

September 2022

# First Home Buyer Report.



Report prepared by

CORE|DATA

 Helia.

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# About Helia

Helia Group Limited (Helia), is a leading provider of Lenders Mortgage Insurance (LMI) in Australia. With over 55 years of expertise in the Australian residential mortgage market, Helia issued 72,512 insurance policies in 2021 that secured home loans valued at \$30.2 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.

# About this report

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

- The findings of a quantitative survey commissioned by Helia and undertaken by CoreData during July 2022.
- 2,018 Prospective First Home Buyers and 1,187 Recent Home Buyers across Australia, in all capital cities and regional areas. Respondents are aged between 18 and 59 years old.
- Desktop research and analysis undertaken by CoreData.

## Who constitutes a Prospective First Home Buyer?

A Prospective First Home Buyer (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 (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, and metropolitan or regional location is shown below.

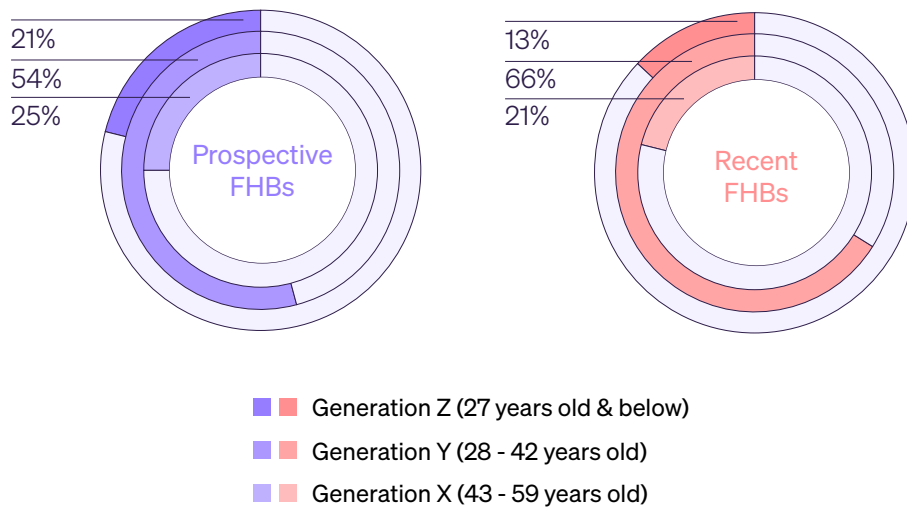
Figure 1 – Breakdown of survey respondents by state/territory, location

Location	Prospective FHBs	Recent FHBs
VIC Capital City (Melbourne)	22.6%	16.3%
NSW Capital City (Sydney)	21.7%	20.1%
QLD Capital City (Brisbane)	11.2%	11.2%
NSW Regional/Rural	10.6%	10.2%
WA Capital City (Perth)	8.3%	18.4%
QLD Regional/Rural	7.5%	5.2%
VIC Regional/Rural	7.3%	7.9%
SA Capital City (Adelaide)	5.5%	5.0%
TAS Capital City (Hobart)	1.9%	1.7%
ACT	1.5%	1.8%
WA Regional/Rural	0.8%	0.8%
SA Regional/Rural	0.6%	1.2%
NT Capital City (Darwin)	0.2%	0.3%
Others	0.2%	0.0%

Location	Prospective FHBs	Recent FHBs
Metro	71.4%	75.8%
Regional/Rural	28.6%	24.2%



## Generational segments of Prospective and Recent FHBs



2,018 Prospective First Home Buyers and 1,187 Recent Home Buyers across Australia, in all capital cities and regional areas. Respondents are aged between 18 and 59 years old.

# Key Insights

Prospective FHBs are now in a holding pattern, waiting to see what happens whilst they continue to seek property ownership. With interest rate rises and increased costs of living, the 'fear of missing out' is waning, however, it is not all doom and gloom with over more than half of Prospective FHB's signalling now is a good time to buy.

## First home buyers waiting to see what happens

In the broader economy, first home buyers are facing interest rate rises, higher levels of inflation causing increased cost of living and rising prices of everyday items, coupled with a record-low unemployment rate and falling housing prices in some capital cities. This convergence of events has caused the number of new home loans among first home buyers to decrease rapidly as many wait to see what will happen in the economy before committing to a purchase. Three in four Prospective FHBs say falling property prices make them more likely to purchase a property, but they are split as to whether it is a good time to buy or not.

## COVID-19 impacts on home ownership

The pandemic has had an enduring effect on the motivations of first home buyers, where most that work from home say they now have a greater desire to buy a property that they can call their own. Most that are working remotely say they are likely to consider a property in the outer suburbs or one with more space or an office, and although some recent purchasers considered these factors, the type of property they ultimately purchased remained unchanged.

## Purchase relief turns to intangible 'joy'

Most who have not yet bought their first property agree that their first property is likely to be one that isn't their 'dream' property, and many predict that they will stay in their first property for a short period of time. Once a buyer has made their purchase, however, most agree that they are happy with the home they've purchased, they are relieved to now have their own home, and are also likely to predict staying in their home for longer periods of time, indicating the attachment and affinity that develops after experiencing the first home buying process.

## Two biggest barriers - affordability and saving for a deposit

There are two key challenges currently facing first home buyers that are separate problems, but are inextricably linked. Prospective FHBs flagged housing affordability as the greatest challenge to buying a property, where the locations and property types most desired by this cohort are also the most expensive. The second major challenge is saving for a deposit and associated purchase costs. The increased cost of living and inflationary pressures are impacting on first home buyers and making it increasingly difficult to achieve the 20% deposit normally required by lenders. This means that in some markets achieving the deposit for a home may take upward of 14 years.



## LMI awareness and usage on the rise

Lenders Mortgage Insurance (LMI) has increased in awareness and usage over the previous years. More than seven in 10 FHBs without a 20% deposit have used LMI. Among these FHBs that used LMI, half wanted to buy their property as soon as possible, and a further half indicated that it would take too long to save for a 20% deposit.

First home buyers want to get their foot into the property market as soon as possible and LMI is an enabler. This presents scope to provide additional education and tailored information on LMI to position with lenders and brokers to be able to provide guidance and support to facilitate first home buyer entry into the property market.

## New strategies to home ownership

Although purchasing a home through the path of a 20% deposit usually required by lenders has become unattainable for many, there are a number of alternative strategies available to first home buyers. Strategies include renting to own, shared equity schemes, and deposit gap loans, as well as rentvesting and fractional ownership. Although these strategies have the potential to get more people into their own homes, awareness and uptake are currently low.

These options are part of a broader trend of strategies available to first home buyers that have become increasingly necessary due to continuing challenges as property prices are high in many markets and deposit gaps are increasing. Despite the options available to Prospective FHBs, only one in six are very likely to consider an alternative ownership pathway that helps them purchase a property sooner, even if it costs a little more. For these alternative ownership pathways to increase in popularity, it is clear that better education and messaging will be fundamental.



# Overview of the market





**In an effort to curb rising inflation, Reserve Bank of Australia’s rate rises have impacted consumer confidence, driving down housing price growth, auction clearance rates and quantity of new loan commitments among first home buyers.**

On the back of multiple global factors including continued supply-chain issues and Russia’s invasion of Ukraine, the Australian headline inflation rate has increased to 6.1% in the June quarter<sup>1</sup>. In an effort to curb this rising inflation, the RBA has recently lifted the cash rate a further 50 basis points, taking the cumulative hikes since May to 225 basis points creating a current cash rate of 2.35% as of September<sup>2</sup> 2022.

Australia’s high level of debt means that further interest rate rises could result in more home owners defaulting on their home loans. The Australian property market has observed this, and the unprecedented housing price rises during the COVID-19 lockdown period have tapered in all markets, with housing prices starting to fall in some locations.

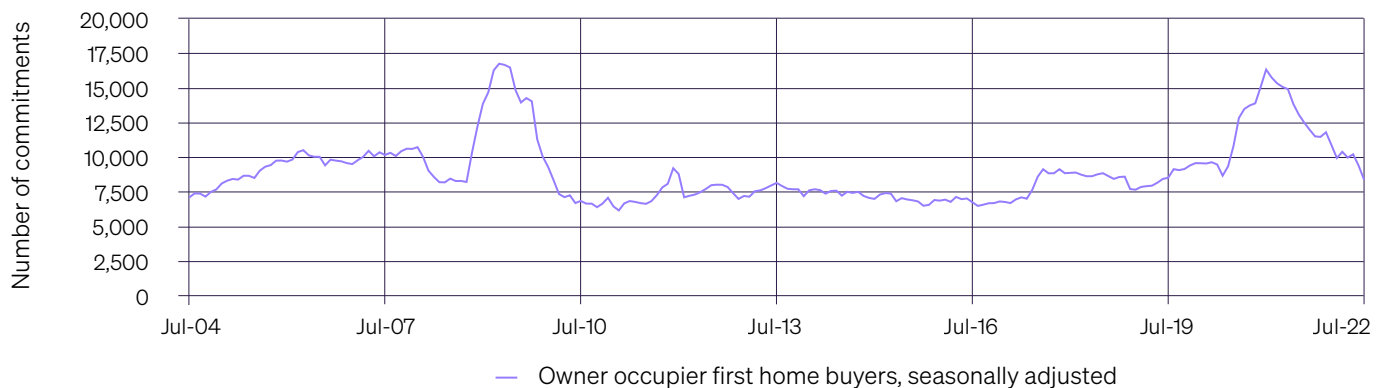
In 2Q 2022, housing values declined by 2.8% in Sydney, 1.8% in Melbourne and 0.1% in Hobart<sup>3</sup>. Housing prices continued to increase in all other capital cities, with the largest growth seen in Adelaide (5.1%), and have also grown in regional South Australia (5.3%), Tasmania (3.2%) and Queensland (2.6%), however growth has slowed in all markets compared with last year.

Labour shortages have continued as an after-effect of COVID-19 related border closures, meaning that many industries are struggling to find enough employees. This has caused Australia’s seasonally adjusted unemployment rate to fall to a low of 3.9%, its lowest level recorded since 1974<sup>4</sup>.

Despite housing price growth slowing in many markets and prices even falling in others, combined with record low unemployment rates, the rate of people buying houses has not increased as may be expected. Home sales nationally are estimated to be 15.9% lower compared to 2021 through the June quarter<sup>5</sup>. Auction clearance rates in all Australian capital cities are down from a 73.1% average clearance rate in July last year to 55.6% in the same period this year. Clearance rates have fallen the most in Sydney, with a 19.7% decline from last year<sup>6</sup>. Auction clearance rates have also declined by 15.9% in Melbourne, 19.5% in Brisbane, as well as 19.4% in Canberra and 12.1% in Adelaide.

First home buyers have drastically slowed in their uptake of new loan commitments, which fell 10.7% at the national level and was 35.9% lower compared to a year ago. This was below the pre-pandemic level seen in February 2020. These factors combined with the uncertain climate of increasing interest and inflation rates have given many home buyers or potential buyers pause, as they wait to see what the broader economic and market conditions will do.

**Figure 2 – New loan commitments to owner occupier first home buyers (seasonally adjusted), number, Australia**



Source: <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release#first-home-buyers>

<sup>1</sup> <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

<sup>2</sup> <https://www.rba.gov.au/media-releases/2022/mr-22-28.html>

<sup>3</sup> <https://www.corelogic.com.au/news-research/news/2022/home-value-index-continues-to-fall-june>

<sup>4</sup> <https://www.abs.gov.au/media-centre/media-releases/unemployment-rate-39#:~:text=%E2%80%9C3.9%20per%20cent%20is%20the,when%20the%20survey%20was%20quarterly.%E2%80%9D>

<sup>5</sup> <https://www.corelogic.com.au/news-research/news/2022/monthly-housing-chart-pack-july-2022>

<sup>6</sup> <https://www.corelogic.com.au/news-research/news/2022/the-combined-capitals-record-a-preliminary-clearance-rate-below-60-for-the-sixth-consecutive-week>



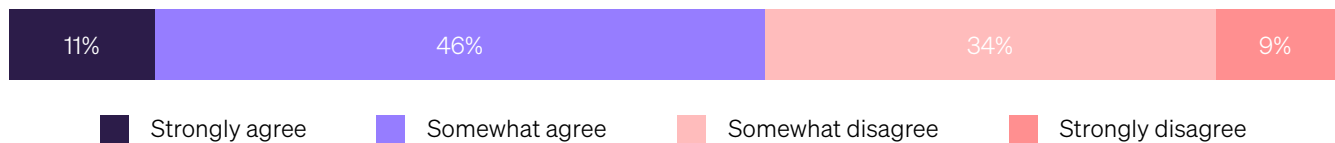
# Home ownership in Australia

## Is it a good time to buy?

As housing prices fall in many markets of Australia and new loan commitments among first home buyer owner-occupiers have decreased rapidly, which might seem that Prospective FHBs are withdrawing from the market. However, it appears that many would-be buyers are simply waiting to see what the markets are doing before committing to purchasing their first property.

This is evident when considering falling property prices across Australia, three in four (73%) Prospective FHBs say these falling prices have made them more likely to purchase a property. Despite this greater intention to purchase, Prospective FHBs are split as to whether or not now is a good time to purchase their property, with just over half (57%) agreeing it is a good time, and the other half (43%) disagreeing.

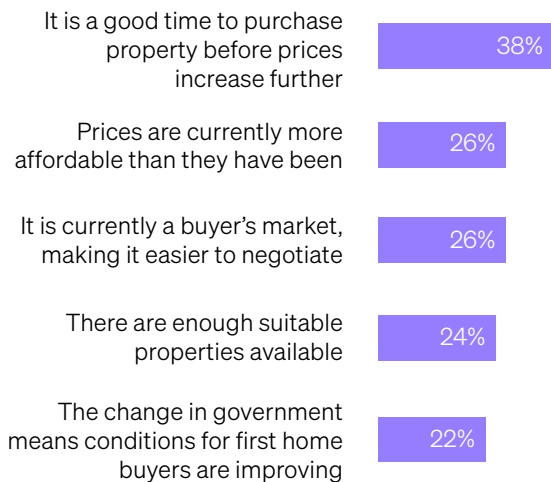
Figure 3 – Now is a good time for a first home buyer to purchase their property [Prospective FHBs]



Those that believe it is a good time for first home buyers to purchase have a wide variety of reasons, with the most popular being that they should purchase before prices increase further (38%). Others feel that prices being better than they have been (26%) and availability of suitable properties (24%) make it a good time to purchase. Housing affordability continues to cause stress for the proportion of those that disagree that it is a good time to buy, with more than two in three (68%) stating that prices are currently unaffordable.

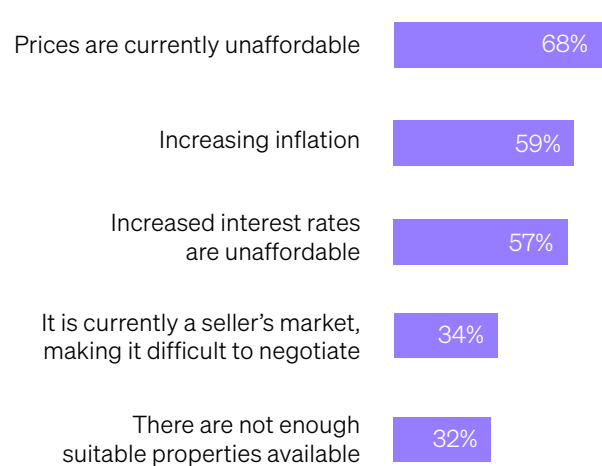
Home ownership increasingly feels out of reach for many Prospective FHBs with two in three (66%) agreeing they are losing hope of buying their first property. Increasing inflation (59%) and unaffordable interest rates (57%) are also key factors for the first home buyers who do not believe now is a good time to buy.

Figure 4 – What are the reasons that you think now is a good time for a first home buyer to purchase their first property? [Top five results]



n = 1,152, Who agreed that "Now is a good time for a first property"

Figure 5 – What are the reasons that you think now is a not a good time for a first home buyer to purchase their first property? [Top five results]



n = 833, Who disagree that "Now is a good time for a first property"

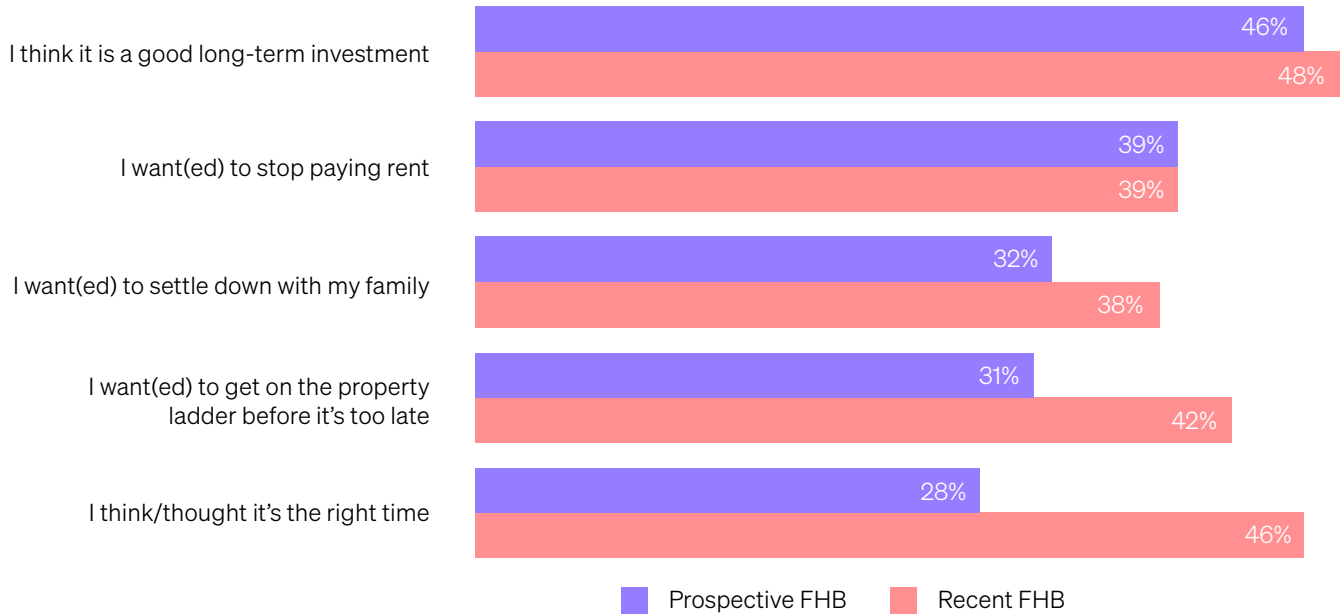


# Motivations and the buying journey

First home buyers have a variety of motivations for why they wish to purchase, the most popular reasons being that they think it is a good long-term investment (46% and 48%), and that they want to stop paying rent (39%).

For many Recent FHBs, a feeling of it being the right time (46%) and wanting to get on the property ladder before it is too late (42%) were also large motivators.

**Figure 6 – Motivations of FHBs**

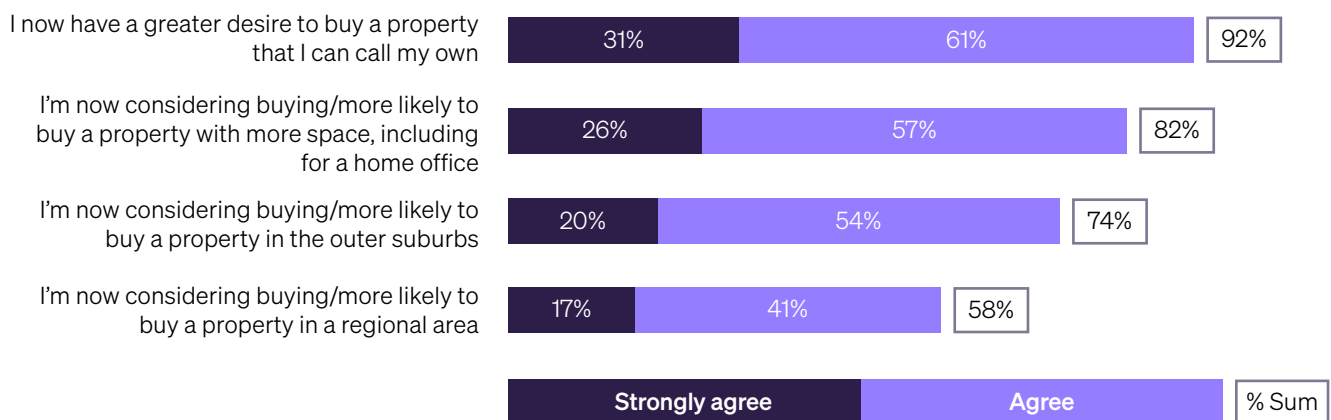


n = 2,018 Prospective FHBs; 1187 Recent FHBs

The effects of the COVID-19 pandemic and the shift to WFH are still seen as factors impacting the motivation of first home buyers. Those Prospective FHBs that work remotely indicate that they have a greater desire to buy a property that they can call their own (92%).

The rise of remote working has resulted in the home office being a necessity, with more than four in five (82%) Prospective FHBs now wanting more space. Three in four (74%) are considering a shift in location and purchasing in outer suburbs, and a large proportion (58%) are considering buying a property in a regional area.

**Figure 7 – How has remote working affected property desires? [Prospective FHBs who work from home]**

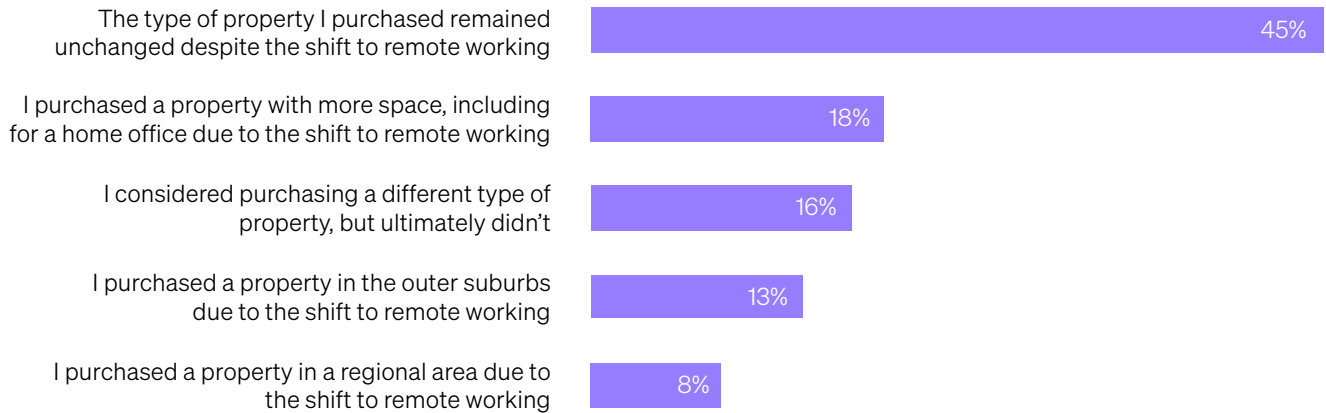


n = 1,286 Prospective FHB, Who work from home

It is interesting to note, however, that stated interest and intention to purchase in outer suburbs or regional areas has not led to concrete actions by Recent FHBs. Only a small proportion of Recent FHBs that work from home actually purchased a property in the outer suburbs or in a regional area (13% and 8%), whereas only slightly more considered purchasing a different type of property (16%) as a result of the shift to working from home.

The largest proportion (45%) said that the type of property they ultimately purchased remained unchanged despite the shift to remote working.

**Figure 8 – How did remote working affect type of property purchased? [Recent FHBs who work from home]**



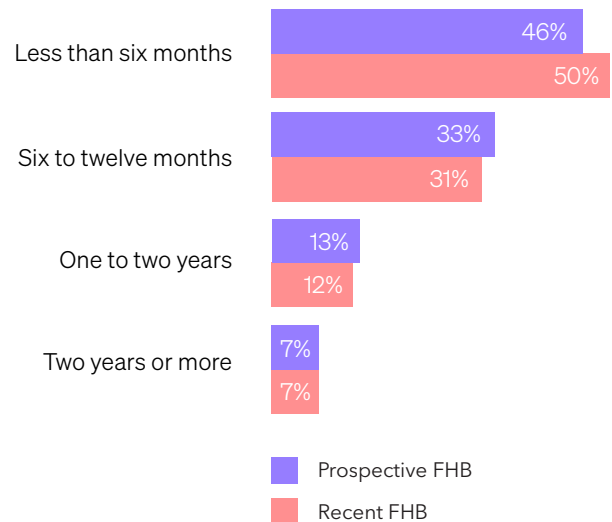
n = 763 Recent FHB, Who work from home



**The type of property actually purchased by most (45%) remained unaffected by the shift to working from home.**

The journey to finally purchasing a first property experienced by Recent FHBs is not too different to the current journeys of those looking to purchase soon. Most Recent FHBs (81%) were looking for their property for less than a year, however one in five (19%) took more than a year to find the right property, with a small proportion (7%) taking more than two years, and these figures are similar among Prospective FHBs.

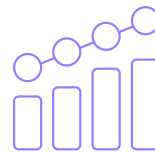
**Figure 9 – How long have you been/were you actively looking for your first property?**



n = 2,018 Prospective FHBs; 1,187 Recent FHBs

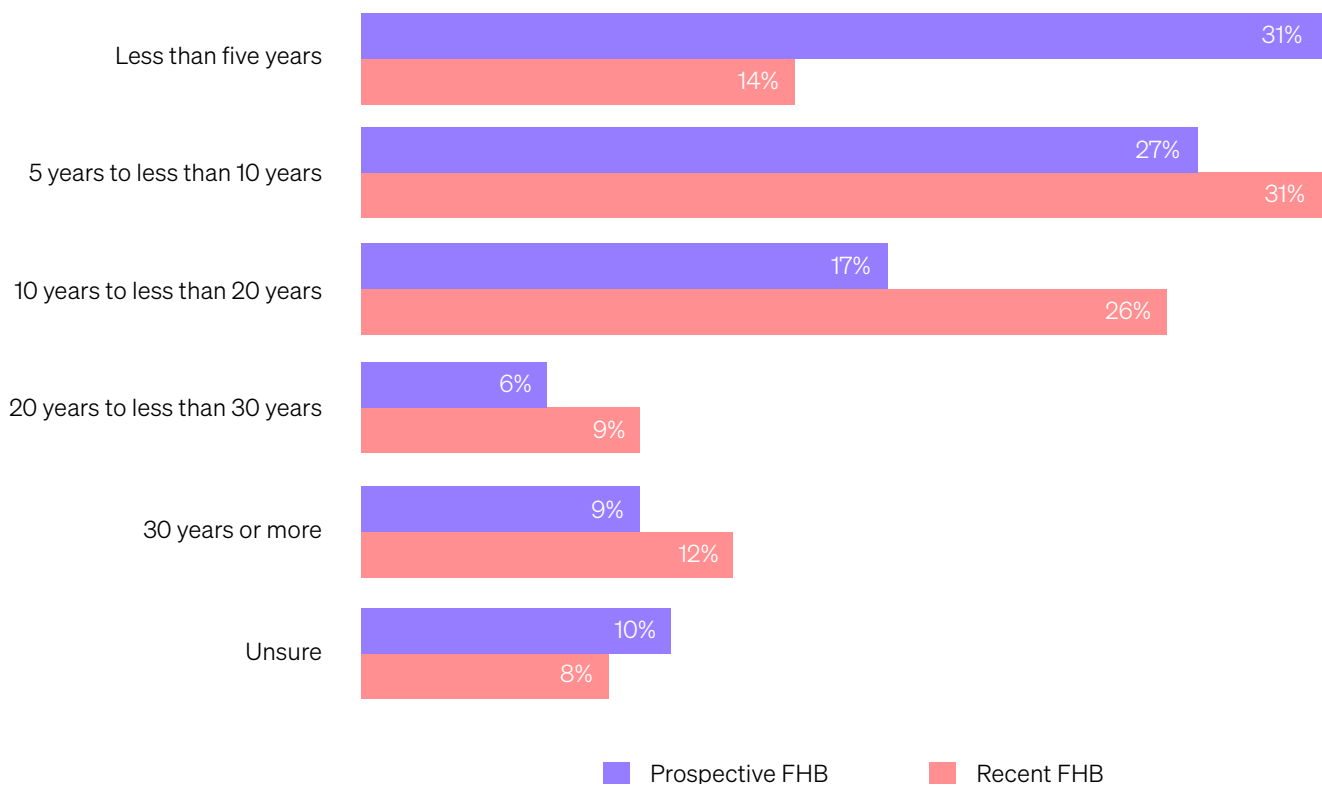
The property buying expectations and journeys of Prospective and Recent FHBs diverge when looking at the expected length of time that first home buyers will keep their first property for. A large proportion of those who have not yet bought their first property (31%) think that they will keep their first property for a period of less than five years. This is reflective of a broadly held attitude of Prospective FHBs, where more than four in five (85%) agree that their first property is likely to be one that isn't necessarily their 'dream' or 'ideal' property.

Less than half as many (14%) Recent FHBs indicated that they will be in their property for less than five years, which may be indicative that after an often stressful and challenging purchasing journey, there is bound to be some emotional attachment to a property, not to mention a desire to not have to repeat the same process in the near future. It is encouraging to see that many Recent FHBs have found a place that suits their needs, with more planning on keeping their home for five to 10 years (31%), or even 10 to 20 years (26%). More than nine in 10 Recent FHBs agree that they are relieved that they now have their own home (93%) and that they are happy with the home that they bought (94%).



**More than nine in 10 Recent FHBs agree that they are relieved that they now have their own home (93%) and that they are happy with the home that they bought (94%).**

**Figure 10 – How did remote working affect type of property purchased? [Recent FHBs who work from home]**



n = 2,018 Prospective FHBs; 1,187 Recent FHBs



# Challenges in buying



## Affordability

There are a number of challenges facing first home buyers on their purchasing journey, but the most frequently stated barrier identified by Australian Prospective FHBs is the affordability of the housing market (68%).

There has been a lot of news and conversation about recent decreases in house prices in cities such as Sydney and Melbourne where prices have consistently climbed over the previous years. Decreases in housing prices are likely to be welcomed by Prospective FHBs, as this may improve their chances at finding a property that suits their needs at an affordable price. However, it is worth considering that even though prices have dropped by a few percentage points in some markets, prices are still extremely expensive for first home buyers in the most popular markets.

## Melbourne leading the way for capital cities

Melbourne has overtaken Sydney as the market where the most Prospective FHBs are looking to purchase (27.2% vs 24.8%). With a median house value of \$921,000 and median unit value of \$660,000, Melbourne is a cheaper option than Sydney but is still by no means considered 'cheap'.

It would take a worker on the Australian median salary more than 14 years to save a 20% deposit for a median priced house in Melbourne, and almost 9 years for a median unit. That Prospective FHBs are less interested in purchasing in Sydney this year is also not surprising when considering that it would take a worker more than 17 years to save the deposit for a house in Sydney and more than 10 years for a unit.

Some of the largest difficulties in purchasing experienced by Recent FHBs centre around affordability. When considering what the greatest challenges to purchasing their property were, unaffordability was the second most popular issue (63%), behind finding a suitable property within their budget that is also in a suitable location (69%). This suggests that some of the perception of unaffordability is in part due to first home buyer's expectations of the type of property that they wish to purchase.

As well as most buyers wanting to purchase in the more expensive markets of Melbourne, Sydney, and Brisbane, the most popular variety of property that Prospective FHBs say they are likely to purchase is a one to three bedroom freestanding house (35%). Only a small fraction of Prospective FHBs (2%) say they are likely to purchase a studio apartment, while around one in five (21%) say they are likely to purchase a one or two bedroom apartment.

In capital cities like Sydney and Melbourne where the populations are now in excess of five million, it may not be possible for all home buyers to be able to purchase a freestanding house. It is therefore becoming necessary to recalibrate expectations about what a first property looks like.

The pursuit of a 'dream' property is also likely to make the purchasing journey more difficult for buyers. Seven in 10 (70%) agree that they feel like they are stretching themselves too thinly in order to buy their first property. This 'fear of missing out' is prevalent among most Prospective FHBs, with a similar proportion (68%) agreeing that it is this fear of missing out that is strongly driving their quest to buy their first property. A further eight in 10 (80%) say they are feeling a growing sense of urgency to buy their first property as prices keep going up, while two in three (66%) agree they feel like they are losing hope in being able to buy their first property, an increase since last year (58%). These factors combined mean that many Prospective FHBs may feel the pressure to spend more than they can afford in order to acquire their 'dream property', whether or not it is in their best interests to do that.

High housing prices are not just an issue facing Prospective FHBs, but also those that have recently purchased their property. Highly leveraged buyers may have difficulties repaying their home loan as rates continue to rise, where more than four in five (84%) are concerned about interest rate rises since they purchased their property, and almost three in five (58%) agree they are concerned about meeting their repayments. These factors, coupled with tightening living costs, may put extra pressure on Recent FHBs, of which more than four in five (86%) agree they are concerned about increases in living costs since they purchased their property.



**More than four in five (84%) agree they are concerned about interest rate rises and increases in living costs (86%) since they purchased their property.**

## Where Prospective FHBs are looking to buy

Melbourne has overtaken Sydney as the preferred capital city where the most Prospective FHBs are now looking to purchase (27.2% vs 24.8%). Both cities now have populations in excess of five million, and it is likely that Melbourne has now overtaken Sydney due to being seen as a more affordable option than Sydney.

Figure 11 – Where Prospective FHBs are looking to buy

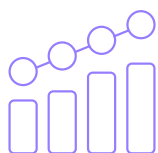
Capital Cities	2022	2021	2020
Melbourne	27.2%	27.6%	26.8%
Sydney	24.8%	27.0%	27.6%
Brisbane	14.4%	13.8%	13.9%
Adelaide	7.2%	6.4%	6.9%
Perth	9.3%	6.1%	7.0%
Canberra	2.6%	3.3%	3.6%
Hobart	2.3%	2.2%	1.4%
Darwin	0.6%	0.7%	1.1%

n = 2,018 Prospective FHBs (2022), 2,049 Prospective FHBs (2021), 2,193 Prospective FHBs (2020);

Although the capital cities are still the most popular place for most Prospective FHBs to purchase, some areas outside the capital cities have experienced an increase in interest in the previous years. Localities that are outside the capital cities but are still accessible to them such as Gold Coast, Newcastle and Wollongong have all experienced greater levels of interest in the previous two years.

Capital Cities	2022	2021	2020
Ballarat	2.2%	2.0%	2.0%
Geelong	2.8%	4.7%	3.6%
Gold Coast	7.2%	6.2%	6.8%
Newcastle	7.3%	6.7%	5.1%
Outside Brisbane/Gold Coast	8.4%	8.1%	6.6%
Outside Melbourne/Geelong/Ballarat	5.1%	7.4%	4.6%
Outside Sydney/Newcastle/Wollongong	7.3%	8.5%	6.7%
Wollongong	4.1%	4.7%	2.6%

n = 2,018 Prospective FHBs (2022), 2,049 Prospective FHBs (2021), 2,193 Prospective FHBs (2020);



### 2022 median house and unit values

	House	Unit
Sydney	\$1,495K	\$953K
Melbourne	\$921K	\$660K

As Melbourne, Sydney and Brisbane continue to be the most popular markets for Prospective FHBs to purchase in, it is not surprising to learn that they are also the most expensive.

Figure 12 – Median house and unit values by capital city (2015-2022)

City	Year	Median house value	Median unit value	Years to save a 20% deposit for median-valued house	Years to save a 20% deposit for a median-valued unit
Sydney	2022	\$1,495,000.00	\$953,000.00	17.7	10.5
	2021	\$1,186,518.00	\$781,708.00	18	11.9
	2020	\$1,016,726.00	\$772,204.00	15.7	11.9
	2019	\$869,579.00	\$678,199.00	13.6	10.6
	2018	\$1,015,842.00	\$752,796.00	16	11.8
	2017	\$1,044,168.00	\$775,995.00	16.6	12.3
	2016	\$883,030.00	\$691,981.00	14.1	11.1
	2015	\$860,788.00	\$658,616.00	13.9	10.6
	Melbourne	2022	\$921,000.00	\$660,000.00	14.2
2021		\$908,239.00	\$605,505.00	13.8	9.2
2020		\$809,274.00	\$580,009.00	12.5	9
2019		\$708,523.00	\$528,406.00	11	8.2
2018		\$808,975.00	\$558,877.00	12.7	8.8
2017		\$794,961.00	\$537,577.00	12.6	8.5
2016		\$681,335.00	\$499,056.00	10.9	8
2015		\$619,731.00	\$478,571.00	10	7.7

City	Year	Median house value	Median unit value	Years to save a 20% deposit for median-valued house	Years to save a 20% deposit for a median-valued unit
Brisbane	2022	\$1,080,000.00	n/a	12	**
	2021	\$641,727.00	\$411,664.00	9.7	6.2
	2020	\$559,975.00	\$388,894.00	8.7	6
	2019	\$531,047.00	\$375,475.00	8.3	5.9
	2018	\$542,205.00	\$386,623.00	8.5	6.1
	2017	\$526,863.00	\$390,621.00	8.4	6.2
	2016	\$515,210.00	\$402,553.00	8.2	6.4
	2015	\$487,413.00	\$395,140.00	7.8	6.3
Adelaide	2022	\$651,500.00	**	11.5	**
	2021	\$542,913.00	\$356,318.00	8.2	5.4
	2020	\$478,294.00	\$335,052.00	7.4	5.2
	2019	\$465,625.00	\$326,831.00	7.3	5.1
	2018	\$461,862.00	\$325,515.00	7.3	5.1
	2017	\$507,194.00	\$326,234.00	7.3	5.2
	2016	\$523,651.00	\$319,269.00	7	5.1
	2015	\$424,858.00	\$316,634.00	6.8	5.1
Perth	2022	**	**	**	**
	2021	\$545,620.00	\$392,321.00	8.3	6
	2020	\$461,366.00	\$355,576.00	7.1	5.5
	2019	\$459,823.00	\$355,048.00	7.2	5.5
	2018	\$497,300.00	\$385,758.00	7.8	6.1
	2017	\$507,194.00	\$402,319.00	8.1	6.4
	2016	\$523,651.00	\$425,208.00	8.4	6.8
	2015	\$548,650.00	\$444,454.00	8.8	7.2

\*\* - Data yet to be released

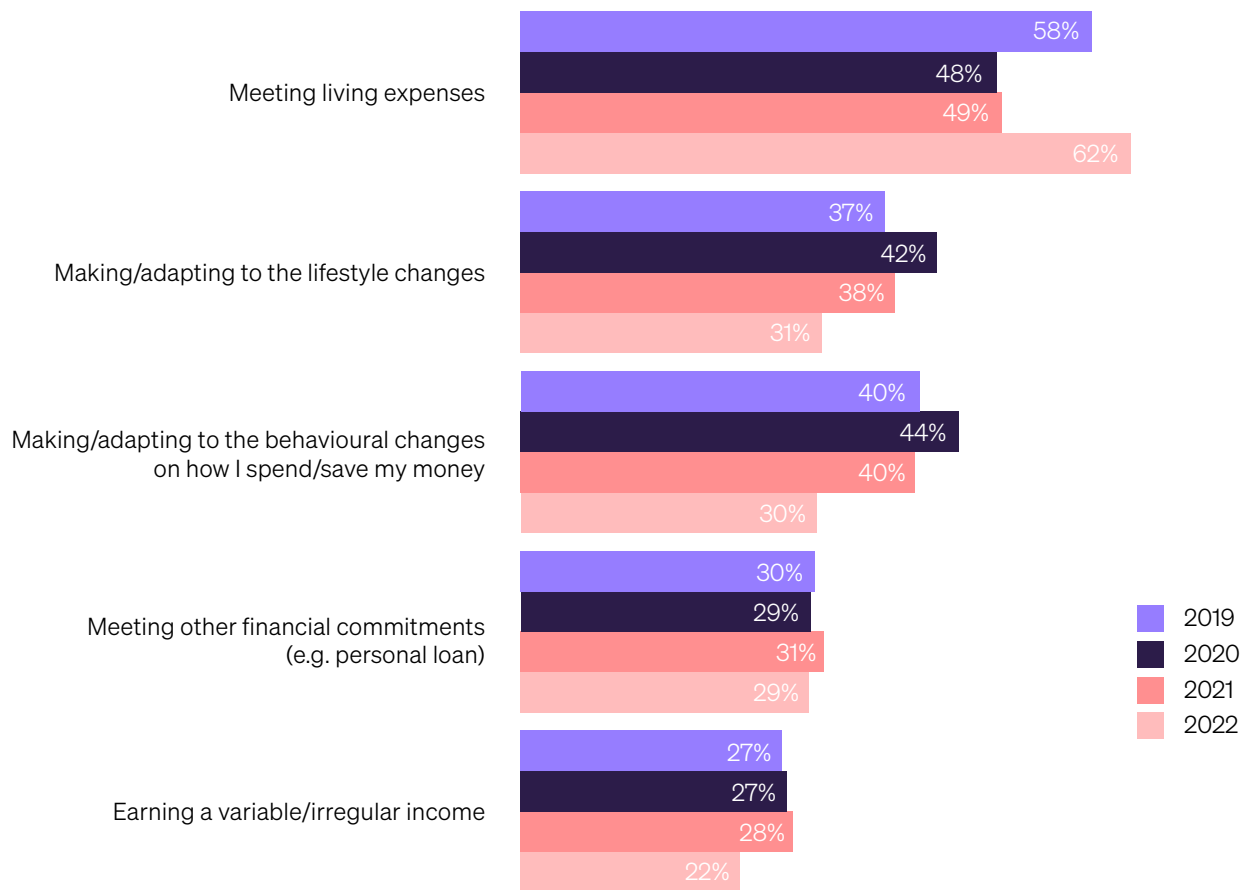
## Saving for a deposit

The next most commonly cited factor for Prospective FHBs as a barrier to purchasing is saving for a deposit (60%), which is still largely a function of housing affordability. As housing prices remain high or continue to grow in some markets, the amount that must be saved in order to reach a 20% deposit can be difficult to attain. Many feel that this is becoming more challenging, with almost nine in 10 (87%) agreeing it is getting more difficult to save for a deposit, an increase from last year (77%).

The largest proportion of Prospective FHBs are finding that meeting their living expenses is the greatest challenge when saving a desposit (62%), and is even more of a challenge

among those currently renting (66%). This has increased significantly since last year (49%) as inflation and various cost of living crunches are making it difficult for many to have extra money for house deposit savings in addition to their usual expenses. Recent FHBs also agreed that meeting living expenses was a large challenge they faced in saving for a deposit (46%). Other challenges flagged by a similar proportion of Recent FHBs include difficulties in the making and adapting to behavioural changes in how they spend and save their money (45%), as well as adapting to the lifestyle changes that saving for a deposit entails (43%).

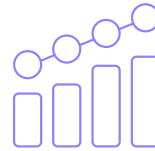
Figure 13 – Greatest challenges faced in saving for a 20% deposit [Prospective FHBs]



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

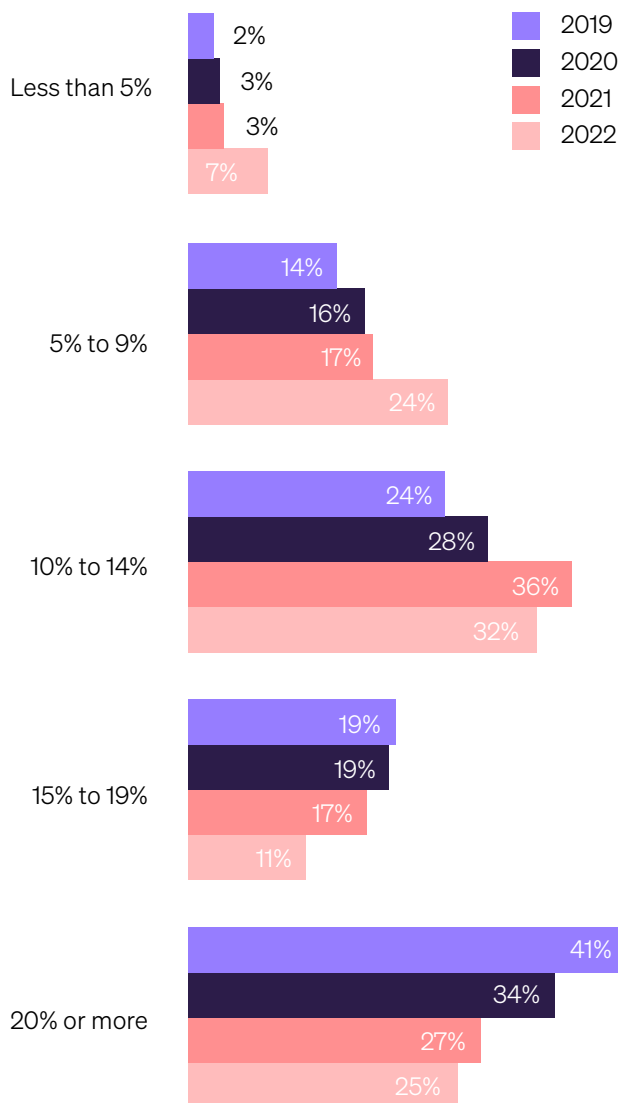
As housing prices, especially in the capital cities, remain high, the proportion of Prospective FHBs that are able to afford the 20% deposit usually required by lenders has decreased. This is evident looking at Prospective FHBs, where those proposing a deposit of 20% or more has continued to decrease over the previous four years (from 41% to 25%).

The proposed deposit amount that has increased the most is in the bracket of 5% to 9% (from 14% to 24%). This trend can be expected to continue into the future, as housing prices increase while real wages remain low and costs of living increase, Prospective FHBs may experience a deposit gap that is growing faster than they are able to save.



**Prospective FHBs proposing a deposit of 20% or more has decreased drastically over the previous four years (from 41% to 25%).**

**Figure 14 – Proposed deposit as proportion of purchase price [Prospective FHB]**



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

Similarly, the proportion of Recent FHBs who were able to purchase their property with a 20% deposit has decreased drastically since last year (from 43% to 29%). The share of those who purchased their property with a deposit of between 10% and 14% has increased (from 28% to 33%), as has those who purchased theirs with a 5% to 9% deposit (from 13% to 17%). The most Recent FHBs took between three and five years to save for their deposit (27%), followed by two to three years (26%), although a small proportion took five to nine years (13%) or even nine years or more (7%).

These figures are similar to those that are currently saving for their first property, who are most likely to have been saving for between two and three years (24%) or between three and five years (23%).

A potential hurdle that Prospective FHBs will also face when saving for their deposit and purchasing their property is stamp duty. One in five Prospective FHBs (21%) are unaware that they will need to save stamp duty and other expenses in addition to their property. These figures are the same among Recent FHBs, of whom one in five (21%) were unaware that they were required to save for these additional upfront costs. Even among those that are aware of stamp duty as a requirement for purchasing their property, the confusing nature of the tax and variability in amounts between states and territories means that many are not sure how much the tax is. The largest proportion think that they will need to save between 5% and 9% of the purchase price for stamp duty and other expenses (36%), while a quarter (26%) think they will need to save between 2% and 4%, which is correct in some parts of Australia.

As housing prices remain high in many markets, fewer first home buyers have been able to save to the level of deposit needed when purchasing a home. Fortunately, there are a number of alternative options available to buyers that will allow them to purchase their home through other means. These strategies can allow them to purchase property with less capital, aid them in getting a deposit for a property, or exposing them to capital gains from home ownership through different strategies, along with varying other methods.





# Pathways to Ownership





**On average, it takes around 17 years and 10 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.**

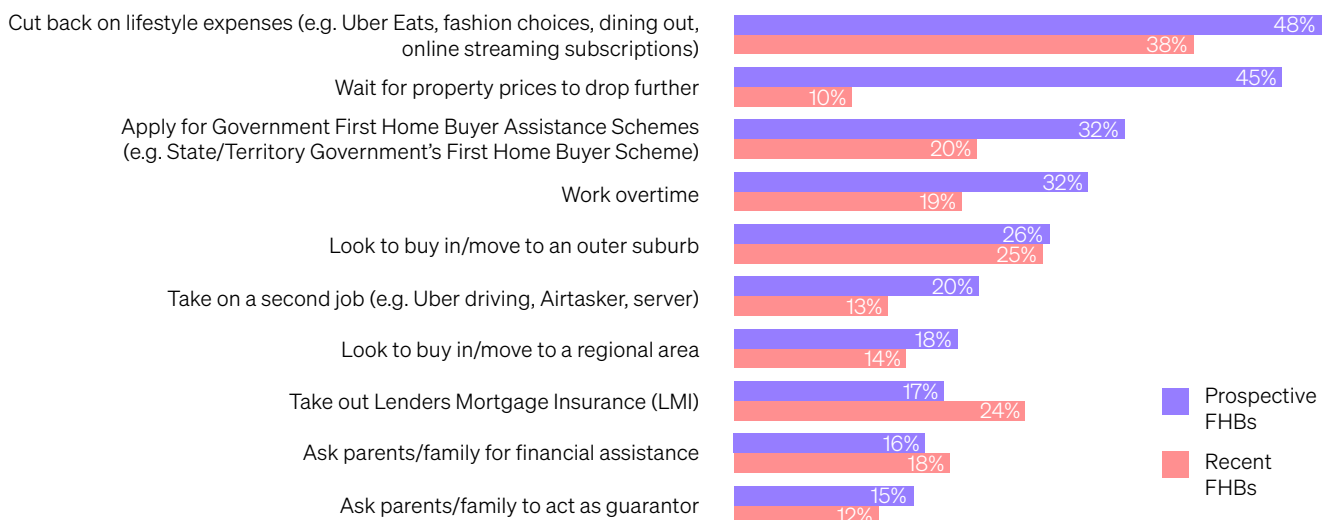
The traditional path to home ownership whereby young people save a large proportion of their income in order to reach a 20% deposit has become unachievable in its current format for many Australians. In the most popular Australian markets to buy, Sydney and Melbourne, someone on the median income saving 20% of their after-tax income can expect to take more than 10 years and almost nine years to save for a 20% deposit for a unit in Sydney and Melbourne respectively, and more than 17 and 14 years respectively for a deposit on a house. For this reason, it is important to understand the strategies that first home buyers are using in order to achieve their goal of purchasing a property, as well as exploring alternative purchasing pathways that are available to them.

## Strategies to purchasing a property sooner

Given how long it will currently take for first home buyers to save for a property, especially in the capital cities, strategies to save extra money and to otherwise shorten the deposit saving journey become necessary for most. The most popular approach utilised has been the dominant piece of prevailing wisdom for years when considering saving for a deposit; to cut back on lifestyle expenses. This was utilised by two in five Recent FHBs (38%) and is currently being used by almost half of Prospective FHBs (48%), who may achieve this strategy through a reduction of things like dining out, takeaway meals, subscriptions, or purchasing less of the 'latest and greatest'.

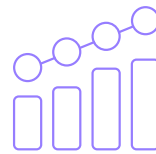
The next most popular strategy displays an interesting gap between the expectations of Prospective FHBs and the lived experience of Recent FHBs, where nearly half of Prospective FHBs (45%) anticipate on being able to wait for property prices to drop further, where only one in 10 (10%) Recent FHBs were able to achieve this successfully to buy their property. One in five (20%) applied for their state or territory's first home buyer's scheme, and another one in three are planning on using this strategy (32%). For one in four (26%), it became necessary to be pragmatic about where they had the ability to purchase, and opted to buy in a more affordable outer suburb.

**Figure 15 – Strategies used/planned to use to buy first property sooner**



n = 2,018 Prospective FHBs; 1,187 Recent FHBs

## Lenders Mortgage Insurance (LMI)



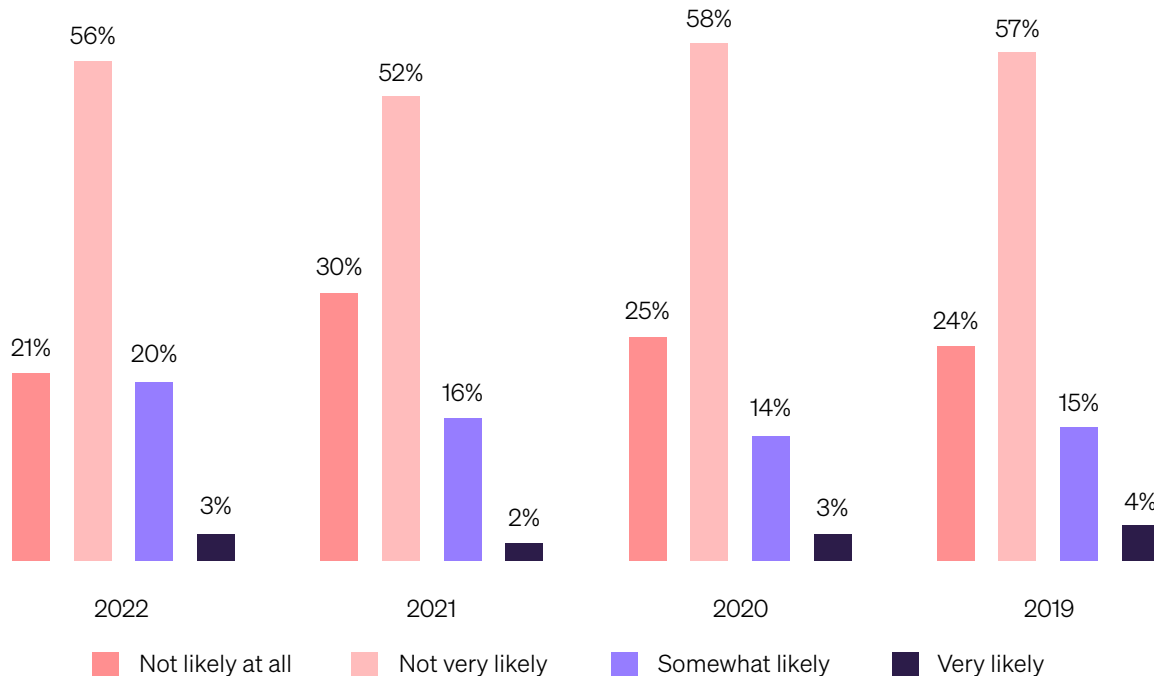
First home buyers are bridging the 'deposit gap' by using Lenders Mortgage Insurance. LMI awareness is increasing and becoming a popular choice to help home buyers achieve their dream of owning a home. Almost two in three Prospective FHBs have heard of LMI (63%) and among this group, the majority (70%) have an understanding of how it works; that it allows the buyer to purchase a property with less than a 20% deposit and that it is an insurance that protects the lender.

A function of increasing house prices, the uptake of LMI has increased strongly over the previous years. Usage has increased to more than seven in 10 (71%) among those without a 20% deposit, up from just over a third (36%) three years ago. The most common reasons cited for using LMI were that home buyers wanted to buy their first property as soon as possible (50%) and that it would have taken them too long to save for a 20% deposit (49%). Among those that used LMI, seven in 10 (70%) found it valuable.

**More than seven in 10 (71%) without a 20% deposit used LMI in order to purchase their property.**

The proportion of Prospective FHBs with less than a 20% deposit that are likely to use LMI to purchase their first property has remained relatively consistent, with three in four being at least somewhat likely (77%) and one in five being very likely (21%).

Figure 16 – Likelihood to use LMI to buy first property [Prospective FHBs]



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

## LMI awareness and usage on the rise

LMI usage is increasing as the 20% deposit traditionally required by lenders is becoming unattainable for many. Despite this, the attitudes of many Prospective FHBs have not shifted alongside this reality. Awareness of LMI has remained consistent over the previous years, but Prospective FHBs are now understanding it better,

with fewer (52%) agreeing that they are not clear on what LMI can do for them than previously. Despite this trend, the proportion agreeing that LMI sounds too expensive has increased dramatically in the last four years (from 63% to 78%).

Figure 17 – Usage of LMI among buyers with less than 20% deposit [Recent FHBs]



n = 845 Recent FHBs with less than 20% deposit (2022); 574 (2021); 636 (2020)

Figure 18 – Prospective FHBs proposing to purchase their property with a deposit of 20% or more



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

Further, more than half (56%) agree that they would feel like they have failed at saving if they were to use LMI, and three in four (77%) agree that they will do all they can to avoid paying for LMI. This represents a clear disconnect between the large proportion of Recent FHBs who utilised LMI to get into their own property sooner, and the attitudes of Prospective FHBs who are viewing LMI as a hindrance rather than a solution that can help them achieve their goals of home ownership more quickly.

This presents an opportunity for LMI providers and the residential property industry market more broadly to improve messaging around this topic. Better education of Prospective FHBs is clearly necessary to demonstrate not only the benefits of LMI, but also the fact that its use is now commonplace with LMI now being used by more than seven in 10 (71%) buyers with less than a 20% deposit to purchase their home. With this in mind, Prospective FHBs can know that using LMI does not make them a failure, but instead a success story of an individual that has managed to navigate the system to achieve their dream sooner. As the proportion of those who are proposing to purchase their property with a deposit of 20% or greater

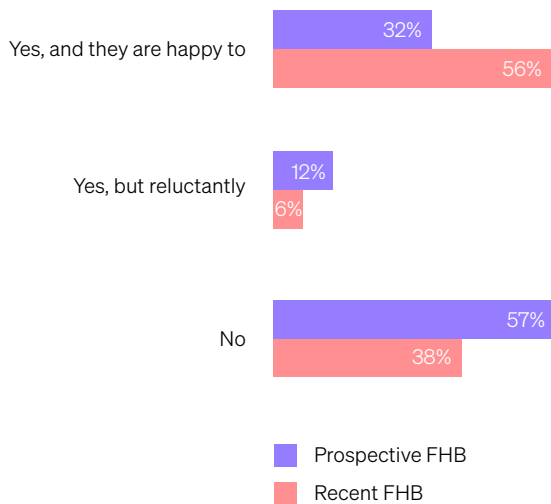
has decreased over the previous years, LMI usage has increased indicating that it is now a stronger enabler of getting more people into their own home.

Although awareness of LMI is high, there is still a sizeable proportion (30%) that have misunderstood it as an insurance to protect the buyer, highlighting a need for better education surrounding the topic. Further, the industry has the ability to be transparent with the facts, such as that it will take a median salary earner more than 14 years to save for a 20% deposit in the most popular housing markets. LMI for those seeking to achieve the home owner dream, should be framed not as a necessary evil, but instead as a solution to be utilised to give them access sooner to all the home ownership benefits mentioned throughout this report. More Prospective FHBs will be able to appreciate the joy and relief experienced by many Recent FHBs, as well as to enjoy equity and capital growth with a smaller initial outlay than that required by the traditional purchasing pathway. By focusing on these benefits, there is scope to help a wider range of people to achieve their dream of home ownership sooner through the utilisation of LMI.

## Bank of Mum and Dad

There is a clear disconnect in the purchasing journey of Prospective and Recent FHBs when considering the availability of parents or family assistance in order to purchase a property. Among those that have been able to purchase a property, almost one in three (29%) said that they bought jointly with their family, friends or partner as a strategy to buy, whereas only one in 10 (10%) Prospective FHBs intend on using this strategy. Further, almost two in three (62%) Recent FHBs were offered financial assistance by their parents or family, while only two in five Prospective FHBs (43%) anticipate their parents offering them the same. Notably, the proportion of Recent FHBs whose parents helped them financially has increased from last year (from 57%), while the same among Prospective FHBs has decreased (from 56%). This trend may indicate that those whose parents have the means to help them are already doing so or have done so in larger quantities, while those with parents unable to assist financially are being left behind.

**Figure 19 – Have your parents/family offered you financial assistance to help you buy your first property?**



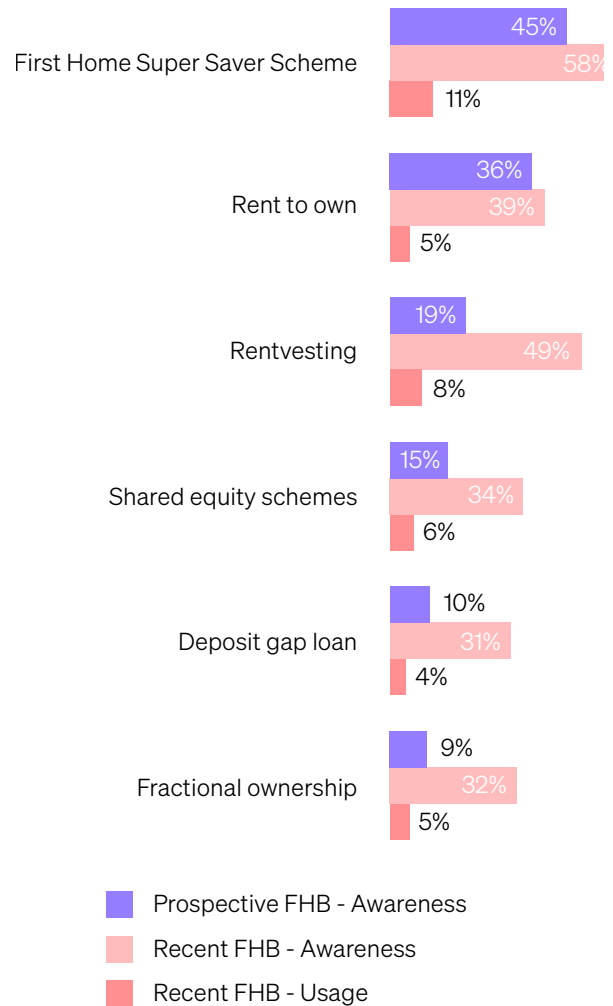
n = 2,018 Prospective FHBs; 1,187 Recent FHBs

Among those who purchased a property and did not receive financial assistance from their parents, a large proportion said that although their parents did not offer them financial assistance, they would have been happy to (24%), indicating that they likely have the wealth of their families available to them.

## Alternative ownership strategies

There are a number of alternative options available to home buyers which serve to either help them in the process of getting a deposit for a property, aiding them to purchase a property with less money, or exposing them to home ownership through different methods other than the traditional ownership of a property.

**Figure 20 – Alternative ownership strategy awareness and usage**



Awareness: n = 2,018 Prospective FHBs; 1,187 Recent FHBs  
Usage: n = 1,187 Recent FHBs

There is a large distinction in the knowledge of alternative home ownership strategies between Prospective and Recent FHBs. Knowledge of all alternative strategies was greater among Recent FHBs than Prospective ones, indicating that as the time to purchase draws nearer, engagement in the process and options available increases significantly.

## First Home Super Saver Scheme

Almost half of Prospective (45%) and even more (58%) Recent FHBs are aware of the Government's First Home Super Saver Scheme, where a buyer contributes extra to their superannuation using pre-tax income up to a maximum of \$50,000 which can be put towards a first home purchase. Given the clear tax advantages to this scheme and the fact that it still provides the traditional format of home ownership to users, it is surprising to learn that only one in 10 (11%) Recent FHBs used this strategy to purchase. However, there is scope to improve this uptake through greater education and awareness. Approximately two in three (63%) said they would be at least somewhat likely to consider this scheme to make a purchase, and among those that are more knowledgeable of the scheme, a similar proportion (68%) said the same. Education is key to ensure that first home buyers accessing super for housing under this scheme are aware of the benefits, limitations and considerations, particularly for those with low superannuation balances.

## Rent to own

Rent to own schemes are known by more than a third of Prospective and Recent FHBs (36% and 39%) but were used by only one in 20 (5%) that purchased their home. These schemes are when a renter lives in a property for a fixed term of usually two to five years and pays extra for the option to purchase the property at the end of the term, using the rent they have paid as some of the equity. Of those that are already knowledgeable of these schemes, half (49%) say they are likely to use it, and more than half (55%) of those that had it explained to them said they are at least somewhat likely to consider it.

## Rentvesting

Rentvesting as an ownership strategy is known by one in five Prospective FHBs (19%) and half of Recent FHBs (49%). This is when a person purchases a property that they rent out as an investment, whilst continuing to rent in the place that they want to live. The strategy is often used when people may not be able to afford purchasing a property in their ideal location and purchase an investment somewhere more economical. Among those that understand this as a strategy, just over half (59%) are at least somewhat likely to try it, and a similar proportion (53%) that had it explained to them are likely to do the same.

## Shared equity schemes

This alternative pathway to property ownership involves another party (usually government) contributing towards the purchase price of a property and owning that share of the property, making ownership cheaper for the buyer. Awareness of this scheme is relatively low among Prospective and Recent FHBs (15% and 34%), and half that understand the scheme (49%) are likely to consider it, and the same proportion (49%) of those that had it explained said they are likely to consider it.

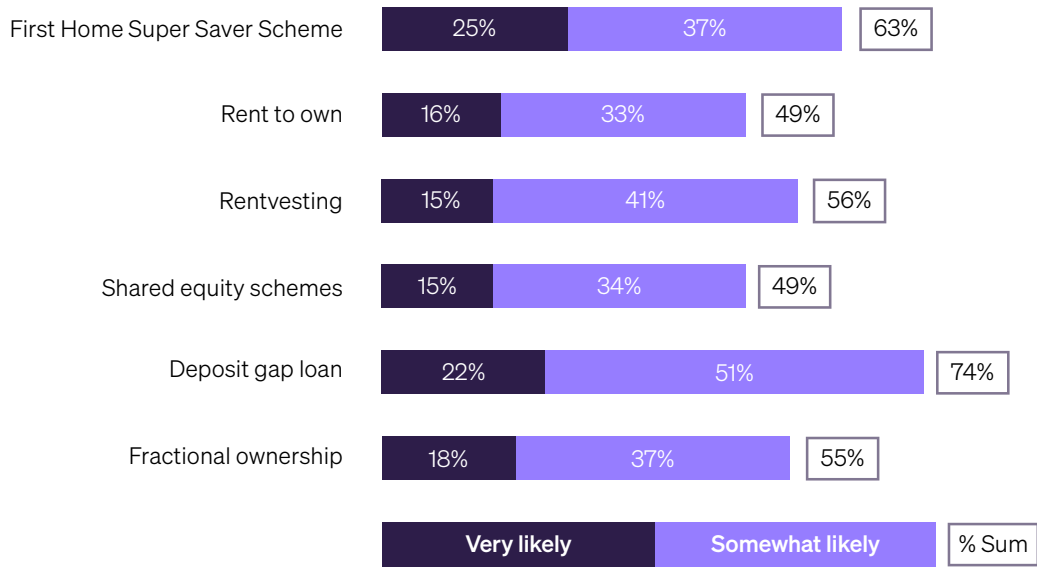
## Deposit gap loan

This strategy is the least used alternative strategy (4%) among recent purchasers, and also has low awareness among Prospective and Recent FHBs alike (10% and 31%). A deposit gap loan is where another party provides a loan to contribute towards the deposit amount (usually up to 15% of the purchase price plus costs) for a share of the capital appreciation when the property is sold or refinanced, and the loan amount repaid. Most of the small proportion of Prospective FHBs that are familiar with the scheme (74%) are at least somewhat likely to consider this pathway. For those that had it explained to them, only two in five (43%) were at least somewhat likely to use it.

## Fractional ownership

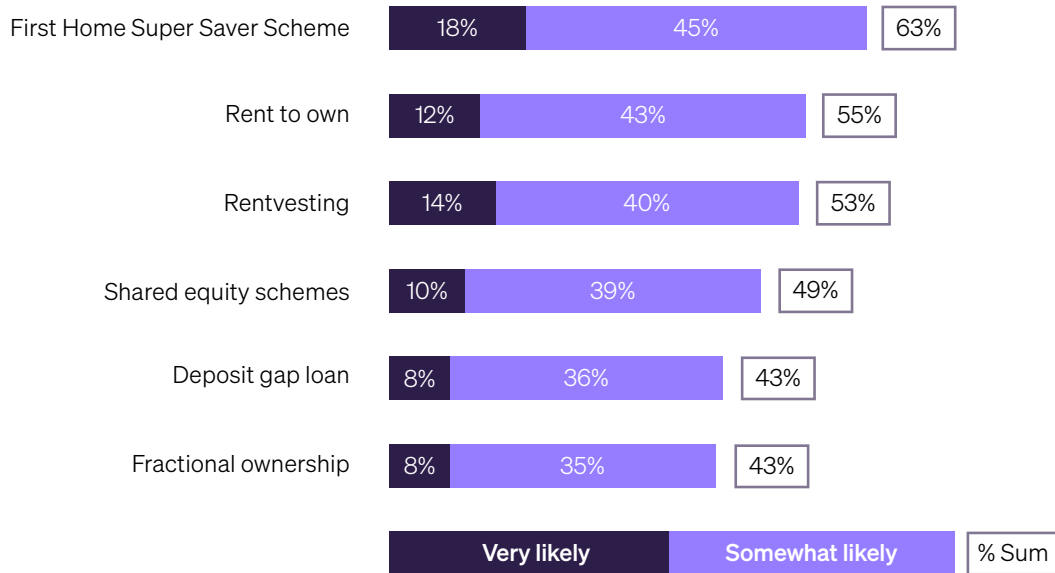
Fractional ownership is the least known alternative purchase scheme, where less than one in 10 Prospective FHBs (9%) and one in three Recent FHBs are familiar (32%). This strategy involves a company purchasing a property then dividing the ownership of the property into small shares allowing investors to buy a share in a property that they think will increase in value. More than half that are already familiar (55%) with this method are also likely to consider using it. A smaller proportion (43%) of those that have it explained to them are at least somewhat likely to consider it. Lower levels of willingness to invest through this strategy are likely due to the limitation that although they may experience capital growth, buyers do not get to live in the property.

**Figure 21 – Likely to consider – those that are aware of and understand strategy [Prospective FHBs]**

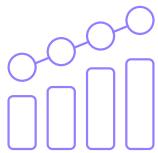


n = 907 First Home Super Saver Scheme; 730 Rent to own; 388 Rentvesting; 294 Shared equity schemes; 204 Deposit gap loan; 191 Fractional ownership

**Figure 22 – Likely to consider – those unaware but had strategies explained [Prospective FHBs]**



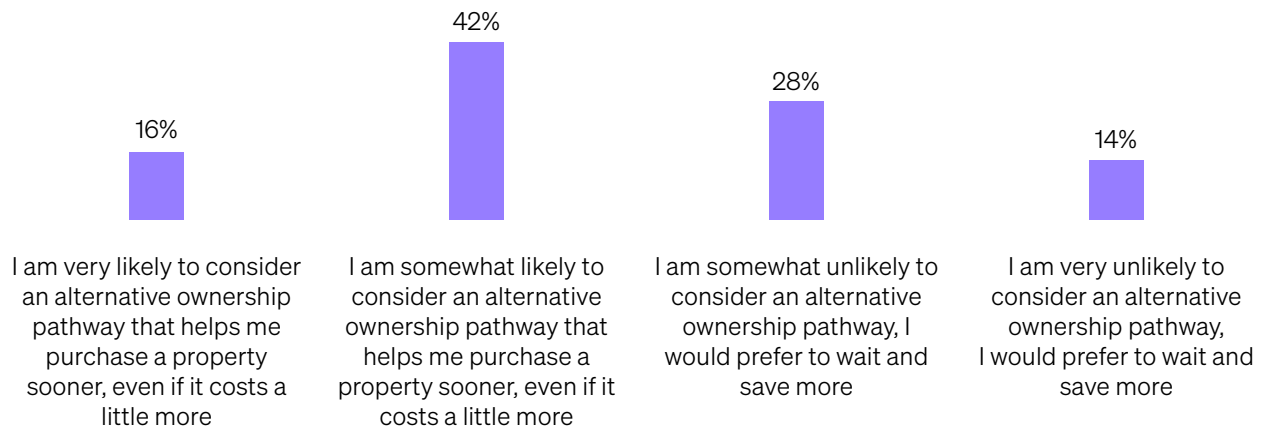
n = 1,486 First Home Super Saver Scheme; 1,633 Rent to own; 1,795 Rentvesting; 1,724 Shared equity schemes; 1,902 Deposit gap loan; 1,926 Fractional ownership



**Only one in six (16%) are very likely to consider an alternative ownership pathway that helps them to purchase a property sooner, even if it costs a little more.**

When considering the usage of alternative products as a pathway to property ownership, Australians are split as to whether they would like to use them or not. Only one in six (16%) are very likely to consider an alternative ownership pathway that helps them to purchase a property sooner, even if it costs a little more, while two in five (42%) are somewhat likely. A further third are somewhat unlikely, preferring to wait and save more (28%), and the remaining one in six (14%) are very unlikely.

Figure 21 – Likely to consider – those that are aware of and understand strategy [Prospective FHBs]



n = 2,013 Prospective FHBs



# Mortgage brokers and the need for support

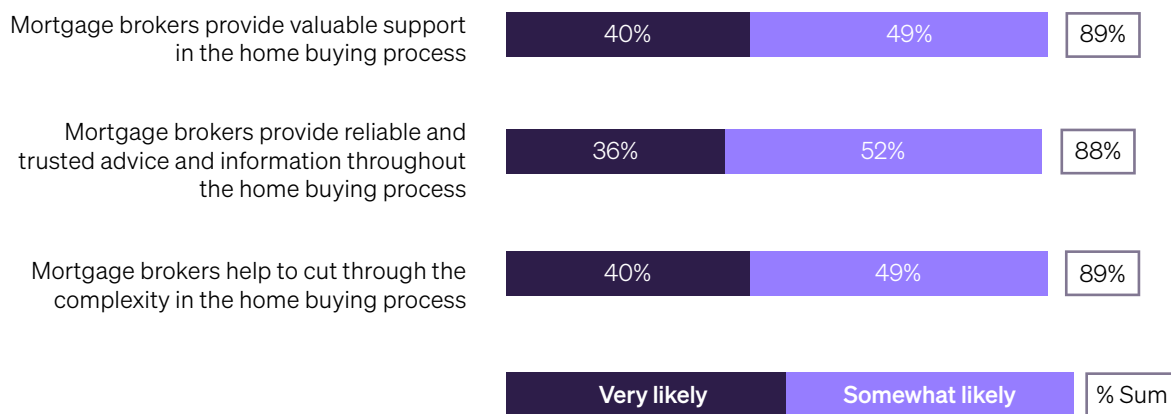


With the conflicting purchasing options, information and pathways to ownership confronting first home buyers, more are turning to mortgage brokers to guide them through the often-confusing buying journey.

Among Recent FHBs, more than half obtained their loan through a mortgage broker (54%), a significant increase on last year (46%). Moreover, mortgage brokers were the most popular source for Recent FHBs to find out information about who to see for a loan and which loan to obtain (44%), placing them ahead of family or partners (33%) and lenders at buyers' main financial institutions (25%). Many Prospective FHBs also recognise the value of mortgage brokers' information, with three in 10 (31%) saying they would meet with a mortgage broker referred by a friend for reliable and trusted information about buying their first home, putting brokers ahead of real estate agents (28%) and friends or colleagues (28%).

Brokers are a highly trusted source of information and support, and this sentiment has only increased among Recent FHBs since last year, with nine in 10 agreeing mortgage brokers provide valuable support in the home buying process (89%, up from 86% last year), and that they provide reliable and trusted advice and information throughout the home buying process (88%, up from 84% last year). Further, a large majority agree that mortgage brokers help to cut through the complexity in the home buying process (89%, up from 87%). Almost all Prospective FHBs (85%) agree that they trust mortgage brokers to support them in buying their first property.

Figure 24 – % Agree - Recent FHBs



n = 1,187 Recent FHBs

First home buyers have highlighted the important role that mortgage brokers play in assisting their entrance into the home ownership market. Prospective FHBs require assistance in a variety of areas of the home buying process, including how much they need to save, and the best home loan to meet their needs, as well as help with contracts and paperwork. As mortgage brokers offer valuable support and guidance throughout the home purchasing process, they have the opportunity to take the lead on the process of educating FHBs. Brokers can help them with how to make the best use of their deposit through strategies such as LMI, to support more people on their pathway to home ownership.

