

# Genworth First Home Buyer Report

AUGUST 2021



Report prepared by

**CORE**DATA

**Genworth** 

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# About Genworth

Genworth Mortgage Insurance Australia Limited (Genworth), is a leading provider of Lenders Mortgage Insurance (LMI) in Australia. With over 50 years of expertise in the Australian residential mortgage market, Genworth issued 76,557 insurance policies in 2020 that secured home loans valued at \$31.6 billion.

LMI facilitates residential mortgage lending by transferring risk from lenders to LMI providers, predominantly for high loan-to-value ratio loans. We work with our lender customers, regulators and policy leaders to promote a stronger and more sustainable housing market in Australia.

# Basis of this report

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

- The findings of a survey (commissioned by Genworth and undertaken by CoreData) during the period April 2021 to May 2021
- 2,077 Prospective First Home Buyers and 1,008 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.

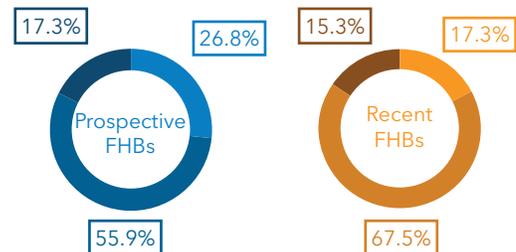
## Geographic spread of survey

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) is shown below.

Figure 1 - Breakdown of survey respondents by state/territory, location

Location	Prospective First Home Buyer	Recent First Home Buyer
ACT	1.5%	2.6%
NSW Capital City (Sydney)	21.8%	25.7%
NSW Regional/Rural	9.8%	12.7%
NT	0.1%	0.5%
QLD Capital City (Brisbane)	12.0%	10.0%
QLD Regional/Rural	7.2%	2.9%
SA Capital City (Adelaide)	5.4%	5.4%
SA Regional/Rural	1.0%	1.0%
Tasmania	2.0%	1.5%
VIC Capital City (Melbourne)	25.4%	20.6%
VIC Regional/Rural	7.7%	8.3%
WA Capital City (Perth)	5.3%	8.5%
WA Regional/Rural	0.9%	0.3%
Overall	100.0%	100.0%

Location	Prospective First Home Buyer	Recent First Home Buyer
Metro	76.7%	79.8%
Regional	23.3%	20.2%
Overall	100.0%	100.0%



- Generation Z (26 years old & below)
- Generation Y (27 - 41 years old)
- Generation X (42 years old & above)



# Key Insights

Prospective FHBs are more eager and ready than ever to get their foot on the property ladder in an increasingly heated property market. More prominent than ever as a driver of intentions is the 'fear of missing out', despite persistent financial and non-financial challenges.

## A good time to buy

A combination of record low-low interest rates as well as a strong housing market has contributed to the increased demand for property and in turn, increasing property prices. Despite the higher prices, the majority of Prospective FHBs still believe that it is a good time to buy, including those who are hoping to take advantage of the low interest rates and gain from further price increases.

Beyond these factors, this view is also likely to be driven by a range of emotional factors. Market conditions appear to have intensified the 'fear of missing out' and a sense of urgency among Prospective FHBs before prices keep increasing and become further out of reach.

## Challenges in buying

Amid increasing property prices and subdued income growth, saving for a deposit is increasingly challenging for Prospective FHBs. As a result, Prospective FHBs are now typically taking longer to save for a deposit and even fewer are looking to put forward a deposit of 20% or more.

Beyond the financial challenges however, non-financial challenges can also make the buying journey a stressful one. Understanding the intricacies of the property market and the systems that surround it, not knowing who to trust, as well as conflicting and unreliable information are the common frustrations that Prospective FHBs have to contend with.

## COVID-19 Impacts

FHB participation has remained strong in 2021 and COVID-19 has not deterred Prospective FHBs and Recent FHBs. With record low interest rates, government assistance and an increasing awareness of LMI to offset the deposit deficit, FHBs remain hopeful that now is the time to get into the market.

Additionally, property values have remained resilient through lockdown periods which has further fuelled a strong housing market during COVID-19 and the pandemic.

It is fair to expect property markets to be impacted in the short-term in our two biggest capital cities as lockdowns

continue, however, will bounce back once they reopen if the previous experience is an indicator.

## Adjusting expectations and behaviours

Prospective FHBs continue to adjust their expectations and behaviours to be more ready to get onto the property ladder. Prospective FHBs are continuing to temper their expectations, with the majority conceding that their first property is unlikely to be their 'dream' or 'ideal' property.

There is also a growing interest in non-capital cities, including regional and rural areas, where prices tend to be cheaper. The increasing prevalence of flexible working arrangements as a result of the COVID-19 pandemic also means that these areas are proving to be attractive for some Prospective FHBs.

Prospective FHBs continue to be diligent in organising their finances, with a growing number having already established or looking to establish their borrowing capacity, as well as having secured or looking to secure pre-approval for a loan

## Bridging the deposit gap - strategies to buy

As more and more Prospective FHBs look set to fall short of the typically required 20% deposit, Lenders Mortgage Insurance (LMI) and the 'Bank of Mum and Dad' continue to be popular strategies to bridge the deposit gap and enter the property market. These strategies also continue to be commonly employed among Recent FHBs.

However, these strategies are not without their drawbacks. While awareness of LMI is increasing and its value in getting home buyers onto the property ladder sooner is well-recognised, many continue to see it as something to be avoided at all costs.

The 'Bank of Mum and Dad' can also be seen as a shortcut to the property fast lane. However, relying on parents/family for assistance can attract strong negative emotions, such as despair and guilt, or even put a strain on relationships.

## The need for support

Mortgage brokers and financial institutions undoubtedly play a critical role in Australia's property market, including a key role in supporting Prospective FHBs and Recent FHBs in the home buying process. To this end, mortgage brokers and financial institutions have become a trusted party in providing valuable advice and information on the home buying process.





# Overview of the market



The Australian residential property market has boomed in the past 12 months



First Home Buyers have played a key role in driving the increased activity, with lending to this cohort at a historically elevated level

Following a downturn observed during the peak of the COVID-19 pandemic in mid-2020, the Australian residential property market has gone from strength to strength on the back of record-low interest rates, as well as a recovering economy, increased consumer confidence and improved job security.

According to the Australian Bureau of Statistics (ABS), Australian economic activity has recovered to be above pre-pandemic levels and has grown 1.1% in the 12 months to March 2021<sup>1</sup>.

Job security has also improved in line with the economic recovery, despite the end of the Federal Government’s JobKeeper wage subsidy. According to the ABS, the labour underutilisation rate, which combines unemployment and underemployment, sat at 12.5% in May 2021, the lowest level since February 2013, reflecting the continued fall in unemployment and underemployment over the past 12 months<sup>2</sup>.

The strong demand-side factors have resulted in rapid growth in property prices over the past 12 months to June 2021. Nationally, house values rose by 15.6% with a median value of \$682,728, while unit values rose by 6.8% with a median value of \$568,853<sup>3</sup>. Strong growth in values, particularly house values, has been observed across all capital cities. In Sydney, house values rose by 19.3%, while other capital cities, with the exception of Melbourne, have also experienced double digit growth in house values over this period.

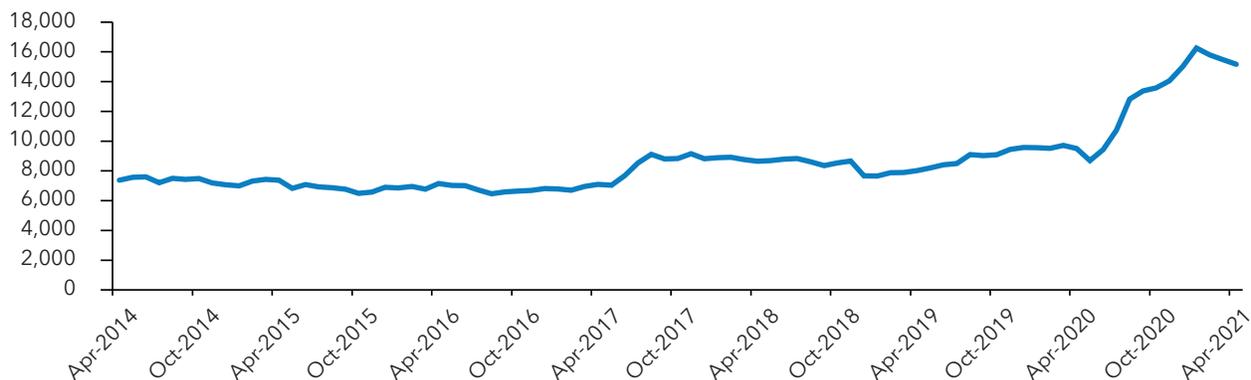


Nationally, house values rose by 15.6% in the 12 months to June 2021

Reflecting the increased residential property market activity over the past 12 months, new housing loan commitments rose 5.5% in March 2021 (seasonally adjusted) to a new record high of \$30.2 billion.

First Home Buyers have played a key role in driving the increased market activity over the past 12 months. Although the number of owner occupier first home buyer loan commitments fell 1.9% in April 2021 (seasonally adjusted), commitments remained at their highest level since July 2009<sup>4</sup>.

Figure 2 - Number of new loan commitments to owner occupier first home buyers (seasonally adjusted), Australia



Source: ABS Lending Indicators, April 2021

<sup>1</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/mar-2021>

<sup>2</sup> <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/may-2021>

<sup>3</sup> [https://www.corelogic.com.au/sites/default/files/2021-07/210701\\_CoreLogic\\_July\\_HomeValueIndex.pdf](https://www.corelogic.com.au/sites/default/files/2021-07/210701_CoreLogic_July_HomeValueIndex.pdf)

<sup>4</sup> <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/apr-2021>



# Is it a good time to buy



The majority of Prospective FHBs still believe that it is a good time to buy now despite a heated property market



Market conditions have intensified the 'fear of missing out' and a sense of desperation and urgency among Prospective FHBs

The record-low interest rates and improved job security have undoubtedly contributed to the increased first home buyer activity in the market. Compared to 2020, Recent FHBs claim that they are more likely to be influenced by the low interest rates in their decision to look for their first property (78.7% vs. 71.7%).

Interestingly, the rising property prices have also acted as an important driver for Recent FHBs to buy their first property, with more than four in five (81.3%) citing property price movements as an influence in their decision to buy before property becomes unaffordable, up from 73.2% in 2020. Reflecting this sentiment, more than two in five (44.4%) decided to buy as they wanted to get on the property ladder before it was too late.

These drivers are also prevalent among Prospective FHBs, and as a result, two in three (66.9%) believe that it is a good time to buy a property now, on par with 65.7% in 2020.



Two in three (66.9%) Prospective FHBs believe now is a good time to buy

Among those who believe now is a good time to buy, nine in 10 (91.8%) attribute their view to the low interest rates. A similar proportion (90.6%) cite the potential future increase in property prices, revealing an overwhelming consensus among Prospective FHBs that the upturn in prices is set to continue, and that the desire to buy is driven primarily by financial reasons.

Beyond these factors however, the desire to buy is also clearly driven by emotional reasons. The increase in property prices and the widespread expectation that prices will continue to increase appear to have intensified the 'fear of missing out' and a sense of desperation and urgency among Prospective FHBs to get their foot on the ladder of property ownership.

More than seven in 10 (71.2%) admit that the 'fear of missing out' is strongly driving their quest to buy their first property, up from 61.2% in 2020. The 'fear of missing out' is particularly prevalent among Prospective FHBs in Sydney (78.0%), given the recent growth in prices in Australia's largest city.

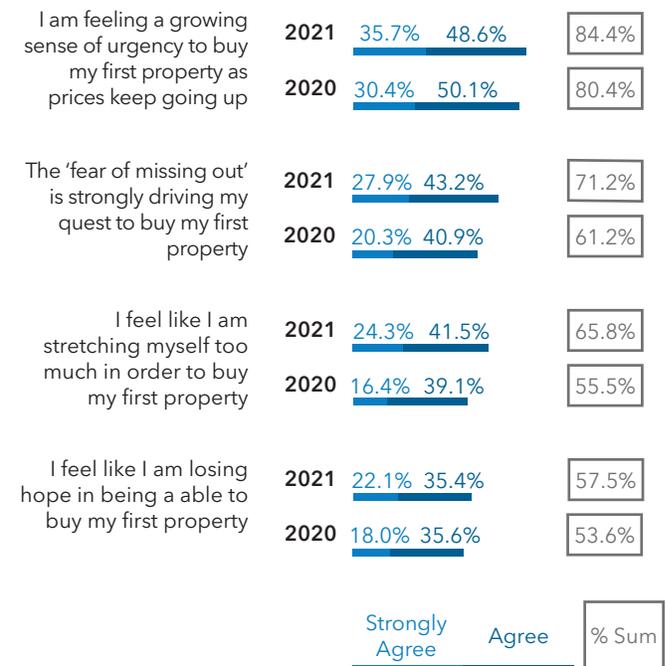
The vast majority (84.4%) of Prospective FHBs are also feeling a growing sense of urgency to buy their first property as prices keep going up, up slightly from 80.4% in 2020.



Seven in 10 (71.2%) Prospective FHBs are strongly driven by the 'fear of missing out'

As a result, there continues to be an element of desperation among many Prospective FHBs. Nearly two in three (65.8%) feel that they are stretching themselves too much, while 57.5% feel that they are losing hope on whether they are actually able to buy, with Sydney Prospective FHBs being the most prone to these sentiments (75.3% and 64.1% respectively).

Figure 3 - Emotional drivers of Prospective FHBs



n = 2,077 (2021), 2,193 (2020); Prospective FHBs

Further illustrating the extent of the desperation that Prospective FHBs typically have to contend with, nearly all (94.1%) Recent FHBs say they feel relieved that they now have their own property.

These emotions are understandable considering the growth in prices has typically exceeded the growth in incomes, meaning that the time taken to save a 20% deposit for a median-valued house or a median-valued unit has trended upwards in the capital cities.

According to the ABS, average weekly total earnings only increased by 1.9% in the 12 months to November 2020<sup>5</sup>. This means that the time taken to save a 20% deposit for a median-valued house or a median-valued unit has trended upwards in most of the major capital cities over the past six years.



On average, it takes around 18 years and 12 years, respectively, to save a 20% deposit for a median-valued house and unit in Sydney. In Melbourne, it takes on average around 14 years and 9 years respectively.

For instance, it is estimated that it takes around 18 years and 12 years, respectively, to save a 20% deposit for a median-valued house and unit in Sydney. This is also true for Melbourne, where it is estimated it takes around 14 years and 9 years, respectively, to save a 20% deposit for a median-valued house and unit.

Figure 4 - Median house and unit values by capital city (2015-2021)

City	Year*	Median house value <sup>1</sup>	Median unit value <sup>1</sup>	Years to save a 20% deposit for median-valued house <sup>2</sup>	Years to save a 20% deposit for median-valued unit <sup>2</sup>
Sydney	2015	\$860,788	\$658,616	13.9	10.6
	2016	\$883,030	\$691,981	14.1	11.1
	2017	\$1,044,168	\$775,995	16.6	12.3
	2018	\$1,015,842	\$752,796	16.0	11.8
	2019	\$869,579	\$678,199	13.6	10.6
	2020	\$1,016,726	\$772,204	15.7	11.9
	2021	\$1,186,518	\$781,708	18.0	11.9
Melbourne	2015	\$619,731	\$478,571	10.0	7.7
	2016	\$681,335	\$499,056	10.9	8.0
	2017	\$794,961	\$537,577	12.6	8.5
	2018	\$808,975	\$558,877	12.7	8.8
	2019	\$708,523	\$528,406	11.0	8.2
	2020	\$809,274	\$580,009	12.5	9.0
	2021	\$908,239	\$605,505	13.8	9.2
Brisbane	2015	\$487,413	\$393,140	7.8	6.3
	2016	\$515,210	\$402,553	8.2	6.4
	2017	\$526,863	\$390,621	8.4	6.2
	2018	\$542,205	\$386,623	8.5	6.1
	2019	\$531,047	\$375,475	8.3	5.9
	2020	\$559,975	\$388,894	8.7	6.0
	2021	\$641,727	\$411,664	9.7	6.2

<sup>5</sup> <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/average-weekly-earnings-australia/nov-2020>



City	Year*	Median house value <sup>1</sup>	Median unit value <sup>1</sup>	Years to save a 20% deposit for median-valued house <sup>2</sup>	Years to save a 20% deposit for median-valued unit <sup>2</sup>
Adelaide	2015	\$424,858	\$316,634	6.8	5.1
	2016	\$437,036	\$319,269	7.0	5.1
	2017	\$456,996	\$326,234	7.3	5.2
	2018	\$461,862	\$325,515	7.3	5.1
	2019	\$465,625	\$326,831	7.3	5.1
	2020	\$478,294	\$335,052	7.4	5.2
	2021	\$542,913	\$356,318	8.2	5.4
Perth	2015	\$548,650	\$444,454	8.8	7.2
	2016	\$523,651	\$425,208	8.4	6.8
	2017	\$507,194	\$402,319	8.1	6.4
	2018	\$497,300	\$385,758	7.8	6.1
	2019	\$459,823	\$355,048	7.2	5.5
	2020	\$461,366	\$355,576	7.1	5.5
	2021	\$545,620	\$392,321	8.3	6.0

Sources: 1. CoreLogic median value series, May 2021 (values as at 31 May each year), 2. ABS Average Weekly Earnings, November 2020. 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-valued house or unit.



# Barriers to buying



Saving for a deposit is increasingly challenging for Prospective FHBs amid rising prices and subdued income growth



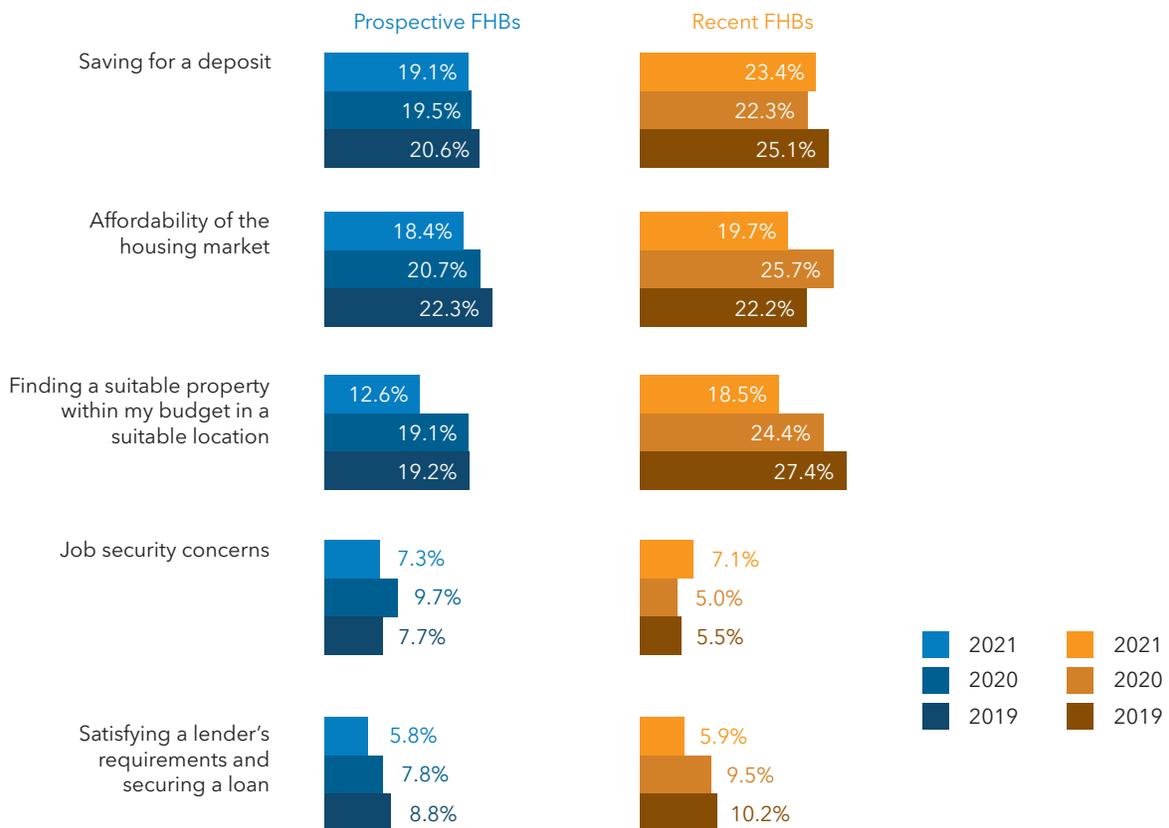
However, non-financial challenges can also make the buying journey a stressful one

With increasing prices and subdued income growth, property affordability remains a key issue for Prospective FHBs and Recent FHBs. Consistent with previous years, the greatest barriers to owning a property among both cohorts are affordability of the housing market, saving for a deposit and finding a suitable property within budget.



Three in four (76.9%) Prospective FHBs believe that saving for a deposit is getting more difficult

Figure 5 -The greatest barriers to owning a property among Prospective and Recent FHBs



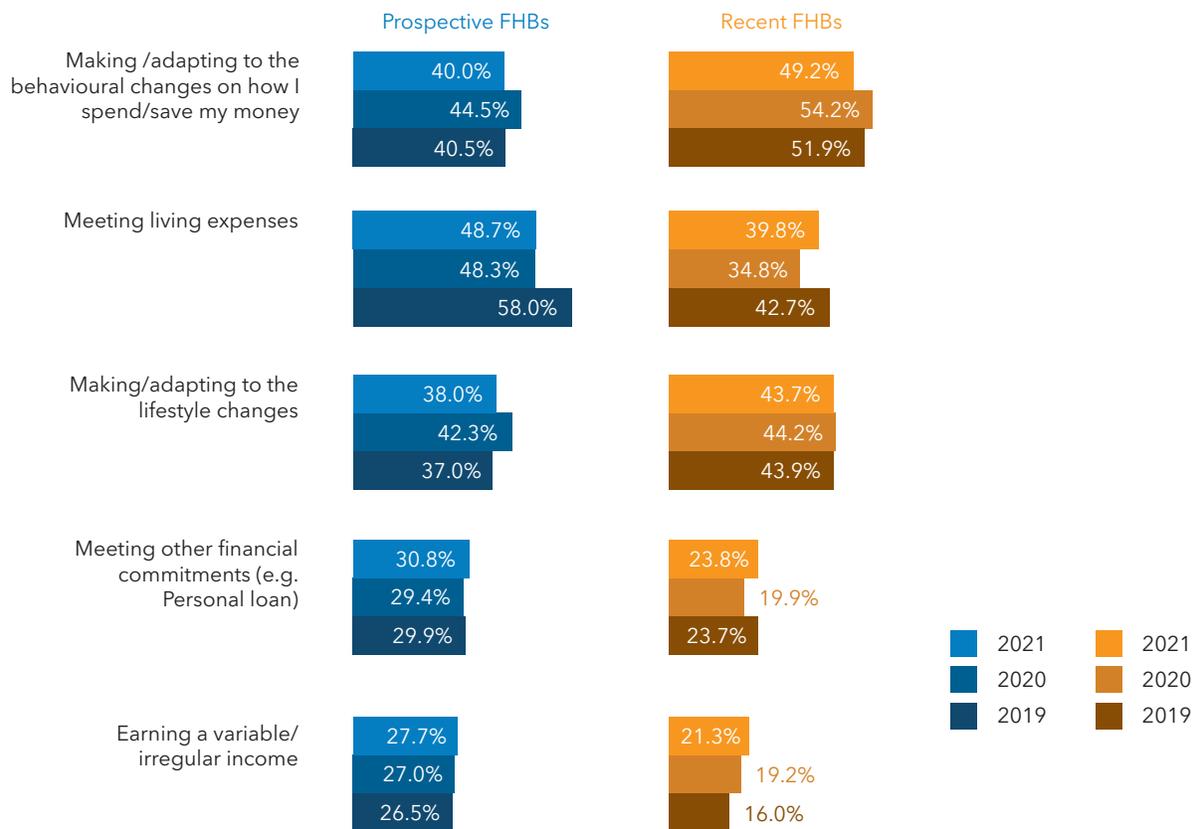
\*Top 5 responses only

n = 2,077 Prospective FHBs (2021), 2,193 Prospective FHBs (2020), 2,001 Prospective FHBs (2019); 1,008 Recent FHBs (2021), 1,036 Recent FHBs (2020), 1,008 Recent FHBs (2019)

Further illustrating the extent of the issue, more than three in four (76.9%) Prospective FHBs believe that it is getting more difficult to save for a deposit.

Although earning more income should theoretically make it less challenging for Prospective FHBs to save for a deposit, a greater barrier to overcome is a behavioural one on how to best manage their income. Consistent with previous years, meeting living expenses, making/adapting to the behavioural changes and making/adapting to the lifestyle changes are cited as the greatest barriers in saving for a deposit among Prospective FHBs, as well as Recent FHBs.

Figure 6 - Challenges in saving for a deposit among Prospective and Recent FHBs



\*Top 5 responses only  
\*Multiple answers allowed

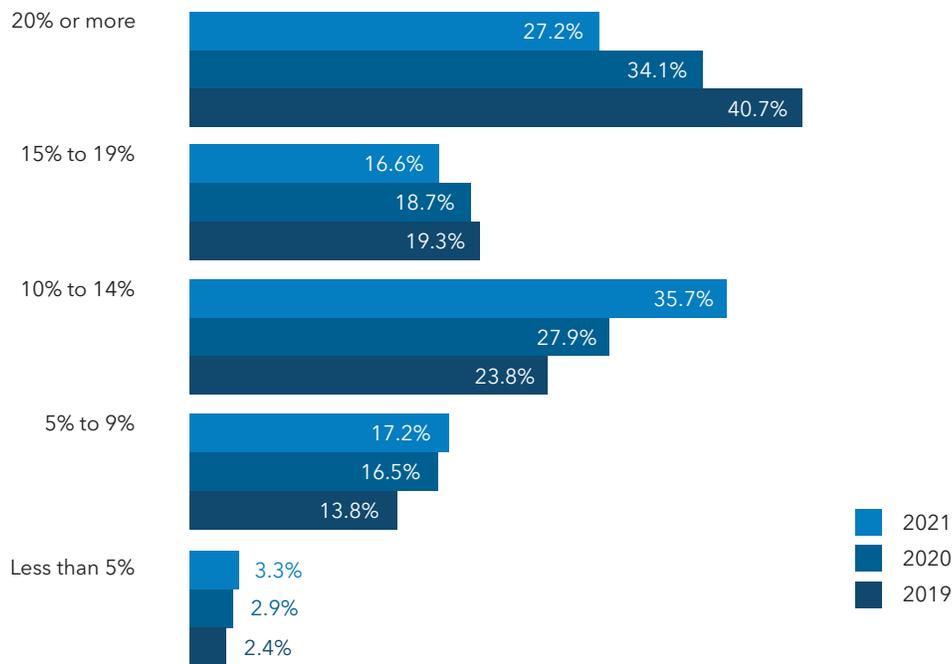
n = 2,077 Prospective FHBs (2021), 2,193 Prospective FHBs (2020), 2,001 Prospective FHBs (2019); 1,008 Recent FHBs (2021), 1,036 Recent FHBs (2020), 1,008 Recent FHBs (2019)

The net effect of these barriers in an increasingly heated market is that attaining a 20% deposit is getting more difficult, meaning that even fewer Prospective FHBs are proposing to put a deposit of 20% or more towards their property purchase compared to previous years.

While more than two in five (43.1%) Recent FHBs put a deposit of 20% or more for their purchase, only one in four (27.2%) Prospective FHBs are proposing to do so, down from 34.1% in 2020 and 40.7% in 2019. This proportion is particularly low among Prospective FHBs in Sydney (17.9%), a likely reflection of the higher prices in the Sydney property market.

Only 17.9% of Sydney Prospective FHBs are proposing to put a deposit of 20% or more

Figure 7 - Proposed deposit size among Prospective FHBs



n = 2,077 (2021), 2,193 (2020), 2,001 (2019); Prospective FHBs

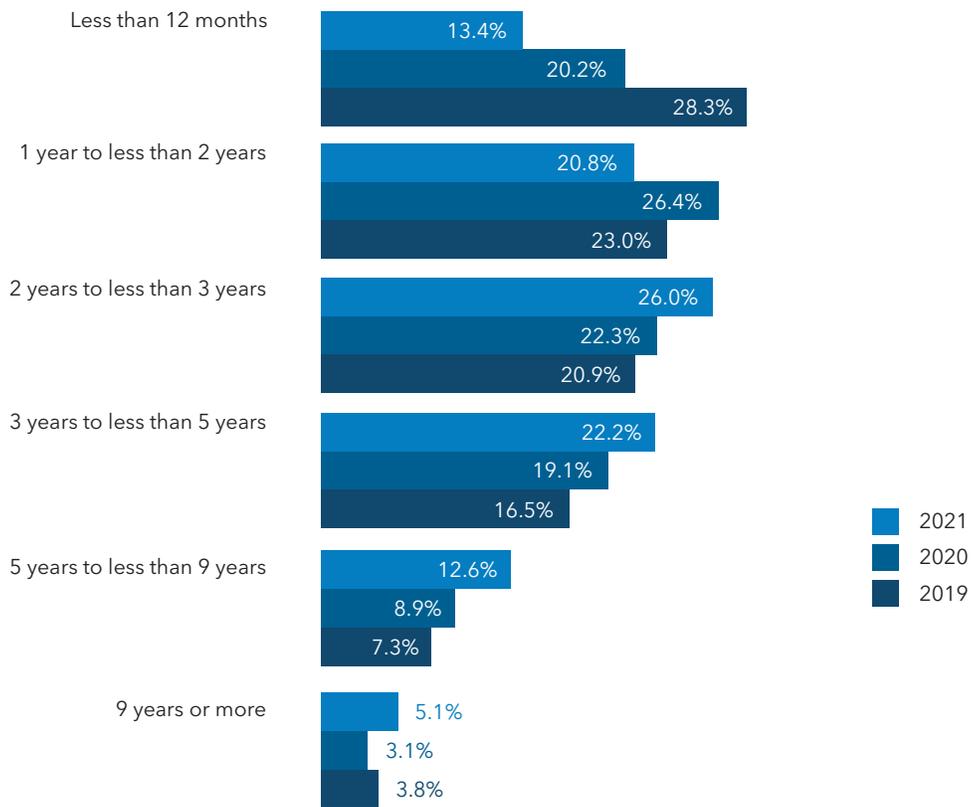
Furthermore, although fewer Prospective FHBs are proposing to put a deposit of 20% or more, it is still taking a considerable amount of time for them to save for a deposit and it is actually taking longer to do so. Almost two in three (65.9%) have been saving for a deposit for at least two years, up from 53.4% in 2020, including the almost one in five (17.7%) who have been doing so for at least five years, up from 12.0% in 2020.

The difficulties in saving for a deposit are most pronounced among Prospective FHBs in Sydney, with nearly three in four (73.2%) having been doing so for at least two years, including the more than one in five (21.7%) who have been saving up for at least five years.

A similar trend is also true among Recent FHBs, with more than three in four (75.7%) taking at least two years to save for a deposit, including the almost one in five (18.3%) who took at least five years to do so, compared to 64.6% and 16.9% respectively in 2020.

One in five (21.7%) Sydney Prospective FHBs have been saving for a deposit for at least five years

Figure 8 - How long Prospective FHBs have been saving for a deposit



n = 2,077 (2021), 2,193 (2020), 2,001 (2019); Prospective FHBs

Given the extent of the financial challenges in buying a property, one in three (33.1%) Prospective FHBs believe that it is not a good time to buy or are unsure that it is a good time to buy, on par with 34.3% in 2020. Among these Prospective FHBs, around four in five are looking to save more for a deposit (80.1%) or perhaps optimistically, waiting for prices to drop (81.8%) before deciding to take the plunge and pull the trigger.

Beyond these financial challenges however, understanding the intricacies of the property market and the systems that surround it presents another challenge for the vast majority of Prospective FHBs and Recent FHBs (85.0% and 87.3% respectively).

Furthermore, although these are typically seen as less challenging than the financial challenges, it is common for Prospective FHBs and Recent FHBs to express frustrations in not knowing who to trust to support them through the process, as well as conflicting and unreliable information from various sources.

As a result of these financial and non-financial challenges, more than four in five (81.4%) Prospective FHBs believe that the journey in buying their first property is a stressful one, while a similar proportion (79.7%) of Recent FHBs hold the same view about their purchase. Younger Prospective FHBs are more likely to hold this view, with nearly nine in 10 (88.2%) Generation Z<sup>6</sup> believing that the buying journey is stressful.



Four in five (81.4%) Prospective FHBs believe that the buying journey is stressful

<sup>6</sup> Generation Z - Born after 1996 - oldest is turning 25 this year, and the first social generation growing up with access to the internet and portal digital technology from a young age.





## Strategies to buy



Prospective FHBs are adjusting their expectations and behaviours to get onto the property ladder sooner



Using Lenders Mortgage Insurance (LMI) or the 'Bank of Mum Dad' are popular strategies to bridge the deposit gap, although these may pose challenges of their own

Despite the persistent challenges that they face, Prospective FHBs are continuing to find ways to get onto the property ladder sooner, before it may be too late. Prospective FHBs are adjusting their expectations and behaviours, as well as using a range of strategies to allow them to buy their first property sooner.

### Adjusting expectations and behaviours

Prospective FHBs are looking to make some compromises, with the vast majority (81.6%) conceding that their first property is likely to be one that is not necessarily their 'dream' or 'ideal' property, on par with 83.4% in 2020.



Four in five (81.6%) Prospective FHBs think their first property won't be their 'dream' or 'ideal' property

Furthermore, a similar proportion (77.0%) believe that owning any kind of property matters more than owning a 'dream' or 'ideal' property, on par with 78.9% in 2020.

Such compromises may include buying a smaller property, buying a different type of property or buying in a different area. Reflecting these tendencies, there appears to be an emerging trend of Prospective FHBs looking to buy outside the capital cities or major regional cities, where prices tend to be cheaper. This is also likely driven by workers being less likely to need to live in or near a capital city, given the increase in flexible working arrangements brought about by the COVID-19 pandemic.

While capital cities and major regional cities remain the most preferred, there is a notable year-on-year increase in preference for other areas where prices tend to be cheaper, including outside Sydney/Newcastle/Wollongong in New South Wales, outside Melbourne/Geelong/Ballarat in Victoria and outside Brisbane/Gold Coast in Queensland.

Figure 9 - Where Prospective FHBs are looking to buy

Capital Cities	2021	2020
Melbourne	27.6%	26.8%
Sydney	27.0%	27.6%
Brisbane	13.8%	13.9%
Adelaide	6.4%	6.9%
Perth	6.1%	7.0%
Canberra	3.3%	3.6%
Hobart	2.2%	1.4%
Darwin	0.7%	1.1%

Non-Capital Cities	2021	2020
Outside Sydney/ Newcastle/ Wollongong	8.5%	6.7%
Outside Brisbane/ Gold Coast	8.1%	6.6%
Outside Melbourne/ Geelong/Ballarat	7.4%	4.6%
Newcastle	6.7%	5.1%
Gold Coast	6.2%	6.8%
Geelong	4.7%	3.6%
Wollongong	4.7%	2.6%
Ballarat	2.0%	2.0%

\*Multiple answers allowed

n = 2,077 (2021), 2,193 (2020); Prospective FHBs

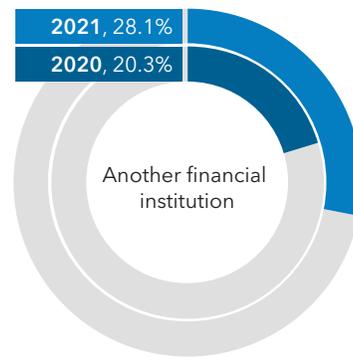
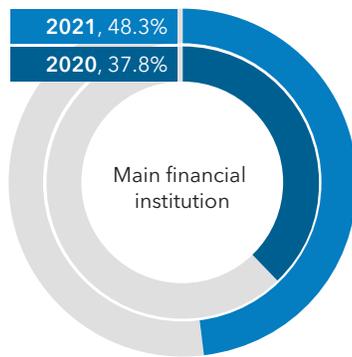
In addition to adjusting their expectations, Prospective FHBs are also increasingly adjusting their behaviours to improve their readiness to enter the market. The large majority (74.1%) have established, or are in the process of establishing, how much they can borrow for a loan, up from 67.0% in 2020.

 Three in four (74.1%) Prospective FHBs have established or are in the process of establishing their borrowing capacity

Furthermore, nearly half (48.3%) of Prospective FHBs also have pre-approval for a loan from their main financial institution, while nearly three in 10 (28.1%) have one from another financial institution, up from 37.8% and 20.3% respectively in 2020. Intention to obtain pre-approval from their main financial institution or another financial institution among those who do not have a pre-approval is also relatively high (81.7% and 68.0% respectively).

Figure 10 - Pre-approvals among Prospective FHBs

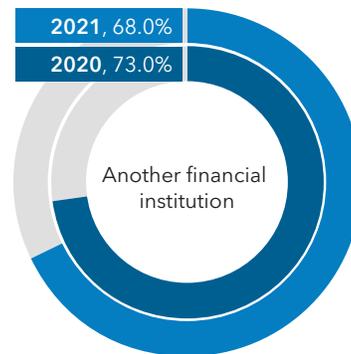
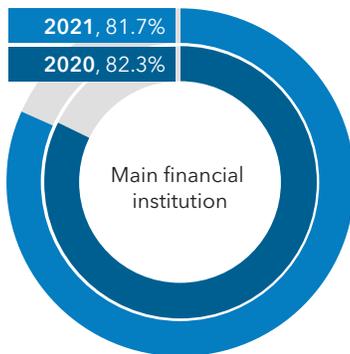
Do you have pre-approval for a loan from...?



%Yes

n = 2,077 (2021), 2,193 (2020); Prospective FHBs

Do you plan to obtain a pre-approval for a loan from ...?



%Yes

\* n = 863 (2021), 1,365 (2020); Prospective FHBs who doesn't have pre-approval for their main institution

\*\* n = 1,347 (2021), 1,749 (2020); Prospective FHBs who doesn't have pre-approval for another institution

## Bridging the deposit gap

Despite the compromises and the changes in expectations and behaviours, the stark reality among the majority of Prospective FHBs is that they are unlikely to attain the typically required 20% deposit for their purchase. Using Lenders Mortgage Insurance (LMI) is recognised as the key potential solution to bridge this deposit gap.

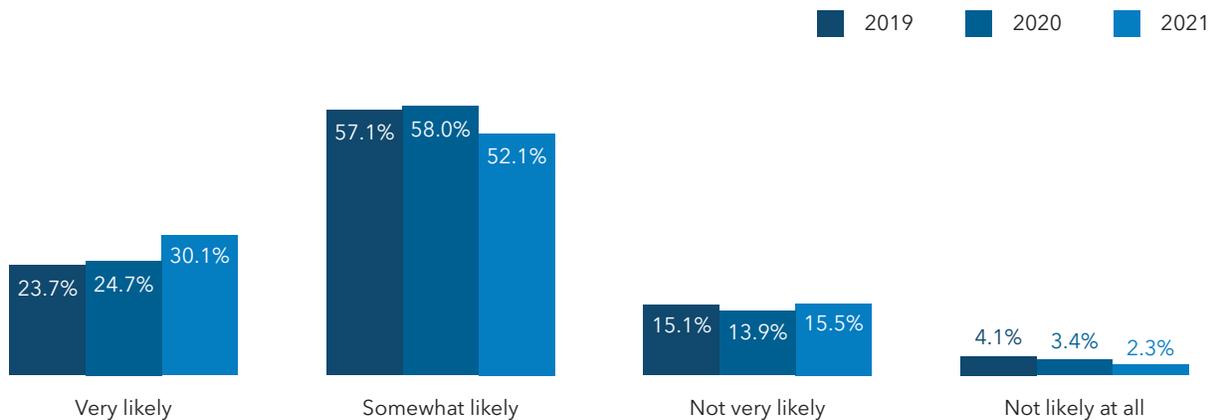
Among Recent FHBs who had less than a 20% deposit, two in three (66.6%) used LMI to buy their first property, up from 55.7% in 2020. The most commonly cited reasons for using LMI reflect the key benefits of using LMI, being that it would have taken too long to save a 20% deposit (51.6%) and a desire to buy as soon as possible (48.4%).

Likely reflecting current property market conditions, awareness of LMI among Prospective FHBs is higher year-on-year (71.2% vs. 61.8%). Intention to use LMI among those who are likely to have less than a 20% deposit also remains relatively high, with more than four in five (82.2%) admitting that they are at least 'somewhat' likely to use LMI to buy their first property, on par with 82.7% in 2020.



Four in five (82.7%) Prospective FHBs who are proposing less than a 20% deposit are likely to use LMI

Figure 11 - Likelihood to use LMI among Prospective FHBs who have less than 20% deposit



n = 1,500 (2021), 1,449 (2020), 1,187 (2019); Prospective FHBs who have less than 20% to deposit

However, while almost nine in 10 (88.9%) Prospective FHBs acknowledge the value of LMI in helping people buy their property sooner with a smaller deposit, misperceptions around LMI remain common. For instance, more than three in four (76.5%) incorrectly believe that LMI protects the home buyer in case they default on their loan, compared to 71.6% in 2020.

LMI may also be perceived negatively among those who would prefer not to use it. Nearly three in four (73.1%) Prospective FHBs pledge to do all they can to avoid paying for LMI, while a similar proportion (71.8%) believe using LMI would only be a last resort. More than half (54.6%) also believe that using LMI would make them feel like they have failed in saving for a deposit.

Therefore, despite its perceived value, the widespread misperceptions and negative perceptions around LMI mean that some Prospective FHBs choose not to use LMI.

Aside from any Federal or State/Territory Government assistance, it would leave them with one other alternative if they still wish to purchase at this time, the 'Bank of Mum and Dad'. However, this may not be a viable option in all circumstances, such as when they do not own a property themselves or if they are not in a financial position to be able to assist.

In buying their first property, almost one in four (22.9%) Recent FHBs asked their parents/family for financial assistance, while 12.1% asked their parents/family to act as a guarantor. Among Prospective FHBs, around one in seven have asked or plan to ask their parents/family for financial assistance or to act as a guarantor (14.6% and 13.6% respectively).



One in four (22.9%) Recent FHBs relied on financial assistance from the 'Bank of Mum and Dad'

However, while the 'Bank of Mum and Dad' is seen as a shortcut for Prospective FHBs and Recent FHBs to get on the property fast lane, there are mixed feelings about relying on parents/family for assistance.

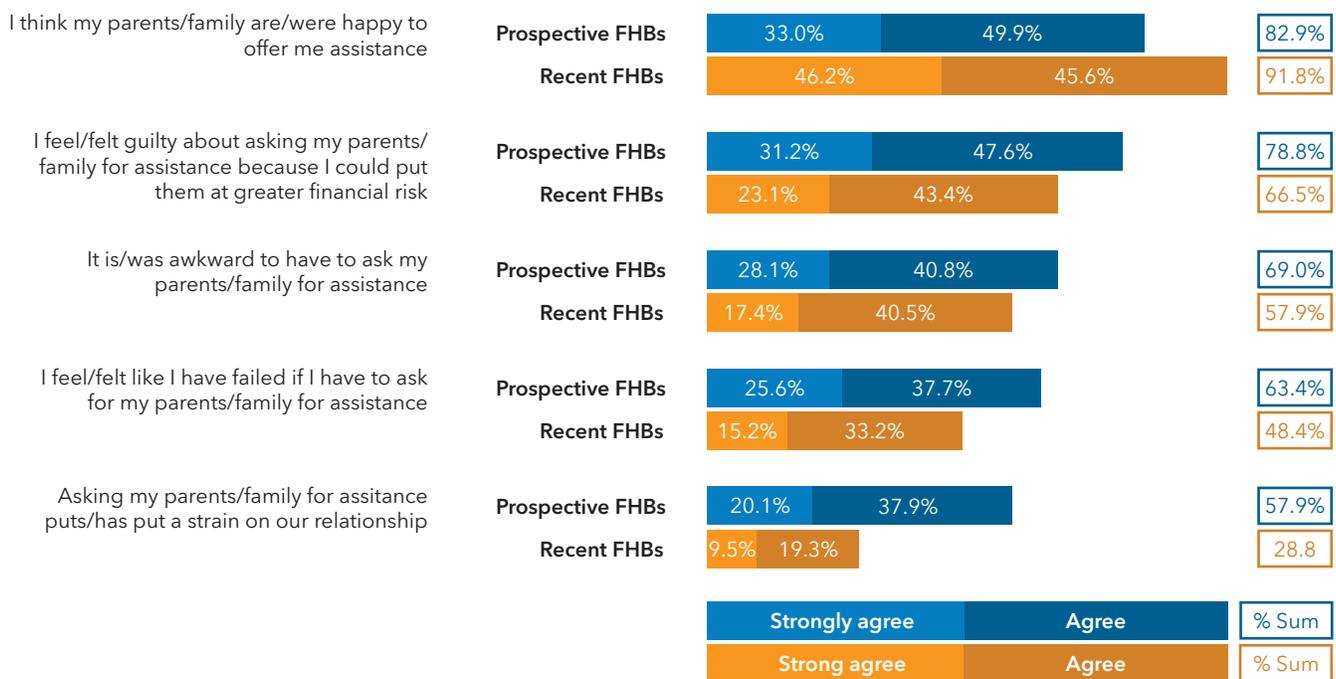
More than nine in 10 (91.8%) Recent FHBs who relied on their parents/family think their parents/family were happy to assist them. However, two in three (66.5%) felt guilty about asking for assistance, as it could put their parents/family at greater financial risk. Nearly three in five (57.9%) said it was awkward to have to ask for assistance.

Furthermore, nearly half (48.4%) of Recent FHBs who relied on their parents/family also felt like they have failed as they had to ask for assistance, while nearly three in 10 (28.8%) believed asking for assistance has put a strain on their relationship.

These emotions are also prevalent among Prospective FHBs. More than four in five (82.9%) Prospective FHBs who are relying or planning to rely on their parents/family think their parents/family are happy to assist them. However, a similar proportion (78.8%) feel guilty about asking for assistance, as it could put their parents/family at greater financial risk, while nearly seven in 10 (69.0%) think it is awkward to have to ask for assistance.

Furthermore, more than three in five (63.4%) Prospective FHBs who are relying or planning to rely on their parents/family also feel like they have failed as they have to ask for assistance, while a similar proportion (57.9%) believe asking for assistance has put a strain on their relationship.

Figure 12 - The emotions associated with using the 'Bank of Mum and Dad' among Prospective and Recent FHBs



n = 514 Prospective FHBs, 316 Recent FHBs; FHBs who asked their parents/family for financial assistance and/or to become their guarantor



Four in five (78.8%) Prospective FHBs relying on their parents/family feel guilty about asking for assistance

Given the various emotional challenges associated with using LMI or relying on the 'Bank of Mum and Dad' or that the 'Bank of Mum and Dad' may not be a viable option at all, Prospective FHBs are also using or planning to use a range of other strategies to bridge the deposit gap. These include cutting back on lifestyle expenses (45.7%), applying for Government assistance schemes (40.5%) and working overtime (29.1%).

A man with glasses and a beard, wearing a blue suit jacket, light blue shirt, and dark tie, is smiling broadly and clapping his hands. He is standing in a doorway, looking towards a young child with blonde hair who is seen from the back, wearing a white long-sleeved shirt. The scene is brightly lit, suggesting a sunny day outdoors. The background shows a wooden deck and green foliage.

“ Your first home does not need to be the dream home, especially as prices continue to go up. Find a nice home that you can comfortably repay the mortgage for, then continue to build upwards from there. ”

- Female, 27 years old, ACT, Recent FHB



# The need for support



Mortgage brokers play a key role in supporting Prospective FHBs and Recent FHBs in the home buying journey

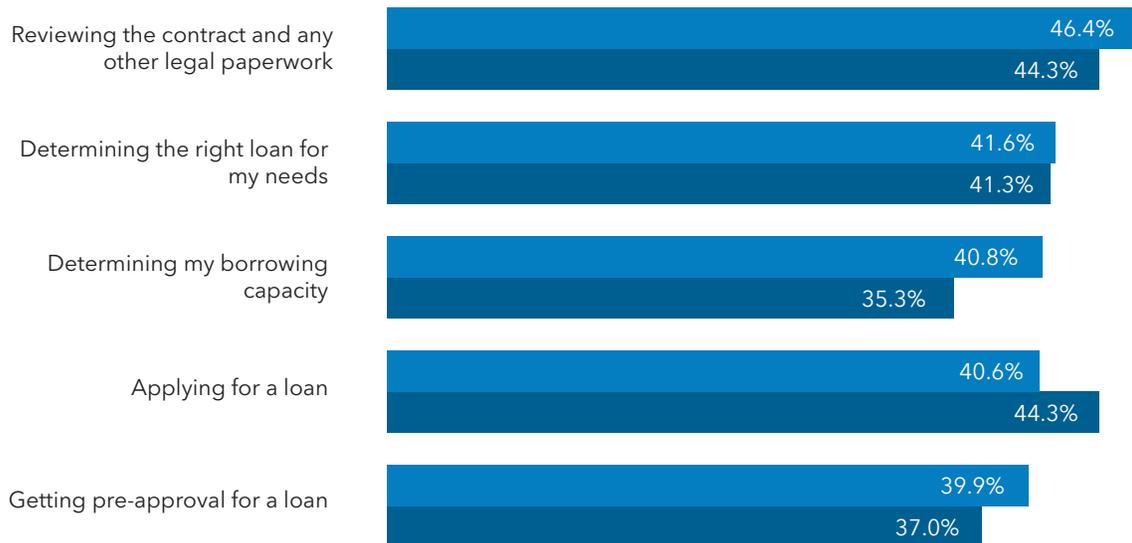


Financial institutions are supporting Prospective FHBs and Recent FHBs well, but expectations continue to be high

Although Prospective FHBs are largely going about their home-buying efforts with vigour, the reality is that for the majority of this cohort, the home buying journey is a stressful one given the various financial and non-financial challenges that they are likely to encounter. There is clearly a need to better support Prospective FHBs in their first foray into the property market, as they are likely to need more assistance having not experienced the significant life event of buying a property previously.

Consistent with last year, for Prospective FHBs, the areas where most support is needed is in reviewing the contract and legal paperwork (46.4%), determining the right loan (41.6%) and determining borrowing capacity (40.8%).

Figure 13 - Areas of desired support among Prospective FHBs



\*Top 5 responses only  
\*Multiple answers allowed

■ 2021  
■ 2020

n = 2,077 (2021), 2,193 (2020); Prospective FHBs

Prospective FHBs use a range of information sources for support in the home buying journey. Consistent with last year, family (38.8%), real estate websites (37.3%) and real estate agents (34.6%) are the most commonly used sources. Three in 10 (30.5%) also rely on their friends for informational support.

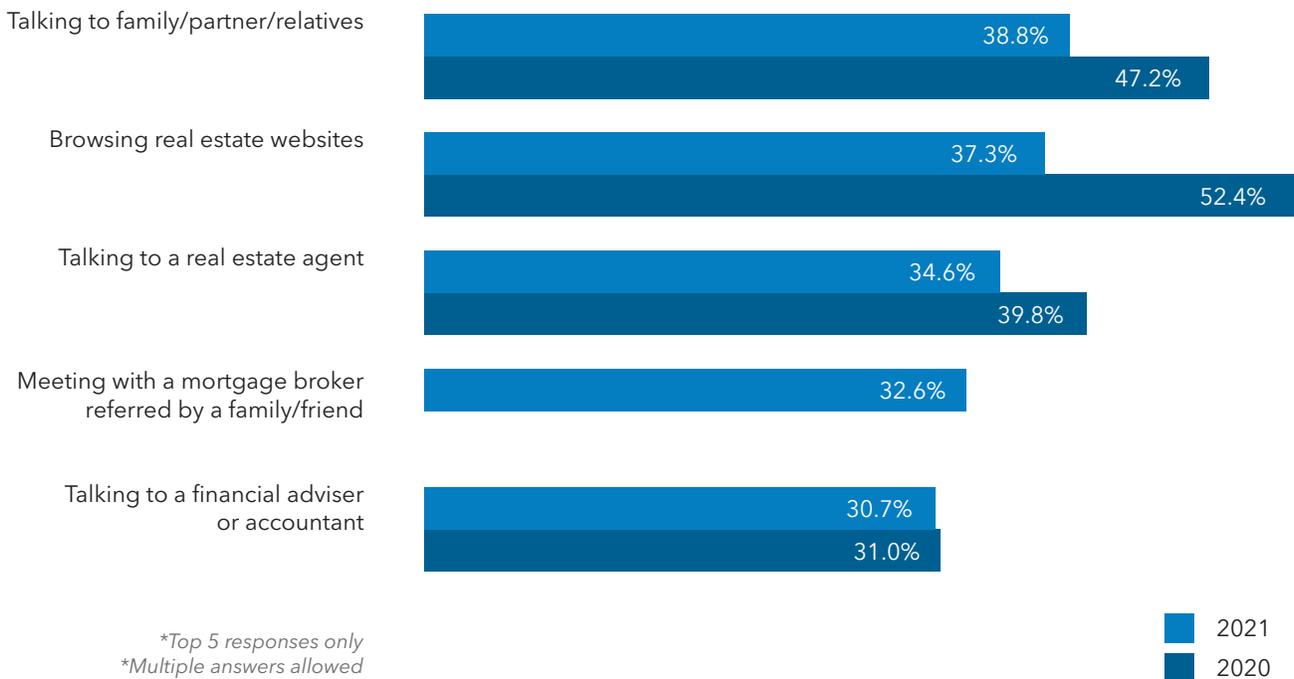
Beyond these sources, mortgage brokers continue to play a key role in the home buying journey, particularly those referred by a family or friend. Almost one in three (32.6%) Prospective FHBs rely on a mortgage broker that was referred to them by a family or friend for informational support, while almost one in four (24.4%) rely on one that was referred by the broker website.

The key role that mortgage brokers play also applies for Recent FHBs. One in three (33.5%) Recent FHBs relied on one that was referred to them by a family or friend for informational support, while one in five (19.7%) relied on one that was referred by the broker website.



One in three (32.6%) Prospective FHBs rely on a mortgage broker referred by a family or friend for informational support

Figure 14 - Information sources for Prospective FHBs



n = 2,077 (2021), 2,193 (2020); Prospective FHBs



“ Go and see a professional broker in person early on in the process. That way they know your situation and are able to best guide you through and help you out. ”

- Male, 32 years old, WA, Recent FHB

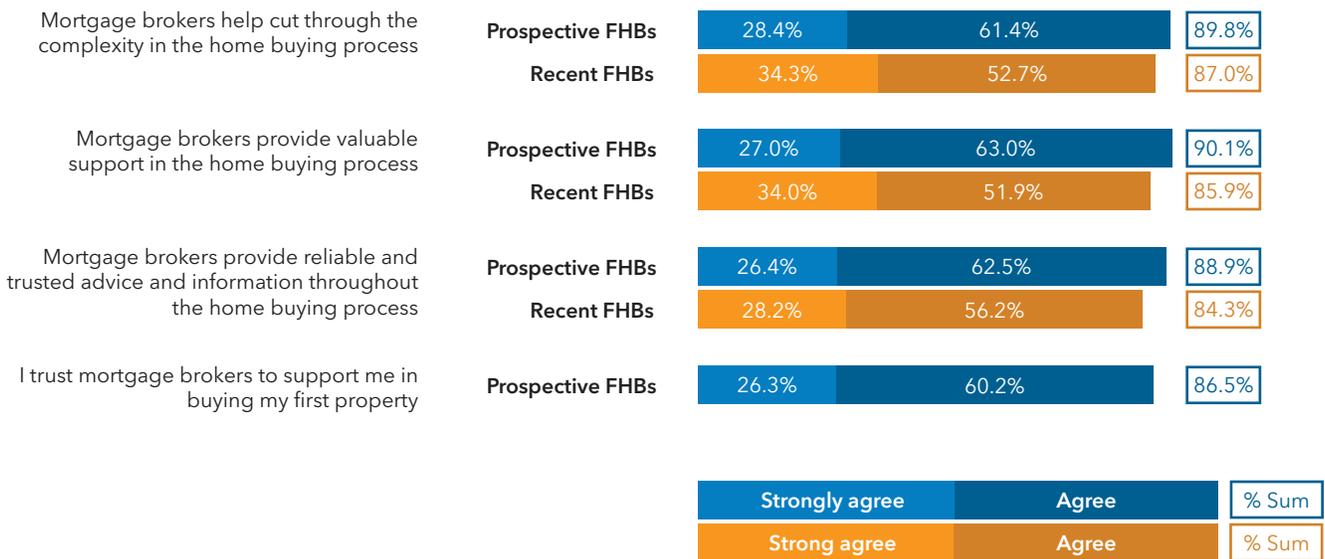
However, regardless of whether they have used or will use the services of one, the value of mortgage brokers is recognised by Prospective FHBs and Recent FHBs. Around nine in 10 Prospective FHBs and Recent FHBs believe that mortgage brokers help to cut through the complexity in the home buying process (89.8% and 87.0% respectively).

Almost nine in 10 (86.5%) Prospective FHBs trust mortgage brokers to support them in buying their first property, while similar proportions believe that mortgage brokers provide reliable and trusted advice and information or that they provide valuable support in the home buying process (89.8% and 90.1% respectively). More than four in five Recent FHBs also share the same views (84.3% and 85.9% respectively).



Nine in 10 (86.5%) Prospective FHBs trust mortgage brokers to support them in buying their first property

Figure 15 - Views on mortgage brokers among Prospective and Recent FHBs



n = 2,077 Prospective FHBs, 1,008 Recent FHBs



The importance of support from a mortgage broker is further highlighted by some Recent FHBs who have offered some invaluable advice to Prospective FHBs based on their recent home buying experience.

Aside from mortgage brokers, financial institutions undoubtedly play a critical role in the home buying journey beyond the obvious role of being the source of financing. For the majority of Prospective FHBs and Recent FHBs, financial institutions are largely seen to be fulfilling their role well and have become a trusted party in the home buying journey.

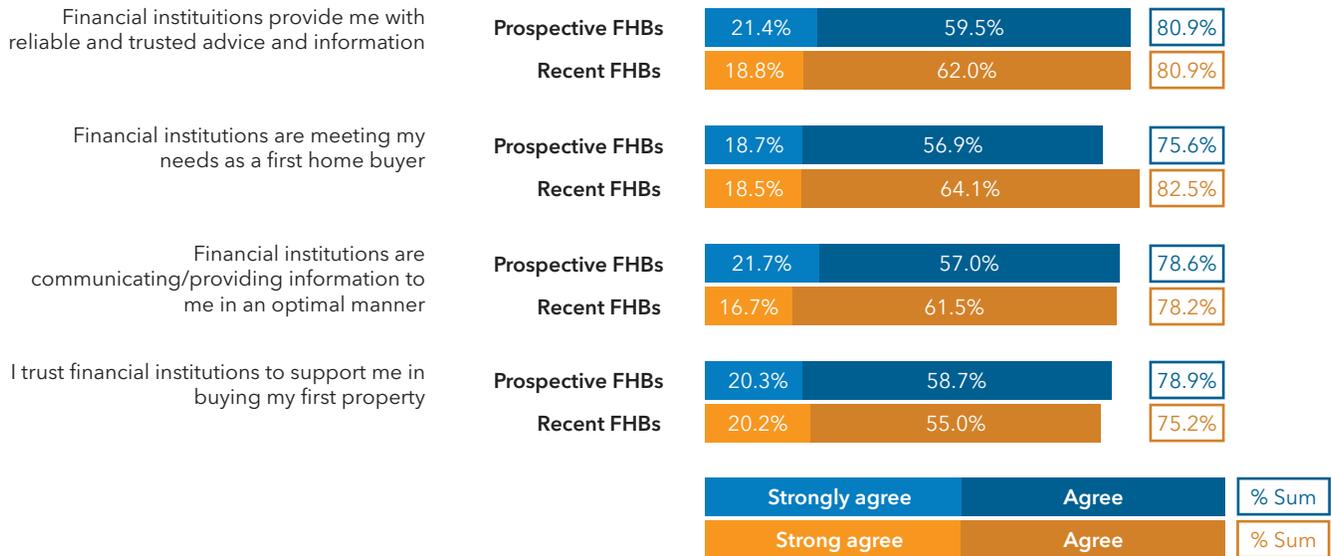
Three in four (75.6%) Prospective FHBs and four in five (82.5%) Recent FHBs believe that financial institutions are meeting their needs as a First Home Buyer. Trust in financial institutions among these cohorts is also high, with nearly four in five (78.9%) Prospective FHBs and three in four (75.2%) Recent FHBs trusting financial institutions to support them in buying their first property.



Four in five (78.9%) Prospective FHBs trust financial institutions to support them in buying their first property

While competitively low mortgage interest rates are a likely driver of the positive sentiment, another likely driver is the perceived high quality of informational support provided. Around four in five Prospective FHBs and Recent FHBs believe that financial institutions provide them with reliable and trusted advice and information (both 80.9%) and that they are doing so in an optimal manner (78.6% and 78.2% respectively).

**Figure 16 - Views on financial institutions among Prospective and Recent FHBs**

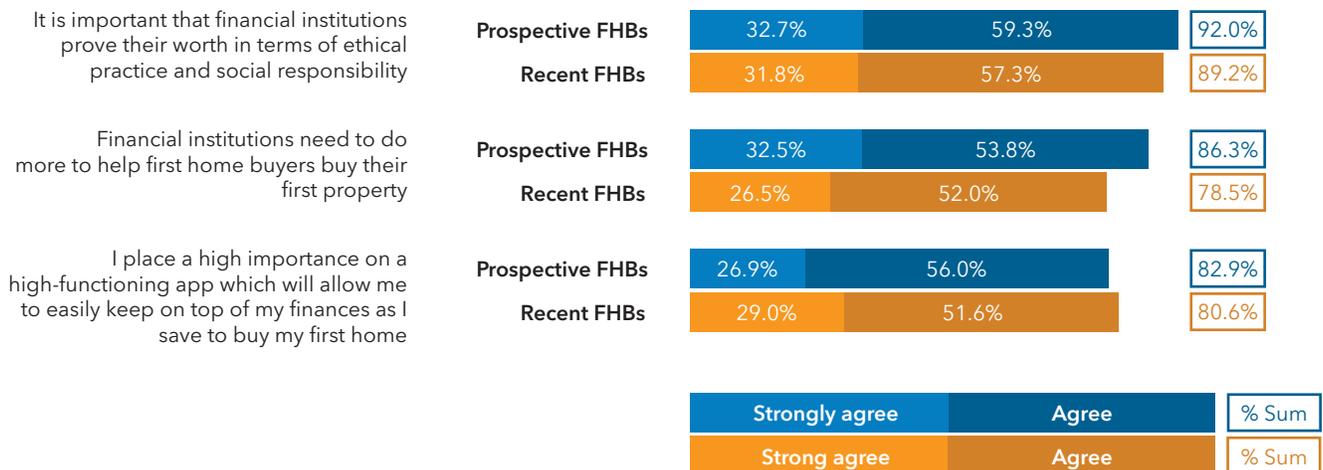


n = 2,077 Prospective FHBs, 1,008 Recent FHBs

Despite the largely positive sentiment towards financial institutions however, the vast majority (86.3%) of Prospective FHBs and the large majority (78.5%) of Recent FHBs believe that financial institutions need to do more to help First Home Buyers buy their first property.

It is clear that Prospective FHBs and Recent FHBs continue to have high expectations of financial institutions in supporting First Home Buyers. The vast majority of Prospective FHBs and Recent FHBs place a high importance on a high-functioning app to easily keep on top of their finances (82.9% and 80.6% respectively), while around nine in 10 believe that financial institutions should 'prove their worth' in terms of ethical practice and social responsibility (92.0% and 89.2% respectively).

**Figure 17 - Views on financial institutions among Prospective and Recent FHBs (continued)**



n = 2,077 Prospective FHBs, 1,008 Recent FHBs



“ Speak to a broker. Even if it's just to get some advice on next steps or what your limit should be. It's invaluable advice and the right person will make you feel supported throughout the entire process. ”

- Female, 30 years old, Vic, Recent FHB

# Concluding Remarks

The survey results together with the desktop research undertaken to prepare this Report highlight the key role that the first home buyer segment has played and will continue to play in driving the Australian residential property market in the future. Despite the persistent challenges, first home buyers still believe that overall it is a good time to buy and are being driven by economic, as well as emotional factors to get onto the property ladder sooner rather than later.

However, as one of the biggest decisions in a First Home Buyer's life, buying a property is always going to be a stressful experience, especially given the current market conditions. While the record low mortgage rates have taken some of the pressure off, there are a range of financial and non-financial challenges that a First Home Buyer is likely to have to deal with, including in saving up for a deposit, using strategies to bridge the deposit gap and navigating the intricacies of the property market and the systems that surround it.

Mortgage brokers and financial institutions are largely seen to be doing their job well. However, First Home Buyers believe there remains a need for support in navigating through the home buying process and securing the best possible loan, while making the entire experience as stress-free as possible. Service providers who can do so successfully are likely to have a valuable point of differentiation against competitors in winning the hearts and minds of First Home Buyers in an increasingly heated property market.

# 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 2,077 Prospective First Home Buyers and 1,008 Recent First Home Buyers undertaken by CoreData on behalf of Genworth during the period April 2021 to May 2021 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 42 years old or older
<b>Generation Y:</b>	Someone aged between 27 and 41 years old
<b>Generation Z:</b>	Someone aged 26 years old or younger
<b>Genworth:</b>	Genworth Mortgage Insurance Australia Limited, 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 LMI 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 2021
<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, or a loan guarantee or security for a family member's loan

