would have taken me too long to save a 20% deposit' (47.7% and 47.5%, respectively), further highlighting the prevailing sense of urgency among Prospective and Recent FHBs alike.

Overall Prospective FHBs are continuing to use or planning to use a range of other strategies to buy their first property sooner. These include cutting back on lifestyle expenses (53.4%), working overtime (33.5%) and relying on the 'Bank of Mum and Dad', with close to one in five (18.1%) turning to parents/family for financial assistance and a similar proportion (16.8%) asking parents/family to act as guarantor.



Many Prospective and Recent FHBs are looking cut back on lifestyle expenses to help them buy their first property sooner

**Figure 16 – Other strategies used by Prospective FHBs to buy a property sooner**



n = 2,193 (2020); 2,001 (2019)

These strategies were also commonly used by Recent FHBs, with half (49.2%) cutting back on lifestyle expenses and one in four (24.2%) working overtime to buy their first property sooner. One in five (21.2%) asked their parents/family for financial assistance and one in five (10.5%) asked them to act as guarantor.





## Need for support



Obtaining the right loan and reviewing the contract are key areas of importance, highlighting the value of support from a mortgage broker and a solicitor or conveyancer

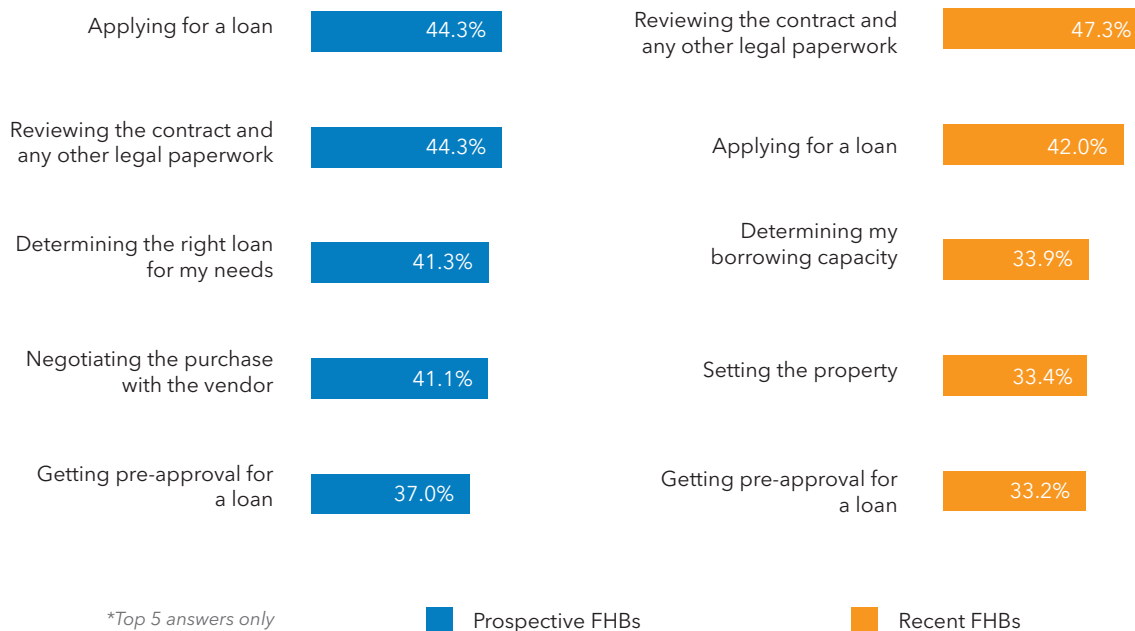


There is also need for support from the financial institutions throughout the home buying process and beyond

Although Prospective FHBs are proactive and ready to buy, the experience of buying a first home can be a challenging one for Prospective and Recent FHBs, who may find elements of the process unfamiliar and need support from others, including professionals.

For Prospective FHBs, applying for a loan (44.3%), reviewing the contract and any legal paperwork (44.3%) and determining the right loan for their needs (41.3%) are the top three aspects in which some support would be valued. There are similarities for Recent FHBs, with reviewing the contract and any legal paperwork (47.3%), applying for a loan (42.0%) and determining their borrowing capacity (33.9%) being the top three aspects in which some support would be valued.


Figure 17 – The key areas of the home buying process for Prospective and Recent FHBs



n = 2,193 Prospective FHBs (2020), 1,036 Recent FHBs (2020)

Obtaining the right loan appears to be a particular area of need for Prospective and Recent FHBs, particularly given the job security worries on the back of the ongoing COVID-19 pandemic.

Almost seven in 10 (69.4%) Prospective FHBs find it 'very' or 'somewhat' difficult to do research on who to see for a loan and which loan to obtain for their first property. Likewise, close to three in five (58.0%) Recent FHBs found this to be 'very' or 'somewhat' difficult. Furthermore, seven in 10 (70.6%) Prospective FHBs also expect it to be 'very' or 'somewhat' difficult to obtain the loan that they need.



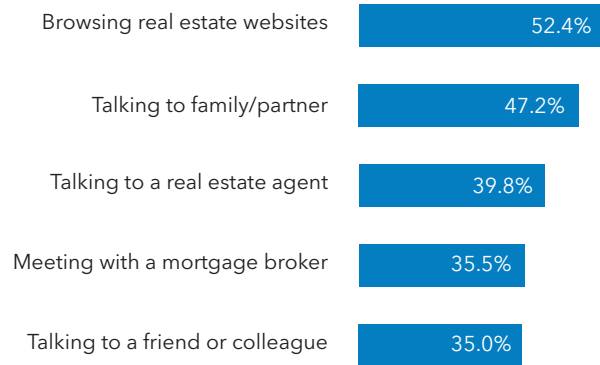
Obtaining the right loan is a key priority for around seven in 10 Prospective FHBs

These areas of importance highlight the value of support from a mortgage broker and a solicitor or conveyancer in the home buying process.

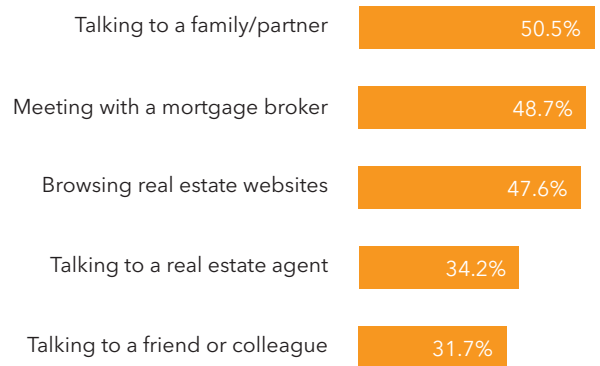
However, there is also scope for financial institutions to play a role in supporting Prospective and Recent FHBs through the home buying process. Currently real estate websites (52.4%), family members/partners (47.2%) and real estate agents (39.8%) are the most common sources for Prospective FHBs for information on the home buying process. Family members/partners (50.5%) and real estate websites (47.6%) are also popular sources for Recent FHBs in this regard.



Figure 18 - The most common information sources for the home buying process for Prospective and Recent FHBs



*\*Top 5 answers only  
\*Multiple answers allowed*



*\*Top 5 answers only  
\*Multiple answers allowed*

■ Prospective FHBs ■ Recent FHBs

n = 2,193 Prospective FHBs, 1,036 Recent FHBs










The survey results together with the desktop research undertaken to prepare this Report demonstrate the resilience of the first home buyer segment and the importance of this segment in driving the Australian residential property market in the post-COVID-19 world.

Despite persistent and emerging challenges, first home buyers are being driven by rational as well as emotional factors and are prepared to adjust their behaviours and intentions. Their proactivity in preparation to ensure they are ready to buy should the right property present itself and the increased adjustment in the lowering their savings levels and utilising LMI, support the fact that the majority of first home buyers still think it is a good time to buy.





“ Do proper research of all the financial offers which are on the market. Don't spend more than you can afford. Check your credit score regularly.”

- 33 years old, Female, Tasmania



# Glossary

<b>ABS:</b>	Australian Bureau of Statistics
<b>APRA:</b>	Australian Prudential Regulation Authority
<b>CoreData:</b>	CoreData Pty Limited Suite 7, Level 9, 66 Hunter St Sydney NSW 2000
<b>CoreData Survey or Survey:</b>	Survey of 2,193 Prospective First Home Buyers and 1,036 Recent First Home Buyers undertaken by CoreData on behalf of Genworth during the period April 2020 to May 2020 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
<b>CoreLogic:</b>	RP Data Pty Ltd trading as CoreLogic Asia Pacific (ABN 67 087 759 171)
<b>FHB:</b>	First home buyer
<b>Generation X and older:</b>	Someone aged 40 years old or older
<b>Generation Y:</b>	Someone aged between 24 and 39 years old
<b>Generation Z:</b>	Someone aged 23 years old or younger
<b>Genworth:</b>	Genworth Mortgage Insurance Australia Limited is a public company listed on the Australian Securities Exchange. Through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd and Genworth Financial Mortgage Indemnity Ltd, Genworth is the leading provider of Lenders Mortgage Insurance in the Australian residential mortgage market
<b>Lenders Mortgage Insurance or LMI:</b>	An insurance policy that lenders take out to protect themselves against the risk that a borrower defaults on his/her home loan repayments and the lender is unable to recover the full outstanding loan amount
<b>Prospective First Home Buyer or Prospective FHB:</b>	Someone who is looking to buy their first property in the next 24 months
<b>Recent First Home Buyer or Recent FHB:</b>	Someone who has bought their first property in the past 24 months
<b>Report:</b>	This report titled "The Genworth First Home Buyer Report" commissioned by Genworth and prepared by CoreData dated July 2020
<b>RBA:</b>	Reserve Bank of Australia
<b>The 'Bank of Mum and Dad':</b>	Parental or family assistance provided to first home buyers to buy a home. This assistance can take the form of a monetary gift, a loan guarantee and/or a loan.







