

October 2023

Home Buyer Sentiment Report



Report prepared by

CORE|DATA

* Helia®

We exist to accelerate financial wellbeing through home ownership, now and for the future.

Welcome to Helia.



 **Helia**®



About Helia.

With a proud heritage as Australia's first Lenders Mortgage Insurance (LMI) provider, Helia is committed to accelerating financial wellbeing through home ownership.

With over 55 years expertise in the Australian residential mortgage market, Helia has supported 69,073 home buyers. Helia issued 43,051 new policies in 2022 that secured home loans valued at \$20bn.

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



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About this report

The Helia Home Buyer Sentiment Report has been prepared on the basis of:

The findings of a quantitative survey commissioned by Helia and undertaken by CoreData in August of 2023. The respondents to the survey are comprised of:

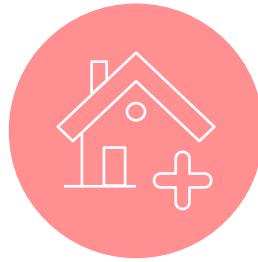
First home buyers



2,109 first home buyers (FHBs) comprised of:

- 1,473 people who in the next two years are looking to buy their first property to live in
- 636 looking to buy their first property as an investment

Additional property buyers



471 additional property buyers comprised of:

- 210 who already own property and in the next two years are looking to buy an additional property to live in
- 261 who are looking to buy an additional property as an investment

Refinancers



421 refinancers

- People who own a property but are looking to refinance their mortgage in the next two years

The report also contains desktop research and analysis undertaken by CoreData.

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

	First home buyers	Additional property buyers	Refinancers
NSW	33%	31%	28%
VIC	27%	26%	25%
QLD	20%	17%	19%
WA	8%	11%	11%
SA	7%	10%	10%
TAS	2%	3%	3%
ACT	2%	2%	4%
NT	1%	0%	0%
Others	0%	0%	0%

	First home buyers	Additional property buyers	Refinancers
Metro	64%	60%	60%
Regional/rural	36%	39%	40%
Others	0%	1%	0%

Generational segments of respondents

First home buyers

Additional property buyers

Refinancers

**Generation Z**
(28 years old & below)30% First home buyers
8% Additional property buyers
5% Refinancers**Generation Y**
(29 - 43 years old)46% First home buyers
35% Additional property buyers
42% Refinancers**Generation X**
(44 - 57 years old)19% First home buyers
34% Additional property buyers
33% Refinancers**Baby Boomers**
(58 - 77 years old)5% First home buyers
22% Additional property buyers
20% Refinancers**Pre Boomers**
(78 years old & above)0% First home buyers
1% Additional property buyers
1% Refinancers

n=2,109 first home buyers, 471 additional property buyers, 421 refinancers.

Key insights

Home buyer desire and pursuit of home ownership remains strong whilst the housing market continues to defy expectations.

1 Home buyers continue to display a resilient "don't give up" attitude

Despite worsening unaffordability, home buyers still believe it is a good time to buy a home. The desire for and pursuit of home ownership remains strong, even in challenging economic conditions.

First home buyers are showing a realistic outlook, acknowledging that their first property may not be their dream or ideal choice, indicating a practical approach to the current property market. Overall, they remain motivated by the long-term financial benefits of home ownership and are seeking opportunities and strategies to get onto the property ladder.

2 Housing unaffordability continues to be a key barrier to buying

Last year, aspiring home buyers expected a significant drop in housing prices. This expectation did not materialise, leaving many buyers struggling to enter the market due to persistent unaffordability. It would now take a median wage couple saving 20% of their income 13 years to save for a 20% deposit on a house in Sydney, and 8 years for an apartment. As a response, buyers are adjusting their search parameters, exploring outer suburbs, looking beyond their capital cities, considering different property types, and even settling for smaller properties with fewer bedrooms than needed.

3 Living costs are eroding deposit savings, meaning buying with a 20% deposit is no longer realistic for home buyers

An overwhelming majority indicate it is difficult to save for a deposit, with managing living expenses being a key challenge. High housing prices and increases in living costs mean that the largest group of first home buyers are only able to save less than 10% of their net pay towards a deposit. As a result, the proportion of first home buyers who are proposing purchasing their property with a 20% deposit has halved since 2019, indicating that it is no longer realistic for this group to buy a property with the 20% deposit typically required by most lenders.

4 Home buyers are making significant lifestyle changes in order to afford a property

First home buyers are making the largest cutbacks in order to afford a property, with discretionary expenses being the first to go as they reduce dining out, takeaway food, 'treat' purchases like a takeaway coffee, as well as reducing holidays and spending on hobbies. First home buyers are also turning their attention to essential expenditures, purchasing cheaper groceries and reducing spending on personal grooming, while a concerningly large proportion are forgoing medical or wellness treatments and cancelling gym memberships.



5 Home buyers' financial abilities and habits vary widely

Home buyers reveal distinct variations in their financial literacy and abilities, highlighting the importance of tailored solutions and offerings. First home buyers tend to rate their financial literacy as average, while additional property buyers express greater confidence in their financial acumen. First home buyers say they have enough money to get by but have to stretch for luxuries, while additional property buyers have some luxuries as desired. Most home buyers across both segments claim to save regularly, however the amount saved is typically not substantial. A significant proportion of buyers do not maintain a documented budget, instead relying on a rough estimate of their expenses. A small number have indicated that they are unable to keep pace through their usual saving and budgeting strategies.

6 Lenders Mortgage Insurance awareness and usage has dipped but is bridging the 'deposit gap' for first home buyers

Many first home buyers are unfamiliar with Lenders Mortgage Insurance (LMI), amid a decline in awareness this year among this segment. Those that are aware of LMI recognise the value of LMI, particularly to overcome the deposit barrier. Further, there are still a number of common misconceptions, including confusion about the purpose of LMI and who it protects, and concerns about the added expense. This highlights the need for better awareness and education around the role and benefits of LMI, and how it can support more home buyers as a pathway to home ownership.

7 Home buyers are unaware of and unfamiliar with alternative home ownership strategies

A low awareness of the alternative pathways and the role they play in achieving home ownership persists, as a larger proportion of buyers have not heard of any of the tested alternative ownership strategies. Aspiring home buyers that have heard of strategies are generally open to considering them, however those who were initially unaware of them are somewhat more hesitant. First home buyers are increasingly likely to consider alternative pathways, probably influenced by the current housing market and rising living costs, though additional property buyers are less inclined to explore these options.

8 Mortgage brokers are a source of value, trust and support throughout a daunting process

Home buyers, especially first home buyers, express a need for support throughout the home buying journey, with brokers well-positioned to provide guidance. The majority of home buyers are likely to use a broker and perceive them as valuable in simplifying the complex home buying process. Refinancers also present a significant client opportunity for brokers, expressing their openness to using a broker. In a challenging housing market, mortgage brokers emerge as the 'home buyer's friend', offering guidance, knowledge, and expertise to help buyers navigate the path to property ownership.



Overview of the market

After last year's record-breaking run of interest rate rises, and four more increases to the cash rate earlier this year, the cash rate has remained steady at 4.10% since July¹

The cash rate remaining steady is likely due to the inflation rate slowly beginning to fall, with the month of June 2023 seeing inflation drop to 6% from 7% in March.² As of September 2023, the monthly indicator for the July inflation rate is 4.9%, indicating that inflation is slowly but surely dropping back down towards target inflation levels (2%-3%). With inflation dropping, many believe the interest rates will remain unchanged for some months, however, it is not all blue skies going forward for mortgage holders. Borrowers with variable-rate loans, including those who have already rolled off very low fixed rate loans, have experienced large increases in their scheduled loan payments (typically between 30 and 50 percent).³ The remaining borrowers, accounting for around one third of all housing credit, continue to benefit from low fixed rates. However, like earlier cohorts that have already rolled off fixed rates, these borrowers will face large increases in their loan payments when their fixed rate expires in the next year.

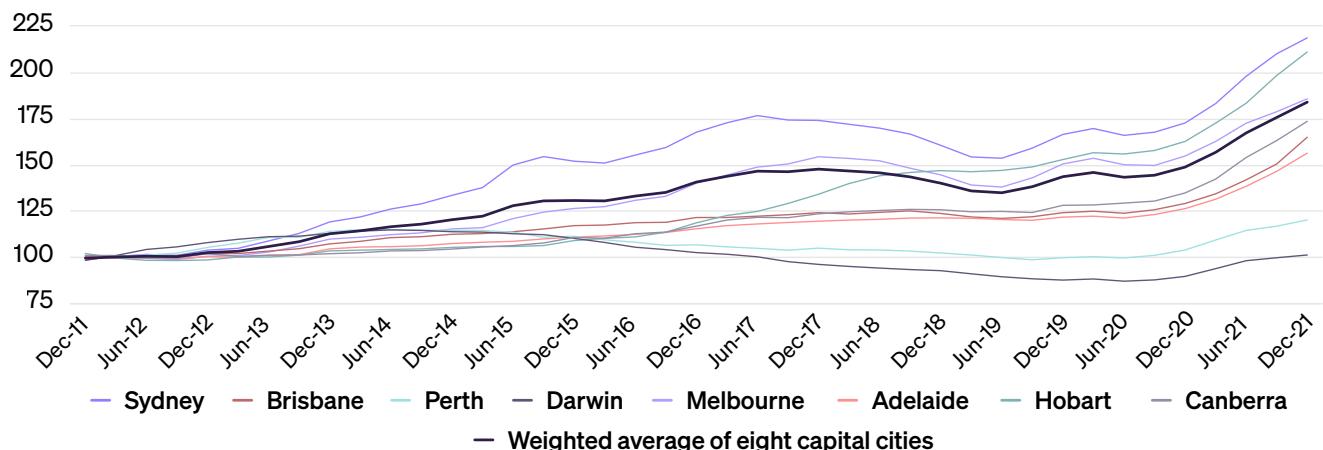
Despite a challenging year, 12-month changes to dwelling values as of September 2023 are only down -1.1%.⁴ This, however, does not paint an accurate picture of the recovery of a housing market that continues to defy expectations, as the three months prior to September 2023 saw a 2.5% increase in dwelling values.⁴

On the other hand, monthly growth has slowed and is expected to flatten out later this year. Combined capital cities are driving the three-month growth of property prices at 3.1% compared to combined regional growth of 0.8%.⁴

Sales volumes have plummeted -17.1% from September last year across Australia with regional sales volume dropping at a steeper rate than that seen in the capital cities (-20.1% regional vs -15.4% capital cities)⁵. The time taken to sell properties has lengthened in the three months leading up to August 2023 compared to the same period last year. The median time a property sat on the market in July 2023 was 32 days, increasing from 30 days in August 2022⁶. However, this difference is largely driven by combined regional markets where properties are staying on the market much longer (45 days 2023 vs 33 days 2022), while in the capital cities, time on the market has remained steady at just under a month (27 days 2023 vs 29 days 2022). Although properties in some markets are staying on the market longer, auction clearance rates have increased dramatically for capital cities compared to this time last year (71.2% in 2023 vs 59.4% in 2022).⁷

The ever-upwards trajectory of housing prices seems to have affected some buyers' appetites as new loan commitments for owner-occupier housing have seen a decrease over the past year, dropping 17.5%, while the month of July 2023 saw a drop of 1.9% to \$15.6b. The value of external refinancing for owner-occupier housing has hit a new record high of \$14.6b, and may not be surprising to all, as many fixed rate home loans are expiring during 2023 and will be recalculated at higher prices.⁸

Figure 2 - Australian residential property prices over time.



¹ <https://www.rba.gov.au/statistics/cash-rate/>

² <https://www.rba.gov.au/inflation-overview.html>

³ <https://www.rba.gov.au/publications/fsr/2023/apr/household-business-finances.html>

⁴ https://www.corelogic.com.au/_data/assets/pdf_file/0018/17523/CoreLogic-HVI-Sep-2023-FINAL.pdf

⁵ https://content.corelogic.com.au/l/994732/2023-09-06/zc5vz/994732/16940465389d3ZzmL8/202309_Monthly_Chart_Pack.pdf

⁶ https://content.corelogic.com.au/l/994732/2023-09-06/zc5vz/994732/16940465389d3ZzmL8/202309_Monthly_Chart_Pack.pdf

⁷ <https://www.corelogic.com.au/news-research/news/2023/capital-city-auction-statistics-preliminary-headline-results>

⁸ <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release>



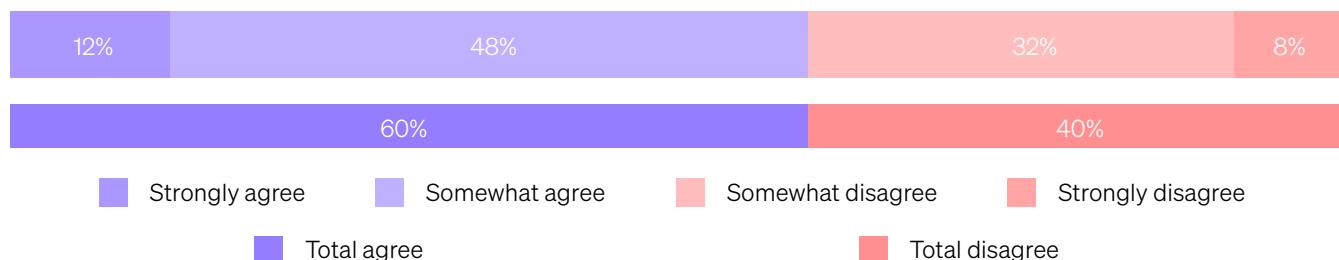
Home ownership in Australia

Is it a good time to buy?

As Australia's house prices persist in their upward trajectory across many markets, it would be reasonable to assume that people would start to lose interest in property as it becomes more unaffordable. However, in the Australian market, the opposite seems to be true. Three in five of those surveyed agree that now is a good time to purchase property (60%), with buyers of additional properties being most likely to have this sentiment (66%).

First home buyers are similarly likely to agree with the statement (63%), and astonishingly, this has increased since last year (57%) when prices were cheaper in many markets. That first home buyers continue to feel it is a good time to buy indicates the desire for and pursuit of home ownership is so strong, they may be unlikely to want to give up on their dream.

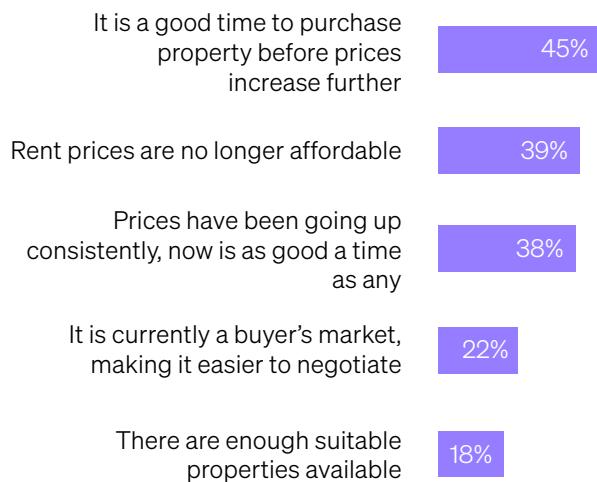
Figure 3 – Now is a good time to purchase property.



n=3,001 home buyers.

It is interesting to note, however, that those who think it is a good time to purchase are motivated not by affordable prices or enough suitable properties available (16% and 18% respectively). Rather, that with property prices continuing to rise, they feel it is a good time to purchase property before prices increase further (45%). Renters are also feeling the pinch, agreeing it is a good time to buy because rent prices are no longer affordable (39%).

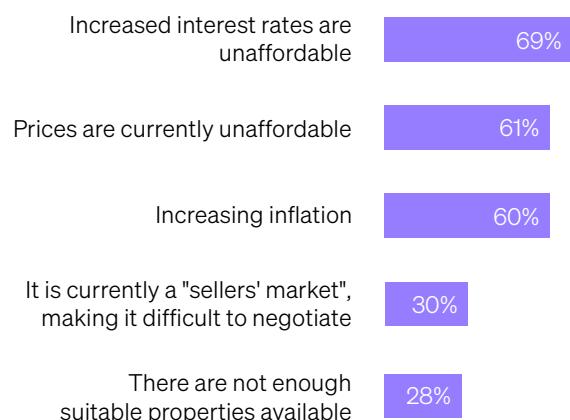
Figure 4 – Why it is a good time to purchase property? [Top five responses]



n=1,804 home buyers who think now is a good time to purchase property.

Conversely, the unaffordability of the current housing market and economic environment are the main reasons why two in five don't believe now is a good time to buy (40%). Increased interest rates being unaffordable is the most common factor driving their sentiments (69%), and this is felt strongest by refinancers (79%). Other common factors include a perception that prices are currently unaffordable and current inflation rates being too high (61% and 60% respectively). A lack of suitable available properties and the perception of it being a "sellers' market" also drive negative sentiments around purchasing a property (28% and 30% respectively).

Figure 5 – Why it is not a good time to purchase property? [Top five responses]



n=1,197 home buyers who do not think now is a good time to purchase property.



In today's difficult economic climate, aspiring home buyers are facing a tough journey towards home ownership, with an overwhelming majority agreeing that the journey to buying their first property is stressful (88%). They say that it feels harder than ever to buy their first property (85%) whilst it is getting more difficult to save for a deposit (89%).

These factors mean that most first home buyers agree they are feeling a growing sense of urgency to buy their first property as prices keep going up (80%).

Figure 6 – Agreement with statements about buying first property.



n=2,109 first home buyers.

Key infographics



60%

of home buyers agree that now is a good time to purchase property.



54%

of home buyers are spending less on dining out as a money saving strategy.



53%

of home buyers say affordability of the housing market is a barrier to purchasing property.



79%

of home buyers say they are likely to use a mortgage broker to obtain a loan for their property.



89%

of first home buyers say it is getting more difficult to save for a deposit.



43%

of home buyers prefer face-to-face or a mixture of online and face-to-face information sources when finding out about buying a property.



Motivations and the buying journey

Motivations for buying

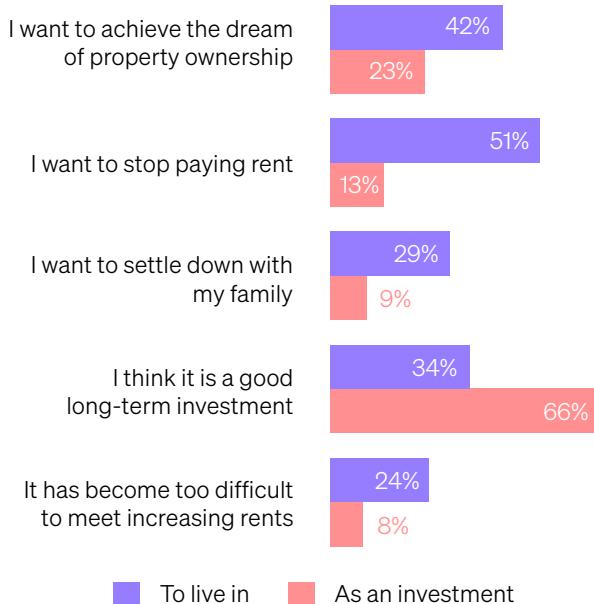
First home buyers can be broadly divided into two sub-segments, namely those who are seeking to purchase a property to live in and those who see it more solely as a financial investment.

Among those aiming to buy a property to move into, recent surges in rental costs play a pivotal role in shaping their perspective. A majority express a desire to break free from the cycle of paying rent (51%), while a quarter emphasise the mounting challenge of meeting increasing rents (24%). More buyers are coming to the realisation that instead of paying rent to someone else, they could instead be putting that money towards repayments on their own property, if only they are able to overcome the deposit barrier.

Beyond the financial aspects, there are also more intangible incentives at play. A substantial portion are motivated by the aspiration to realise the dream of property ownership, while others are driven by the desire to settle down with their family (42% and 29% respectively).

On the other hand, the motivations of the first-time property buyers eyeing investment properties lean more towards the pragmatic side. Sentimentality takes a back seat, as two in three view their first property as a good long-term investment opportunity (66%).

**Figure 7 – Motivations for buying first property.
[First home buyers]**



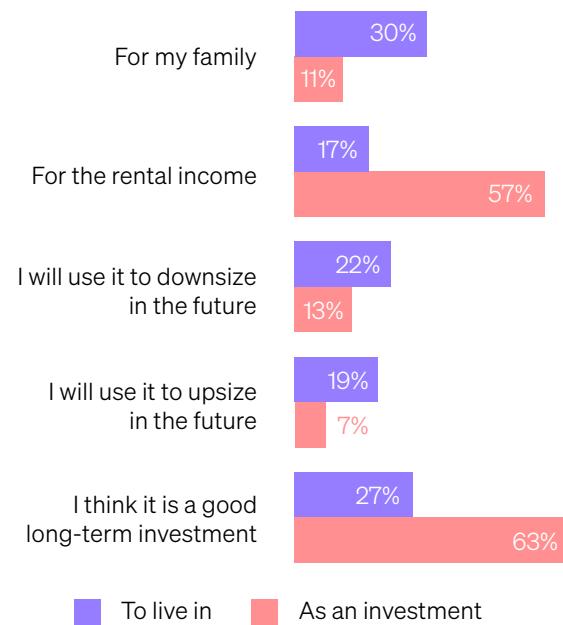
n=1,473 to live in, 636 as an investment.

Additional property buyers

Buyers of additional properties are similarly split between the rational motivations of investors, and the sentimental desires of buyers looking to buy a property they can make their own. Buyers of an additional investment property say they want to purchase property because they think it is a good long-term investment and for the rental income (63% and 57% respectively). Meanwhile, those seeking another dwelling prioritise having a property for their families (30%) or because they will use it to upsize (19%) or downsize (22%) in the future.

Buyers of an additional investment property say they want to purchase property because they think it is a good long-term investment and for the rental income

**Figure 8 – Motivations for buying additional property.
[Additional property buyers]**



n=210 to live in, 261 as an investment.

LMI case study



Mitch's story

A couple of years ago Mitch Keough and his fiancée were searching for their first home. Looking to start the next chapter of their lives and have their first child, the young couple hoped to get out of the renting cycle and land a space they could call their own. The search was disheartening, as they kept being outbid at the auctions they attended.

Given the housing market over the past few years, many young people are finding it hard to save a large enough deposit. Mitch and his fiancée explored their options, which included the Federal Government's First Home Guarantee Scheme, and as the bids at the auctions quickly surpassed the limits of the scheme, it made it impossible for them to use it.

Frustrated and disheartened, Mitch and his fiancée explored the option of Lenders Mortgage Insurance (LMI), which allows prospective home buyers to secure a property with less than a 20% deposit. By using LMI, the couple succeeded in purchasing a two-bedroom villa in Bexley in 2021.

We've checked in with Mitch to see how life was going in his first home. Mitch explained that compared to renting, the experience had been overall 'really positive'.

A place to call their own

While acknowledging the realities that come with owning your own home, such as maintenance, Mitch and his fiancée have been enjoying being able to 'make the space their own'. Since moving into their new home, the couple has made a handful of DIY improvements to their home and decorated the room for their one-year-old daughter.

They have plans to update their bathroom when funds and time allow. Right now, Mitch stresses the importance of separating 'needs' from 'wants', to be the most economical they can amid the current cost of living crisis.

"It's been awesome, especially now having the little one, we've been able to make her a little dedicated space and do up her bedroom and things like that, which is cool and especially for my partner, as she loves styling things and setting it all up. So, she's really enjoyed that."



Broadening your choices

Using LMI gave the couple more options when choosing their first home. This meant they did not have to make sacrifices on the location, allowing them to find a place which was close to family and friends. In their free time, Mitch and his fiancée enjoy having BBQs in their backyard with their family and entertaining guests.

When reflecting on barriers facing young people trying to break into the housing market, Mitch said that many of their friends did not own a home, and if they did, they often had a sizeable deposit or received help from the Bank of Mum and Dad. Without either of these, people looking to enter the current housing market need to explore alternative options for home ownership.

"By the time we bought the house, we had been looking for the better part of 18 months and always knew that LMI was probably going to be an option for us."

Looking back on their options, Mitch explained it would have been difficult to secure a property without using LMI. "We worked out that the deposit we had, combined with using the LMI, wasn't really going to have much of an impact on us anyway, in terms of our repayments. It just seemed like a no brainer, and it meant we got in for the place that we were after relatively quickly."

Considering interest rates

Securing their property in 2021 with a fixed interest rate for three years meant that Mitch and his fiancée were able to get into the market before interest rates increased significantly. This saved the couple some of the heartache that others with variable rates have been experiencing over the past few years.

Given that their fixed rate is due to end soon, Mitch and his partner are doing their best to prepare for the increase in costs and are looking into their options for refinancing their home loan. Overall, Mitch said they had "no regrets at all from going with LMI".

Mitch offers the following tips for people trying to secure their first home:

Try to get the best interest rate possible

Shop around and get a good understanding of the options available to you. Looking to refinance next year, Mitch said "a broker is going to be a real asset", adding that while they did it themselves last time, the rates were good at that point, so they were bound to get a relatively good deal. With the current environment of high interest rates, working with a broker who understands your needs becomes even more important when securing the best deal on your home loan.

Explore your options with lenders and government support

Ensure you do your research into the possible government benefits you are eligible for and speak with lenders to see what they can offer.

Try to save as much as you can

The larger deposit you can offer, the more choices you will have when searching for your ideal first home. Being able to pay more upfront can also save you money in the long run, by allowing you to access more favorable mortgage terms.

Keep an open mind

When searching for a property, Mitch recommends considering a broad range of homes and locations. This may mean looking into living regionally and thinking outside the box can help you identify opportunities.

Having been a home owner for three years now, Mitch also recommends other home owners consider refinancing to ensure they are getting the best possible interest rate. By reaching out to your current lender and working with them, you may be able to get a better deal than what is being advertised online.

The buying journey

While home buyers vary widely in their motivations, they all experience a home buying journey that is frequently long, stressful and full of complexities. Before they begin the process of actively looking for a property, many take an extended period of time to get their deposit together. Among surveyed buyers, many have been saving for their deposit for less than two years (45%) while even more have now been saving for longer (55%).

Saving for a deposit continues to pose a key barrier to achieving the dream of home ownership with continual price increases in the housing market and cost of living to blame

This is an especially drawn-out process for some, with almost one in six having now been saving for more than five years to get their deposit (15%).

Once buyers have managed to save their deposit, they need to make a decision on where it is that they want to purchase. Mirroring the broader population's choice of location, the majority of home buyers are looking to buy in the capital cities (66%). Notably, first home buyers (FHBs) are less likely this year to be looking only in capital cities (67%, down from 77% last year), and this is likely a function of high prices in the capital cities as three in five agree they are looking outside their capital due to unaffordability (61%).

Other home buyers are looking either exclusively outside capital cities, or at a combination of both capital and outside capital cities (both 17%). Melbourne became the most popular city for home buyers last year and this trend has continued as the city remains the most commonly desired buying market (26%).

Melbourne is the preferred city for home buyers with Sydney the second most popular

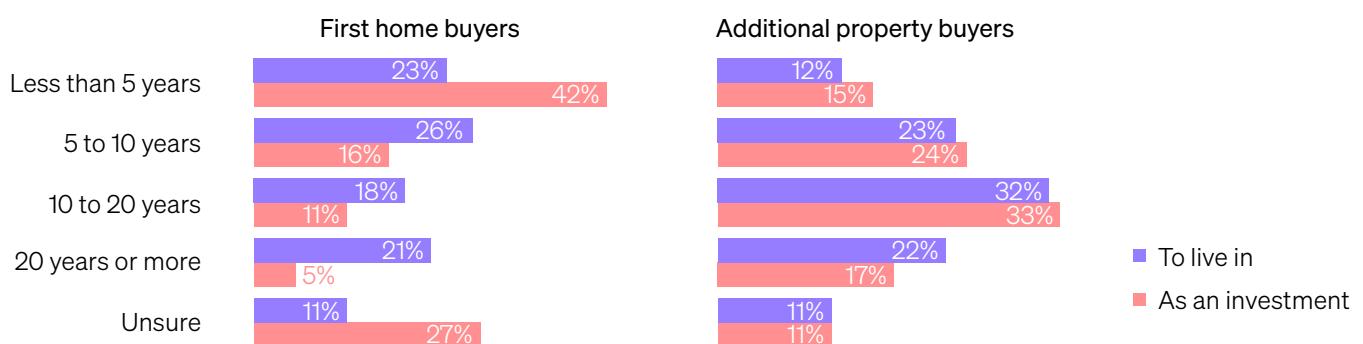
Sydney remains the second most popular market (23%), while large proportions of buyers look to places in NSW outside of Sydney such as Newcastle and Wollongong (20%). A similarly sized cohort of buyers look to locations in Queensland outside of Brisbane such as the Gold Coast and Sunshine Coast (20%).

After selecting a market to purchase in, it can take a considerable amount of time to find the property that is the right fit for buyers' needs. While more than half of the buyers surveyed indicated they've been actively looking for a property for less than six months (56%), a sizeable proportion have been looking for longer (44%), with one in six buyers reporting looking for more than a year now (17%).

Where the buyers' journeys diverge is after the purchase, and how long they plan to own their properties. Amongst first home buyers looking to purchase a house to live in, a quarter plan on holding their properties for five to 10 years (26%), indicating that many in this group may look to 'trade up' in the future. First home buyers who are buying an investment property have an even shorter timeframe in mind, with the most saying they will hold their property for less than five years (42%).

Distinctive motivations become evident among additional property buyers, who lean towards a longer ownership horizon. A notable one in three of this group express intentions to hold onto their property for 10 to 20 years (32%), often reflecting a "forever home" mindset. This divergence in ownership strategies highlights the varied motives guiding buyers and the longevity they envision for their acquired properties.

Figure 9 – How long will property buyers live in/own the property they purchase?







Challenges in buying

Challenges in buying

The dream of home ownership is a common aspiration as owning a home often represents stability, financial wellbeing and a sense of accomplishment. While the benefits of buying and owning a home are undeniable, it is important to recognise that this endeavour is not without its hurdles. These hurdles vary depending on the type of buyer, but they are mostly underpinned by two critical challenges facing buyers: housing unaffordability and reaching the 20% deposit usually stipulated by lenders.

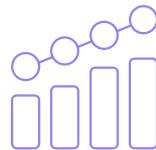
Housing affordability and saving for a deposit remain the biggest barriers to home ownership

In the following section, we undertake a deeper analysis of these challenges – their implications and potential strategies for mitigation. By comprehending the intricate challenges facing aspiring home owners, we aim to provide insights that will help guide the industry to allow more people to achieve their dream of home ownership sooner.

Housing unaffordability and its associated impacts

When last year's report, First Home Buyers Report 2022, was published, housing prices had dipped slightly in most markets. Many high intent home buyers eagerly watched and made predictions, hoping that house prices would continue to fall. A year on, significant change did not eventuate in the way that many hoped, as national housing prices fell by just 1.1%⁹. This shift, while notable, still leaves a lot to be desired for many home buyers, especially first home buyers who are having difficulty purchasing their first property.

Despite the minor falls in prices, prices in Australia's most popular markets are by no means affordable for many buyers. In Sydney, the median house price towers at \$1,333,985, while Melbourne trails with a still sizeable median of \$923,811. Similarly, for units and apartments, Sydney registers a median price of \$817,059, and Melbourne stands at \$603,829⁹.



2023 median house and unit values

	House	Unit
Sydney	\$1.33M	\$817K
Melbourne	\$923K	\$604K
Brisbane	\$820K	\$520K
Adelaide	\$723K	\$456K
Perth	\$626K	\$423K

For first home buyers, the magnitude of the affordability challenge is unmistakable. More than half of these potential buyers cited the affordability of the housing market as the foremost barrier preventing them from making a property purchase (56%). Equally telling is the sentiment among additional property buyers, who in similar numbers express difficulty in finding a suitable property within their budget in a suitable location (56%).

The palpable impact of unaffordability is observable through the adjustments buyers are making in response. Seven in ten participants surveyed indicated they have been compelled to search for property in different areas such as in the outer suburbs (70%), a shift driven by the financial constraints imposed by unaffordable city-centre options, while a considerable three in five first home buyers are looking beyond their own capital city (61%). Moreover, two in three first home buyers are adapting their search to include a different type of property than they'd desire (e.g. an apartment instead of a house) (65%), aligning with their revised financial parameters. For a large proportion of first home buyers, it has become necessary to look for a place with fewer bedrooms than they need due to unaffordability (68%).

Beyond shifting in the types of properties they are looking for, housing unaffordability is causing tangible ramifications in the lives of Australians, consequently hampering prospective buyers' ability to save for their property deposits.

⁹ https://www.corelogic.com.au/_data/assets/pdf_file/0021/16572/CoreLogic-HVI-Aug-2023_FINAL.pdf

Is a 20% deposit still achievable?

The rising cost of living is drastically impacting aspiring home buyers, limiting their ability to allocate substantial sums towards savings. Financial constraints cast a long shadow over the dream of home ownership, as the effort to save for a deposit becomes an uphill battle. Several illuminating insights underscore the gravity of this current issue.

Almost half of all home buyers indicate saving for a deposit is a barrier in their journey to purchase, and three in four say that it is difficult for them to save for a deposit (48% and 73% respectively). Managing living expenses while simultaneously saving for a deposit proves to be a significant challenge for an overwhelming two in three buyers, a figure that is even higher among first home buyers (FHBs) (64% and 67% respectively).

More than two in five first home buyers are saving less than 10% of their take-home pay

The ever-increasing costs of essentials such as rent, groceries, and bills have triggered a notable shift in saving behaviour. Of note, more than two in five FHBs now find themselves saving less than 10% of their take-home pay for a deposit – a considerable increase from last year (43%, up from 23%).

This means that it is taking buyers longer to save a deposit, with a substantial portion having been saving for more than three years, while one in six have been at it for more than five years (31% and 15% respectively).

To appreciate the magnitude of this challenge, consider a household of two median wage workers who save 20% of their take-home pay: it would take them 13 years to accumulate a 20% deposit for a median priced house in Sydney, and eight years for an apartment. Melbourne fares little better where a house deposit would take nine years and an apartment, six. For singles, the problem is even more pronounced where time to save a deposit for a median priced house in Sydney would take 26 years, while for an apartment would take 16 years. In Melbourne, an individual would take 18 years to save for a deposit on a median house, and 12 years for an apartment.¹⁰

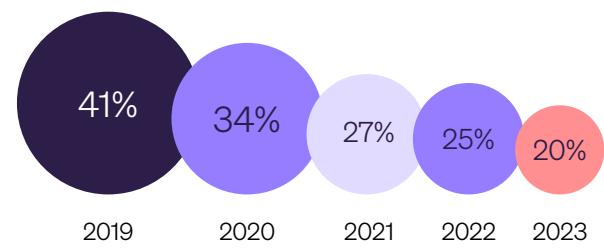
Since it is generally considered unrealistic for home buyers to save for a deposit over these lengths of time, most have adjusted their expectations regarding the size of deposit they will be able to achieve. This year, just one in five FHBs are planning on saving a 20% deposit for their property purchase, and this has halved over the previous five years (20%, down from 41% in 2019). Now, the most commonly proposed size of deposit is just 5% to 9% of the home's value (31%), meaning that most have given up on the goal of saving a 20% deposit.

It would take a median wage couple saving 20% of their income to save a 20% deposit:

Sydney
House: 13 years
Apartment: 8 years

Melbourne
House: 9 years
Apartment: 6 years

Figure 10 – First home buyers proposing a deposit of 20% or more.



n= 2,079 FHBs (2023), 2,018 FHBs (2022), 2,049 FHBs (2021), 2,193 FHBs (2020); 2,001 FHBs (2019).

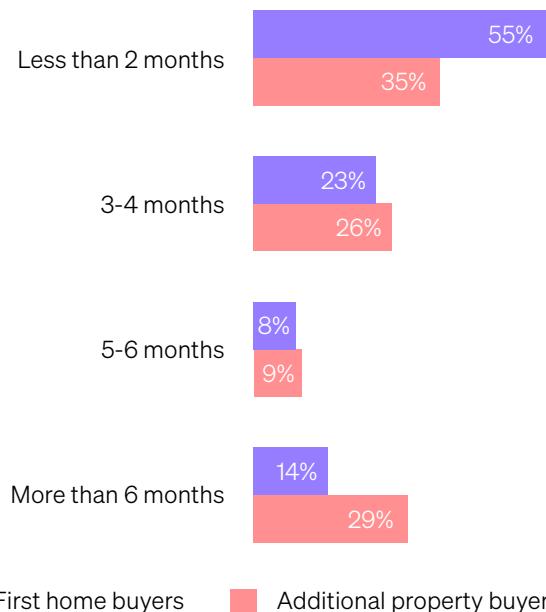
¹⁰ Based on a median salary of \$65,000 per person and prices for a house of: \$1,333,985, and an apartment of \$817,059 (Sydney), and \$923,811 for a house, \$603,829 for an apartment (Melbourne).

High cost of living, housing unaffordability and difficulties in saving deposits mean that many who aspire to purchase a home are in a precarious financial position. More than half of first home buyers (FHBs) say they feel they have enough to get by, but have to stretch for luxuries, or that they struggle to get by financially (55%). Additional property buyers are feeling the pinch less, as most say they have enough to get by, and some luxury as desired (44%). Extricating themselves from difficult financial circumstances can be difficult for FHBs, as almost half say their financial literacy is average, poor or very poor (46%), which is in stark contrast with the overwhelming majority of additional property buyers who say theirs is good or very good (70%).

Having money put aside as a cash buffer is important particularly in an environment of rising living expenses. Home owners with low cash buffers can potentially miss a mortgage payment due to financial difficulties such as sudden job loss or unexpected large expenses. More than half of FHBs have less than two months' worth of their pre-tax income accessible at a week's notice (55%). Further, only one in six have more than six months' income available to them (14%), the amount generally accepted to be a sufficient financial safety buffer.

More than half of FHBs have less than two months' worth of their pre-tax income accessible at a week's notice

Figure 11 – Months' worth of income accessible at a week's notice.



n=2,079 first home buyers who are working, 428 additional property buyers who are working.

Even as home buyers do manage to achieve a property purchase, they remain tentative as the current interest rate environment means that if their interest rates were to increase by 1% over a six-month period, two in three would find meeting future repayments difficult (63%).

These factors combined mean that home buyers need to be watching every dollar and cent as they progress on their home buying journey, and there are a multitude of strategies being incorporated by this group in order to help them achieve their goal of property ownership.

Strategies to save money and purchase sooner

On their journey towards home ownership, aspiring buyers are tapping into a wide spectrum of strategies to save more money. Perhaps unsurprisingly, it is the discretionary purchases that are the first to be cut back on in the pursuit of saving more. The most popular cutbacks include dining out, takeaway food and 'treat' purchases when out and about such as a takeaway coffee (54%, 53% and 47% respectively). Taking fewer holidays is another popular strategy, as is spending less on hobbies (48% and 39%).

After these, buyers start to look towards their more essential outgoings to find places to shave off spending. They are commonly buying cheaper groceries by shopping at discount supermarkets and reducing spending on personal grooming or beauty services (47% and 37%). Concerningly, many are skimping on medical or wellness treatments to save money, whilst others are cancelling gym and fitness memberships (22% and 20%). A small, but noticeable group have taken the drastic step of moving to a cheaper rental in order to save money (13%).



One in five are cutting back on medical and wellness treatments to save money for a property

Demonstrating their single-minded focus on home ownership, first home buyers are adopting working overtime and even taking on secondary jobs, like driving or freelance work, to augment their property savings (32% and 24% respectively). Notably, people are not just employing one or two schemes to save as home buyers are on average adopting almost six different strategies.

Figure 12 – Things being done to save more money for a property.

Cutting back on dining out	54%
Cutting back on takeaway food	53%
Taking fewer holidays	48%
Cutting back on 'treat' purchases when out (e.g. takeaway coffee)	47%
Buying cheaper groceries (e.g. shopping at discount supermarket)	47%
Cutting back spending on hobbies	39%
Buying fewer brand name products (e.g. buying more cheap clothes)	39%
Delaying buying big purchases (e.g. car, white goods)	39%
Reducing spending on personal grooming/beauty	37%
Reducing/cancelling subscriptions (e.g. movies, music)	33%
Cutting back on alcohol	32%
Cutting back on medical or wellness treatments (e.g. physio, chiro, osteo)	22%
Cancelling gym/fitness membership	20%
Changing transport methods (e.g. bus instead of taxi or rideshare)	16%
Cutting back on gambling	15%
Moving into a cheaper rental	13%
Quitting smoking	11%
None of the above	4%
Other	1%

n=2,580 people looking to buy a property.

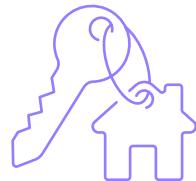


One in three home buyers plan on waiting for property prices to drop, despite the upwards trajectory of the past two decades

A rather more speculative approach prevalent among both FHBs and additional property buyers is to wait for property prices to drop (both 34%). However, the effectiveness of this strategy comes into question given property prices have trended upwards over the past two decades.

Another noteworthy insight emerges among additional property buyers. A substantial proportion of those with a Self-Managed Super Fund (SMSF) established it for property acquisition (44%), highlighting the substantial proportion using this investment vehicles to strategically achieve more property ownership. However, this as a strategy comes with additional considerations as properties bought with SMSFs cannot be lived in by fund members or their relatives, and properties must be to provide retirement benefits to the fund members.

Cutting back on takeaway coffees and buying cheaper groceries can only go so far when trying to save for a property. For many it will be necessary to take a serious look at the alternative options that are available to help them get into their property sooner.



Almost half of additional property buyers with a Self-Managed Super Fund started it to buy property



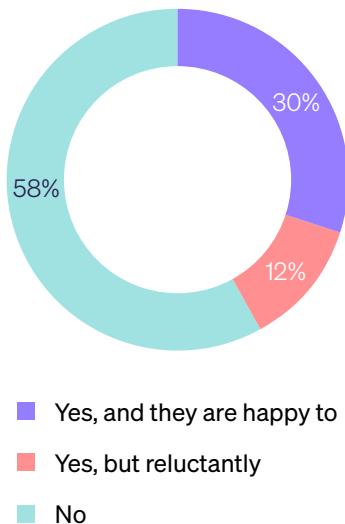


Pathways to ownership

Bank of Mum and Dad (BOMAD)

Usage of the “Bank of Mum and Dad” has remained stable as more than two in five first home buyers (FHBs) have been offered financial assistance from parents and family to aid in their property purchase (42%, compared to 43% last year). The most common form of assistance involves parents or family contributing to part of the deposit or co-signing/guaranteeing the mortgage (60% or 29% respectively). Some are even fortunate enough to receive complete deposit assistance, while others benefit from ongoing support in the form of assistance with property-related costs (16% and 15% respectively).

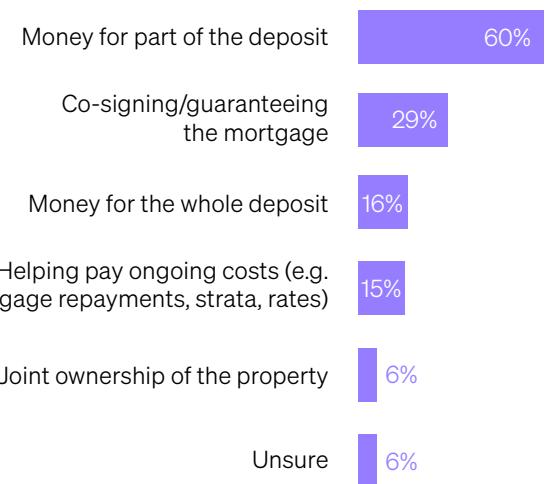
Figure 13 – Have parents/families offered first home buyers financial assistance to help buy first property?



n=2,109 first home buyers.

More than half of parents have not offered financial assistance with many indicating that they would not offer aid even if requested

Figure 14 – What format have parents/families offered first home buyers financial assistance?



n=876 first home buyers whose parents/family have offered financial assistance.

The utilisation of BOMAD represents a position of privilege that is not available to the majority of home buyers. Among those whose parents have not offered to extend financial assistance, a substantial portion indicate that their parents or family wouldn't offer aid even if requested (42%). An additional one in three express the desire to help but are unable to financially (29%).

The BOMAD also exists in a more subtle format for many FHBs, as a quarter of this group are living with parents or family in order to save money, and a further one in six are contemplating a similar move (23% and 14% respectively). However, the drawn-out nature of this arrangement is clear, with two in five anticipating the need to sustain this living situation for three to five years (42%).

For individuals unable to tap into the BOMAD, there exists a range of alternative strategies to aid aspiring buyers in their quest to secure their own property.

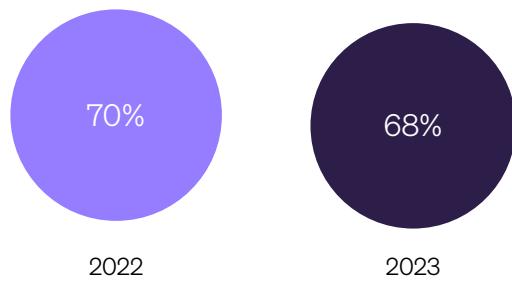
Lenders Mortgage Insurance

The findings outlined in this report including shedding light on housing unaffordability, difficulties saving, and modest deposit sizes underscore the necessity for aspiring home buyers to carefully consider Lenders Mortgage Insurance (LMI) as an aspect of their home ownership strategy.

Awareness of LMI remains suboptimal, with only two in three home buyers and refinancers indicating familiarity with it (61%). Interestingly, awareness among first home buyers (FHBs) has dipped slightly this year (57%, compared to 63% last year).

Even for those who have heard of LMI, a knowledge gap exists. Only two in three accurately identified LMI as an insurance to protect the lender, and that it allows the buyer to purchase a property with less than a 20% deposit (68%).

Figure 15 – Home buyers who understand that LMI protects the lender.



n=1,845, 2023 home buyers, 1,267, 2022 home buyers.

Although most FHBs won't have a 20% deposit, they say they will do all they can to avoid paying for LMI

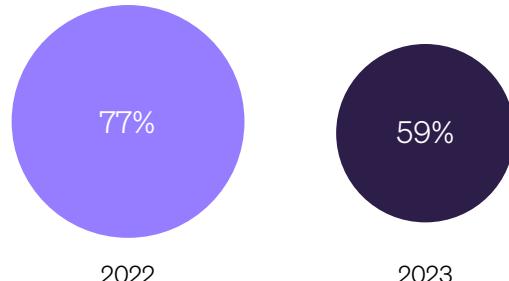
For the sizable majority that is not positioned to achieve a 20% deposit or does not have access to the Bank of Mum and Dad (BOMAD) to help them, it will be necessary to consider LMI. Despite this, there is a reticence to consider it, as half of FHBs would prefer not to pay for LMI and instead postpone their purchase. This sentiment is even more pronounced among additional property buyers (49% and 64% respectively).

Despite the benefits LMI can offer, apprehensions and misunderstandings persist. Given that FHBs will need the most assistance to get into their first property, it is concerning that statements such as these resonate with them:

LMI sounds too expensive	74%
I would only use LMI as a last resort	72%
I will do all I can to avoid paying for LMI (e.g. save more money or take out short-term loans)	70%
I am not clear on what LMI can do for me	60%

With their reservations, only three in five FHBs say they are likely to use LMI to buy their property, and this is even lower among additional property buyers (59% and 45% respectively).

Figure 16 – Prospective FHBs with less than a 20% deposit likely to use LMI.



n=1,685 prospective FHBs 2023, 1,512 prospective FHBs 2022.

This presents an opportunity for LMI providers and the residential property market to improve messaging and highlight the benefits of LMI. Better education is necessary for those aspiring home buyers who are starting their research journey into home ownership, to not only showcase the benefits of LMI, but also to show that it is now even more important to utilise pathways given 80% of first home buyers will have less than a 20% deposit to purchase their home.

Overall, there is a pressing need for consistent, enhanced education including resources, tools and information to create awareness on the purpose and benefits of LMI in the home ownership journey.

Alternative strategies to home ownership

In addition to Lenders Mortgage Insurance, a variety of alternative strategies exist to aid home buyers in achieving their home ownership aspirations. However, there is a prevailing lack of awareness and understanding surrounding these options.

A third of home buyers have not heard of any of the tested alternative home ownership strategies

Despite the variety of options that exist in the marketplace, a third of respondents have not heard of any of the tested alternative ownership strategies (31%). The most familiar strategy is rent-to-own schemes (40%), whereby an individual lives in a property for a fixed term and pays rent plus extra for the option to purchase the property at the end of the term. The next-most recognised are government shared equity schemes (30%), where the government contributes towards the purchase price of a property and owns that share of the property, making ownership cheaper for the buyer.

Individuals that have heard of the various strategies are likely to consider them, especially shared equity products (80%), where a company contributes an amount to the deposit gap, and when the property is sold or refinanced, they receive the amount they contributed back, as well as an additional amount of the increase in the home's value. They are also likely to consider co-ownership products (73%), where

a company purchases up to 30% of the home as a silent partner, and the occupant lives in the home paying a fee below market rent. They have the option to pay back the full ownership over time, or when selling or refinancing, pay the proceeds of the portion they own to the company.

Home buyers that have not heard of the various schemes are somewhat more hesitant to consider using them after having them explained, though half would consider a government shared equity scheme or a rent-to-own scheme (50% and 52% respectively).

This broadly mirrors the split among buyers who have different views on whether they should use an alternative scheme to buy a property faster, or to wait and save more and buy a property in the 'traditional' fashion. More than half of first home buyers (FHBs) say they are likely to consider an alternative ownership pathway that helps them purchase a property sooner, even if it costs a little more (55%). Likely reflecting the current housing market and soaring cost of living, this figure has increased significantly since last year (45%).

Conversely, additional property buyers are less likely to consider these options (30%), conceivably as they already have access to more capital and do not need the alternative strategies as much.

Further, another strategy emerges as a favourable route to home ownership for FHBs: Applying for the Government's first home buyer assistance schemes, a strategy being employed by more than one in three (35%). For those that are eligible to take advantage of these schemes, this may represent a practical way forward as more than three in five FHBs agree that the Government's First Home Guarantee is making it more affordable and accessible to get on the property ladder (62%).

Awareness and usage	Awareness	Understanding	Likely to use (on own understanding)	Likely to use (after explanation)
 Government shared equity schemes	30%	52%	68%	50%
 Shared equity products	16%	56%	80%	37%
 Co-ownership products	19%	46%	73%	39%
 Rent-to-own	40%	55%	67%	52%
 Deposit gap loans	7%	38%	63%	40%
 None	31%			

n=2,580 home buyers.



Mortgage brokers and the need for support

As a first touch point for many aspiring home buyers, mortgage brokers have a unique and vital role to play in supporting, guiding, and educating home buyers on pathways to home ownership.

Home buyers find themselves in need of support at various stages of the home buying journey, a need that is even more pronounced amongst first home buyers (FHBs). FHBs identified several areas in which they anticipate needing assistance including determining the right loan for their needs (39%), determining their borrowing capacity (37%), applying for a loan (36%), getting pre-approval for the loan (35%), and determining what they can afford to buy (34%).

In contrast, additional property buyers are less reliant on support, a probable outcome of their prior experience in property purchases with many indicating they don't feel they need any support from others (20%).

During the research phase of home ownership, home buyers encounter varying degrees of reliability, ranging from financial advisers or accountants (36%) to input from family, partners, or relatives (35%), insights from real estate agents (34%), and opinions from friends or colleagues (27%). The need for trusted information becomes clear when noting that half of FHBs say that it is difficult to do research on who to see for a loan and which loan to obtain for their property (51% and 37% among additional property buyers). FHBs also expect it to be difficult to obtain the loan that they need (62%, 38% among additional property buyers).

This presents a unique opportunity for mortgage brokers to serve as the singular trusted source for home buyers, particularly FHBs grappling with research difficulties and being overwhelmed by a multitude of loan options.

The stage is set for mortgage brokers to play a pivotal role, as four in five say they are likely to use a broker to obtain a loan for their property (79%). This positive sentiment towards brokers is further validated by the consensus that brokers help to cut through the complexity in the home buying process (79%), provide valuable support in the home buying process (78%), provide reliable and trusted advice and information (76%), and FHBs agree that they trust brokers to support them in buying their first property (72%).



Four in five first home buyers are likely to use a broker to obtain a loan for their property

Figure 17 – Source of information about buying a property.

Browsing real estate websites	37%
Talking to a financial adviser or accountant	36%
Talking to family/partner/relatives	35%
Talking to a real estate agent	34%
Meeting with a mortgage broker referred by a family/friend	33%
Meeting with a lender at a branch of my main financial institution	28%
Talking to a friend or colleague	27%
Browsing comparison websites	26%
Meeting with a mortgage broker referred by the broker website	24%
Browsing lender websites	23%
Meeting with a lender at a branch of another financial institution	23%
Browsing broker websites	21%
Reading financial newspapers/magazines	14%
Browsing social media	12%
Other	1%

n=3,001 home buyers.

While many brokers have traditionally focused on people buying additional properties, FHBs offer ideal candidate clients who are looking for guidance and support through the buying process. Additionally, refinancees also offer an excellent client opportunity, as almost seven in 10 say they are likely to use a broker to refinance (68%).

Although half of home buyers intend on taking out a loan with their partner, almost as many intend on taking out the loan themselves

Further, although half of home buyers intend on taking out a loan with their partner (51%), almost as many intend on taking out the loan themselves (39%). This indicates that the landscape of home owners continues to change amid a broader societal shift towards the individual, as people follow different pathways than their parents did, through pursuing education, electing to stay single, or choosing to focus on a career instead of starting a family. This is important to note as individuals and couples may have different desires for their homes as well as different needs for the loans they will require, and in order to best serve these buyers, mortgage brokers will need to tailor their services to these very different types of clients.

Refinancers and mortgage brokers

Refinancers exhibit openness to refinancing with a variety of institutions, being most likely to refinance with a major bank, a non-major Australian bank, or to be unsure and need further guidance (42%, 19% and 21% respectively). This group is highly motivated by added extras like cash backs and have said that they'd be more likely to refinance with an institution if a cash back was offered (80%).

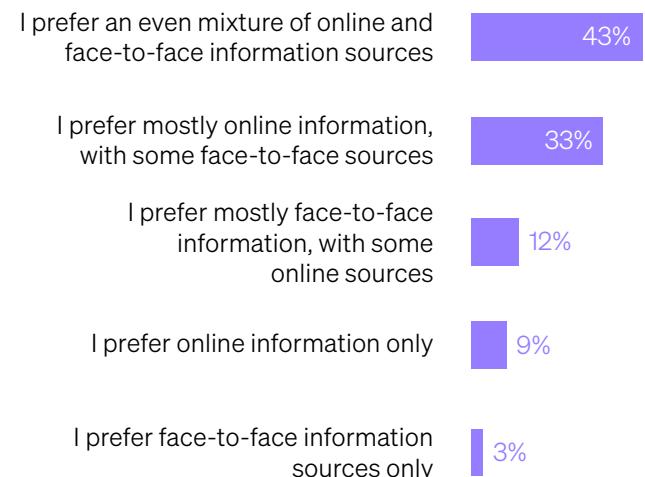
With the spectrum of different clients served by brokers, it is clear that understanding the varying preferences of clients is key. Many home buyers prefer an even mixture of online and face-to-face information sources, though a sizeable proportion instead prefer mostly online, with just a bit of face-to-face (43% and 33% respectively). A personalised approach is paramount, emphasising tailored communication over assumptions.

This data underscores the essential role that brokers can play in aiding home buyers, particularly FHBs. A willingness to collaborate with brokers, combined with a favourable perception of the industry, highlights the demand for the guidance, knowledge, and expertise that mortgage brokers bring to the table.

In the face of Australia's challenging home buying landscape – characterised by housing unaffordability, difficulty in saving deposits, escalating rents and high living costs – mortgage brokers emerge as steadfast allies and a home buyer's friend. Their role transcends transactional services; they are trusted navigators guiding buyers through the complexities of property buying. As unaffordability fosters the demand for alternative ownership pathways, brokers stand as a pillar of knowledge and support. Low awareness and understanding of LMI underscores the pivotal role brokers can play in communicating the benefits and potential of this resource, particularly for those struggling to overcome barriers to ownership and to help them realise their property goals sooner.

Mortgage brokers have a vital role to play in helping bridge the gap by providing home buyers with guidance, support and education to ensure buyers feel more confident in their decision making as they move along the path to home ownership.

Figure 18 – Preferences when finding out information about buying a property.

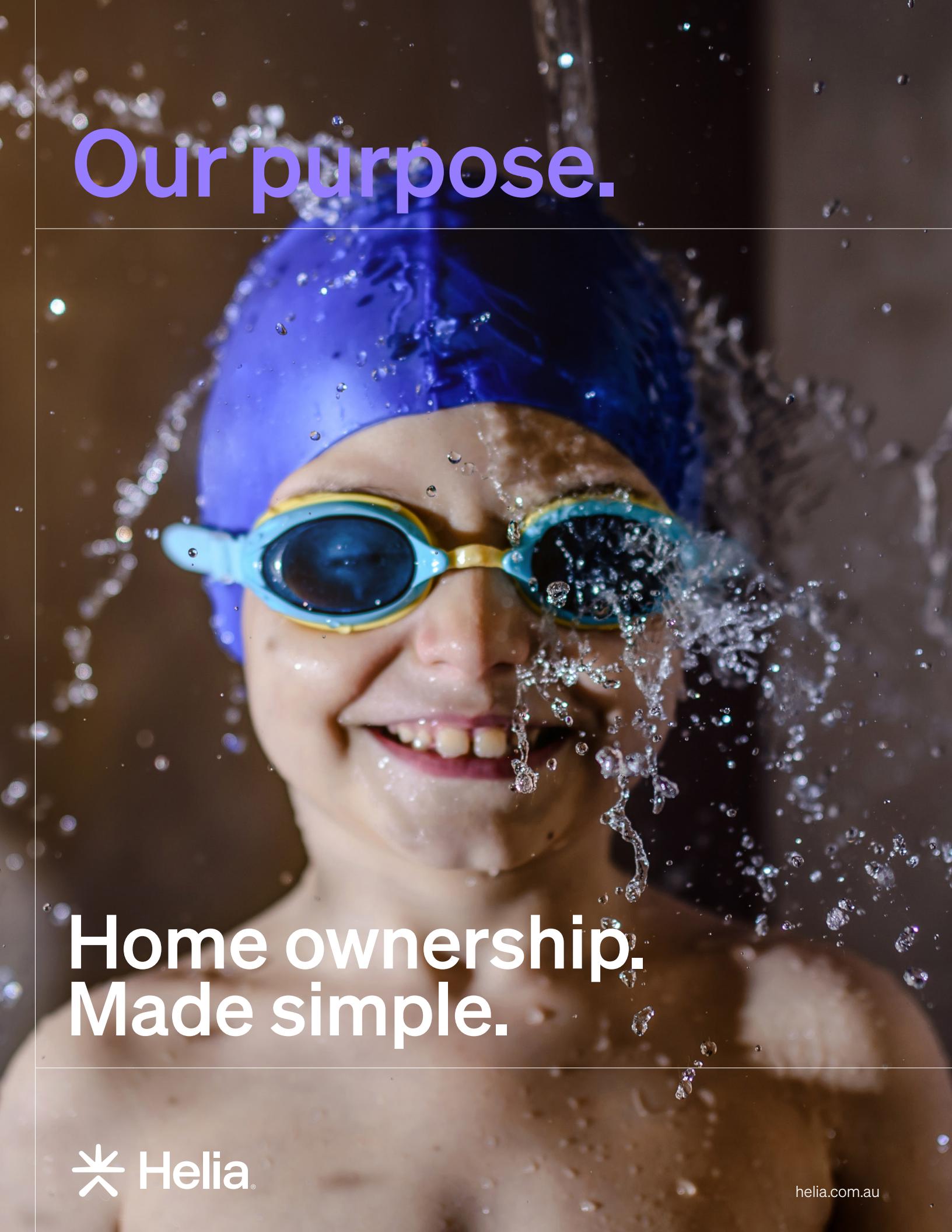


n=3,001 home buyers.



Mortgage brokers' role transcends transactional services; they are trusted navigators guiding buyers through the complexities of property buying

Our purpose.



Home ownership.
Made simple.

