Domain

First-Home Buyer Report 2024

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Saving a deposit for a home has become quicker, but there is a twist...

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Buying your first home is an emotional journey. High interest rates have made it even more complicated. In this report, we discovered that, due to higher interest rates, there has been a slight reduction in the time required to save a deposit (for those who can consistently save and have experienced wage growth). On the other hand, higher interest rates can make home loan repayments more difficult, which is why more people are facing mortgage stress.

Along with nationwide record property prices, this likely contributes to Australia's current decline in home ownership rates and underscores the need for government action. While initiatives like the Help to Buy scheme offer promising solutions, tackling housing undersupply in the long term requires concerted efforts from our government.

At Domain, we understand there are many hurdles for first-home buyers, and we want to support you on your journey to home ownership. Property type and location are the keys to quicker market access. This report identifies the most promising opportunities to help first-home buyers climb onto the property ladder.

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Buying a home is no small feat. For most it'll be the biggest single purchase they'll ever make, with a lot of pressure being placed on first-time home buyers especially.

But money is only part of the stress. The other is the process itself, whether that's finding the right house or completing the mortgage application paperwork.

The latest ABS Lending Indicators revealed first-home buyers accounted for 38% of all new loans in December 2023 (12.9% higher than 2022).

This increase creates an urgency to provide them with essential support, which is why we started Unloan. We provide tools, content and calculators to help customers understand their potential, and property coaches who make our home loan application process feel quick, easy, and as painless as possible.

The future is digital. A big reason to accelerate the digital lending space and enhance the home buying process.

A more customer-centric lending experience will do wonders for those looking at a place to call their own.

Executive summary

Australia's property market is one of the most expensive in the world and challenging for many prospective buyers to navigate and make their dream break to home ownership. The biggest financial hurdles are saving a deposit and keeping up with ongoing mortgage repayments. ***Domain's 2024 First-Home Buyer Report*** reveals the areas and types of properties that provide the best opportunities to climb the property ladder for a 25 to 34-year-old couple on an average wage.

First-home buyers across our capital cities face vastly different journeys when **saving for a 20% deposit on an entry-priced home, from 2 years and 3 months for an entry unit in Darwin to 6 years and 8 months for an entry house in Sydney.**

- Sydney reigns as the city with the longest time to save an entry-priced house and unit deposit.
- Canberra has the second-longest time to save for an entry-price house deposit, followed by Melbourne, then Brisbane.
- For entry-priced units, Brisbane takes second place, followed by Melbourne then Canberra.
- Darwin offers a raceway to home ownership with the fastest savings time. It takes half the time to save for a unit here than in Sydney, and it is quicker to save for a Darwin house than a unit in Sydney, Brisbane or Melbourne.
- The west-side story keeps getting better. Perth offers a lower entry purchasing price mixed with a relatively higher average wage, creating the ideal outcome of the second shortest saving time for houses and units.
- Across the combined capitals, an entry-priced unit deposit is saved 18 months sooner than a house; this is even starker across our most expensive cities, Sydney and Canberra, at 2 years and 2 months quicker.

Saving for an entry-priced 20% deposit has become quicker than last year, as wage growth and higher compounding interest accrued on savings (as a higher cash rate means greater saving rates) keep ahead of growth in entry house and unit prices nationally — entry houses declined by 2 months and 1 month for units.

- Across the combined capitals, 3 months were wiped from the savings time of an entry house and 1 month for a unit.
- The combined regionals bucked the national trend. The time to save a deposit on an entry-price house rose by 1 month, while units saw a 2-month drop annually.
- Brisbane, Adelaide and Perth were the only cities to see a rise in the time to save an entry-priced house and unit deposit, as double-digit price growth has been no match for wage growth or higher saving rates.
- Sydney, Melbourne, Canberra, Hobart and Darwin reduced annually (from 1 month shorter for houses and units in Sydney to 6 months quicker for Hobart houses).
- Canberra was the only city to see a mixed outcome across property types. The time to save a deposit on an entry-price unit rose by 1 month, while houses saw a 4-month drop annually.

Property type and location are the shining beacons of quicker market access.

- Areas offering affordable options, and thus greater ease in entering the property market for houses, usually improve the greater their distance from the city, such as Wyong on the NSW Central Coast (5 years 7 months) and Melbourne's Melton-Bacchus Marsh (4 years and 6 months) and Brisbane's Cleveland-Stradbroke (4 years 1 month).
- Units offer the perfect mix of affordability and closer proximity to the CBD, such as Sydney's Fairfield (3 years and 2 months), Melbourne's Essendon (2 years and 9 months) and Brisbane's Springwood-Kingston (2 years and 6 months).

More cities have fallen into mortgage stress (home loan repayments take more than 30% of income to cover) as higher interest rates and rising property prices make an impact.

- Regional Australia offers the best affordability, with entry-priced units requiring 23.6% of income and entry houses 30.8%.
- Across the combined capitals, affordability is stretched, with entry houses requiring 46.5% of income and entry units 30.7%.
- For entry-priced houses, Darwin offers the lightest burden, taking 29.2% of a couple's income. Perth is the next best city at 31.2%, which sits just above the 30% benchmark for mortgage stress.
- Entry houses in Sydney (57.2%), Canberra (48.3%), Melbourne (45.4%), Brisbane (42.7%), Adelaide (42.1%) and Hobart (40.3%) exceed the mortgage stress threshold.
- For entry units, Darwin (18.3%), Perth (19.3%), Adelaide (28.1%) and Canberra (29.3%) fall below mortgage stress. Melbourne and Brisbane sit just above 30%, while Sydney takes 37% of income.

What does this mean?

A higher cash rate has a dual effect on first-home buyers. On one hand, it may shorten the time needed to save for a deposit through better savings rates. Conversely, it makes home loan repayments significantly more challenging as the interest accrued on debt is larger. Additionally, the lack of housing supply has driven home prices to record highs, further straining household budgets, particularly for first-home buyers striving to save during a cost-of-living crisis and perilous rental conditions. There's no doubt that buying your first home is a massive feat. It showcases why some first-home buyers rely on the financial support of family members to help with a deposit. This stresses the need to address Australia's housing undersupply to ensure adequate, affordable housing — shaping our suburbs for the future. It places pressure on the government to ensure we set lofty housing targets (and meet them) while having the right first-home incentives in place.

While the upcoming stage 3 tax cuts are expected to reduce the time needed to save a deposit by an additional month for entry-priced houses in Sydney, Melbourne, Brisbane, Adelaide, Perth, Darwin and Canberra, as well as an additional month for entry-level units in Sydney, Brisbane, Adelaide and Perth, this alone isn't sufficient to significantly impact the market. In contrast, the federal government's Help to Buy scheme represents a more substantial initiative, dramatically reducing the time required to save for a deposit. For houses, this could mean savings ranging from 3 years and 2 months earlier in Darwin to as much as 5 years and 10 months quicker in Sydney. Similarly, for units, the scheme could expedite savings by up to 2 years in Darwin and nearly 4 years in Sydney. These effects highlight how effective policies can support our first-home buyers.

We need to address Australia's housing undersupply to ensure adequate, affordable housing — shaping our suburbs for the future.

The current shape of home ownership

Home ownership remains a widely held aspiration for Australians. It provides housing security and a range of enduring social and economic advantages. Australia's property market is one of the most expensive in the world and is challenging for many prospective buyers to navigate and make their dream break to home ownership. It's a mirage of ongoing issues: stretched affordability, high interest rates, a cost-of-living crisis, a perilous rental market and rising property prices. Let's dive into the whirlwind of the past 3 decades in Australia to understand the impact on first-home buyers.

Over this time, the proportion of Australians who own their own home has gradually shrunk. In 1996, 70.9% of Australian homes were owner-occupied, meaning the person(s) who lived there owned the property (with and without a mortgage).[1] This proportion has slowly lowered to 66.7% in the recent census. It's been a bumpy path, with periods of a rise, but overall the trajectory has been downwards, highlighting the rapidly changing nature of Australia's property market over the last 30 years, both in terms of affordability and our lifestyles.

Homes owned with/without a mortgage

1996
70.9%

Today
66.7%

Looking at the breakdown of home owners paints a broader picture of the shift in the property landscape. The proportion of owners who had a home loan was 28.1% in 1996, which has risen to 35.1% in the latest census.[1] This means fewer homes today are owned outright. The biggest shifts have occurred during periods of strong and sustained price booms. As it becomes harder to afford a home, more Australians have taken on larger amounts of debt that take longer to pay off, while others are locked into the rental market.

Homes being purchased with a mortgage

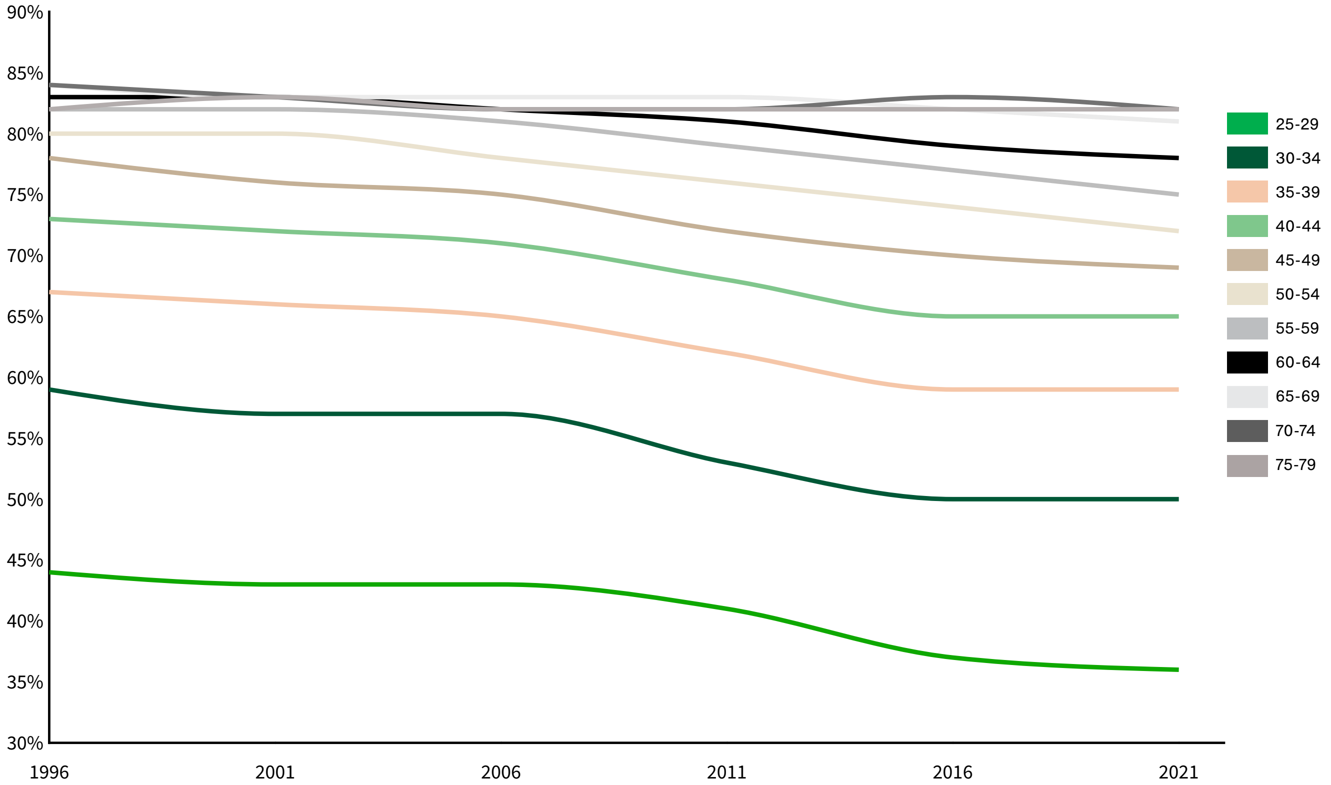
1996
28.1%

Today
35.1%

Home ownership rates among younger generations have altered the most *(figure 1)*. In 1996, the share of home owners aged 25 to 29 years old was 44%.[2] This stands at 36% today. For 30-34 year olds, it has fallen 9 percentage points to 50%. Home ownership rates have declined across all age groups. However, the change in home ownership rates among older generations has been marginal in comparison.

It places pressure on the government to ensure we set lofty housing targets (and meet them) while having the right first-home incentives in place. We know saving a lump sum deposit is the biggest financial hurdle a first-home buyer faces, and the greater burden of debt is taking a toll. Let's take a look at the current state of play for these two key aspects of purchasing your first home.

Figure 1. Home ownership rates by age of household reference person.



Saving a deposit

Buying your first home is an exciting time, but it can also be a challenging journey. The biggest financial hurdle to breaking into the housing market for first-home buyers is saving the lump-sum deposit. This savings goal is even harder to meet amid the ongoing pressure of exorbitant record rents and mounting living expenses.

How long will it take to save?

First-home buyers across our capital cities face vastly different journeys when saving for a 20% deposit on an entry-priced home. From the city with the shortest to the one with the longest savings time, the difference is 3 years and 1 month for an entry-priced house to 2 years and 3 months for an entry-priced unit. This difference is enough to save a deposit in some of Australia's more first-home-friendly cities – echoing the greater hardship of breaking into the housing market for some.

Without any surprise, Sydney continues its reign as the city with the longest time to save an entry-priced house and unit deposit, at 6 years and 8 months, and 4 years and 6 months, respectively (figure 2). Sydney casts a humble shadow over the runner-up city – taking 11 months longer to save for houses and 9 months for units.

Canberra has the second-longest time to save for an entry-price house deposit, at 5 years and 9 months, followed by Melbourne (5 years and 5 months), then Brisbane (5 years and 2 months). The stakes look slightly different for entry-priced units, with Brisbane taking second place (3 years and 9 months), followed by Melbourne (3 years and 8 months) and Canberra at 3 years and 7 months. Canberra's higher average wage helps to combat the more expensive entry unit purchasing price, which explains the different ranking outcomes.

Darwin triumphs as the best city for first-home buyers, offering the fastest savings time for an entry-priced house and unit deposit, at 3 years and 7 months, and 2 years and 3 months, respectively. The tropical northern city offers a raceway to home ownership relative to other cities; it takes half the time to save for a unit there than in Sydney, and it is quicker to save for a Darwin house than a unit in Sydney, Brisbane or Melbourne.

The west-side story keeps getting better for Perth, which offers first-home buyers greater affordability. It has the second-shortest saving time for houses and units – an ideal outcome for first-home buyers – due to a mixture of the second-lowest capital-city entry purchasing price and a relatively higher average wage.

Figure 2. The time to save for a 20% deposit on an entry-priced home for a couple aged 25-34.

	Entry house	Entry unit
	Time to Save	
Sydney	6y 8m	4y 6m
Melbourne	5y 5m	3y 8m
Brisbane	5y 2m	3y 9m
Adelaide	5y 1m	3y 6m
Perth	3y 10m	2y 5m
Hobart	4y 10m	*
Darwin	3y 7m	2y 3m
Canberra	5y 9m	3y 7m
Combined capitals	5y 1m	3y 7m
Combined regionals	3y 9m	2y 11m
Australia	4y 9m	3y 5m

Includes only areas with at least 50 transactions. y = year, m = month.

Without any surprise, Sydney continues its reign as the city with the longest time to save.

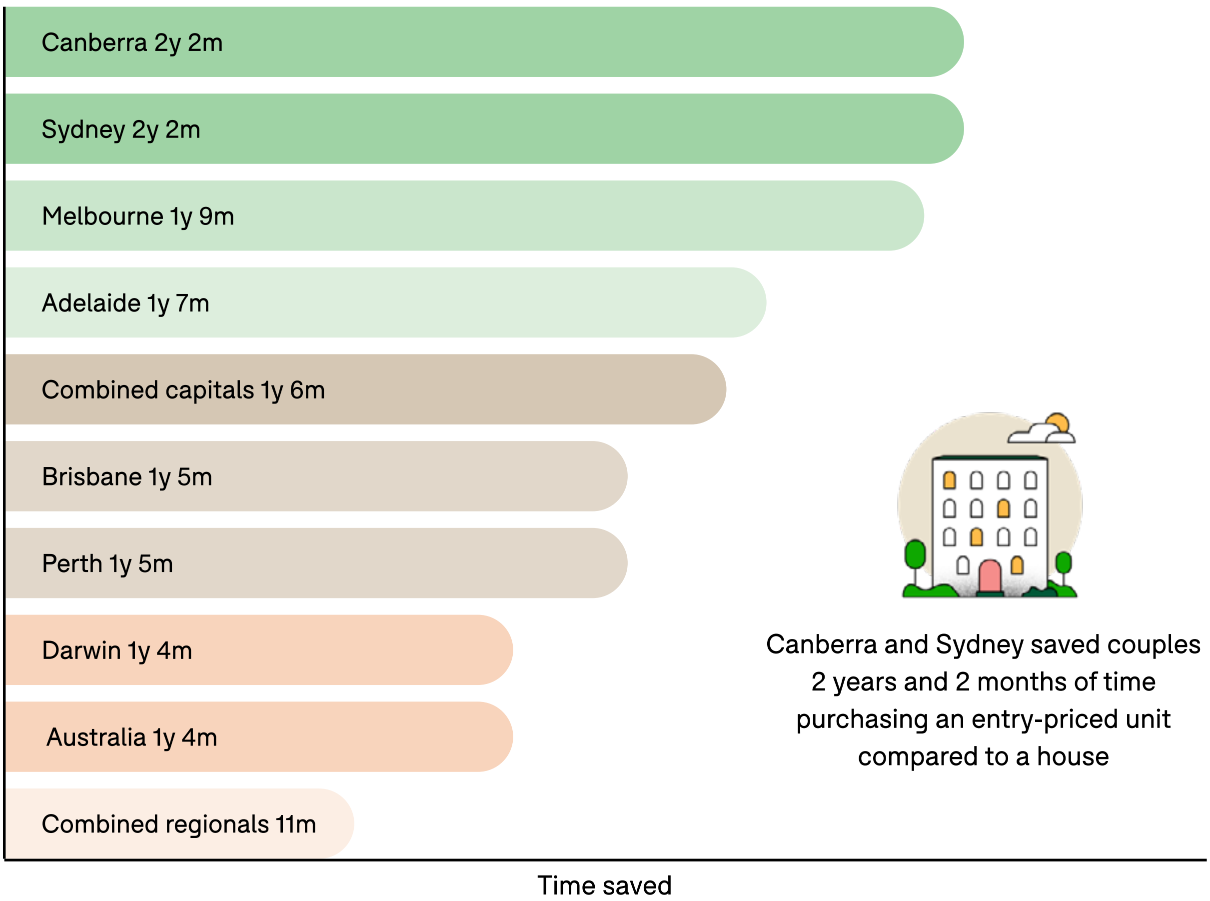
Property type matters

"Compromise" is a word often associated with a first-home journey – the deal breakers, the desirables, and the pie-in-the-sky wish lists. A first home is a step on the property ladder, building equity that allows for the next one, which tends to coincide with career progression and a better salary. The type of property a first-home buyer has set their sights on can significantly affect when they step onto the property ladder.

It's not a surprise that the time to save a deposit for an entry-priced unit is significantly shorter than for an entry-priced house, given the difference in purchasing price. Across the combined capitals, a first-home buyer could purchase an entry-priced unit 18 months sooner than a house *(figure 3)*. The speed to market access is even more stark across our most expensive cities, Sydney and Canberra, with the savings time for units 2 years and 2 months shorter than that for a house. The price gap between a house and a unit drives this speed – ultimately, units are far cheaper, and the price gap has widened.

The gap is lower across the combined regionals, providing market access 11 months sooner and reflecting the narrower price difference between property types.

Figure 3. The time saved when purchasing an entry-priced unit compared to a house for a couple aged 25-34.



y = year, m = month

Is saving on borrowed time?

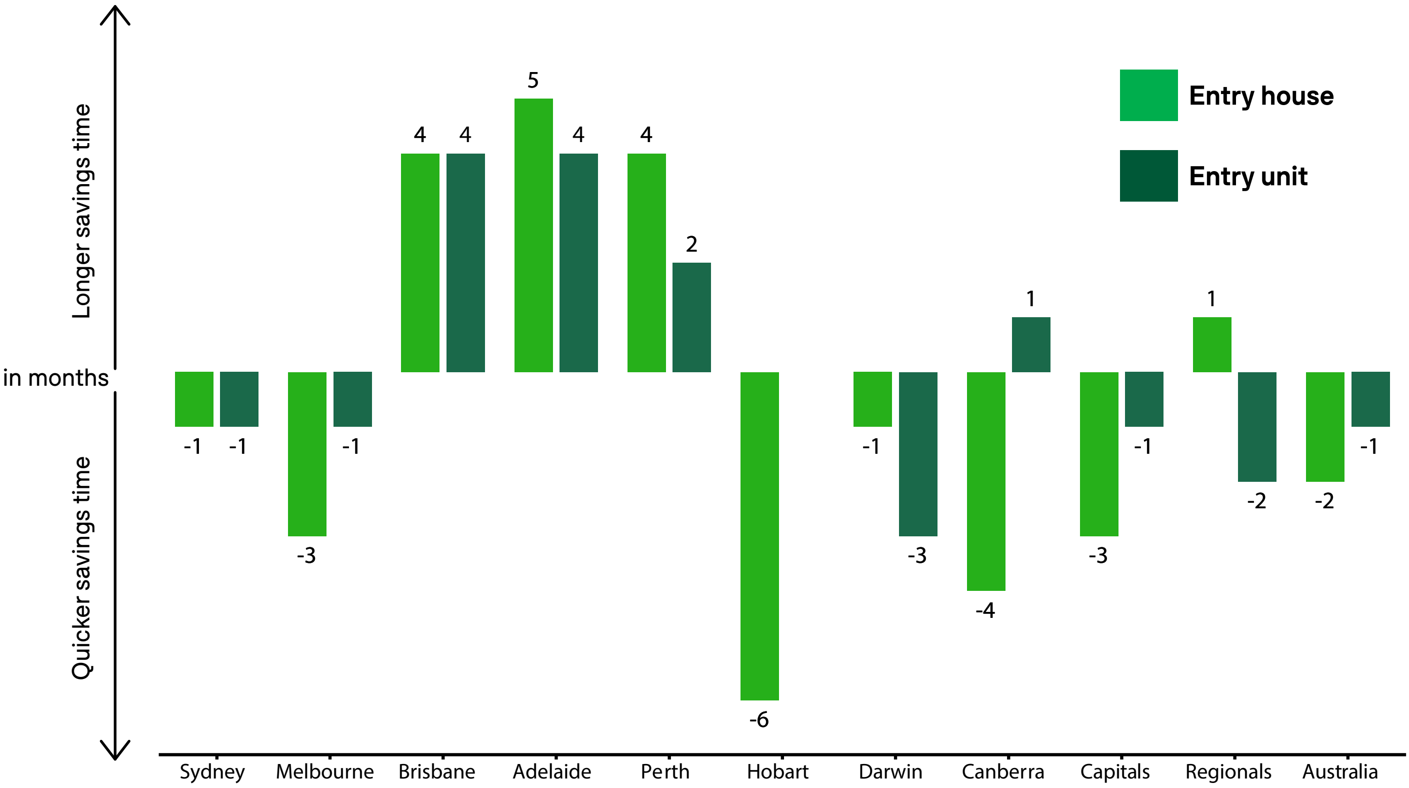
Some relief has been provided to first-home buyers, as higher interest rates accrued on savings (and the beauty of compounding interest over time) and better wage growth have aligned to reduce the time to save for an entry-priced home deposit.

Time to save a deposit became **2 months quicker** for an entry-priced house and **1 month quicker** for an entry-priced unit.

The time to save compared to a year ago

Nationally, the time to save a deposit has declined by 2 months for an entry-priced house and 1 month for an entry-priced unit compared to this time last year *(figure 4)*. This is a result of stronger wage growth and the higher compounding interest accrued on savings being able to keep ahead of growth in entry house and unit prices nationally. The reduction is starker for entry-priced houses across the combined capitals, with 3 months wiped from the savings time compared to an increase of 1 month across the combined regionals. The outlook has improved for entry units, reducing by 1 month across the combined capitals and 2 months across the combined regionals.

Figure 4. The annual change in the time to save a 20% deposit on an entry-priced home.



Varied housing market conditions have created a diverse outlook depending on the city. Brisbane, Adelaide and Perth were the only cities to see a rise in the time to save an entry-priced house and unit deposit *(figure 4)*. This aligns with these cities ending 2023 with overall record-high prices (apart from units in Perth). Ultimately, the pace of price growth has been no match for wage growth or higher saving rates. These cities were the only ones to record a double-digit annual increase in entry house and unit prices — ranging from 12% to 16% – a pace of growth hard for a first-home buyer to keep up with and lagging significantly behind pay packets.

The savings journey got easier in Sydney, Melbourne, Canberra, Hobart and Darwin. The annual reduction in the time to save ranged from 1 month shorter for houses and units in Sydney to 6 months quicker for Hobart houses.

Hobart, Canberra and Melbourne saw the biggest annual falls in the time to save for an entry-priced house deposit. Canberra and Melbourne are the second and third most expensive capital cities for first-time buyers, which means more debt to enter the property market, heightening vulnerability to high interest rates and, of course, the slash to borrowing capacity. Entry house prices have seen weaker conditions over the past year than the other capitals, falling almost 4% in Hobart, stable in Canberra and rising slightly over 1% in Melbourne – providing conditions that first-home buyers have a fighting chance of keeping up with.

Interestingly, Canberra was the only city to see a mixed outcome across property types. The time to save a deposit on an entry-price unit increased by 1 month, while houses saw a 4-month drop. Canberra first-time buyers are supported by the highest average wage of all the capitals, helping to somewhat offset the higher purchasing price. However, it is a tale of property types that unravels this bucking trend, with unit prices jumping almost 8% annually – a challenge even for the higher wages to keep up with — while entry house prices remained stable (ultimately making that savings goal a little easier to reach).

Sydneysiders will find that the speed of savings for the hefty lump-sum deposit has shortened by 1 month compared to last year. This reduction may seem contradictory to fully recovered house prices and almost recovered units. The balance between entry price growth (which has been pretty moderate for Sydney standards), stronger wage growth and higher savings rates have tilted in favour of a quicker time to save a deposit (even despite the entry deposit goal rising).

The time to save compared to 5 years ago

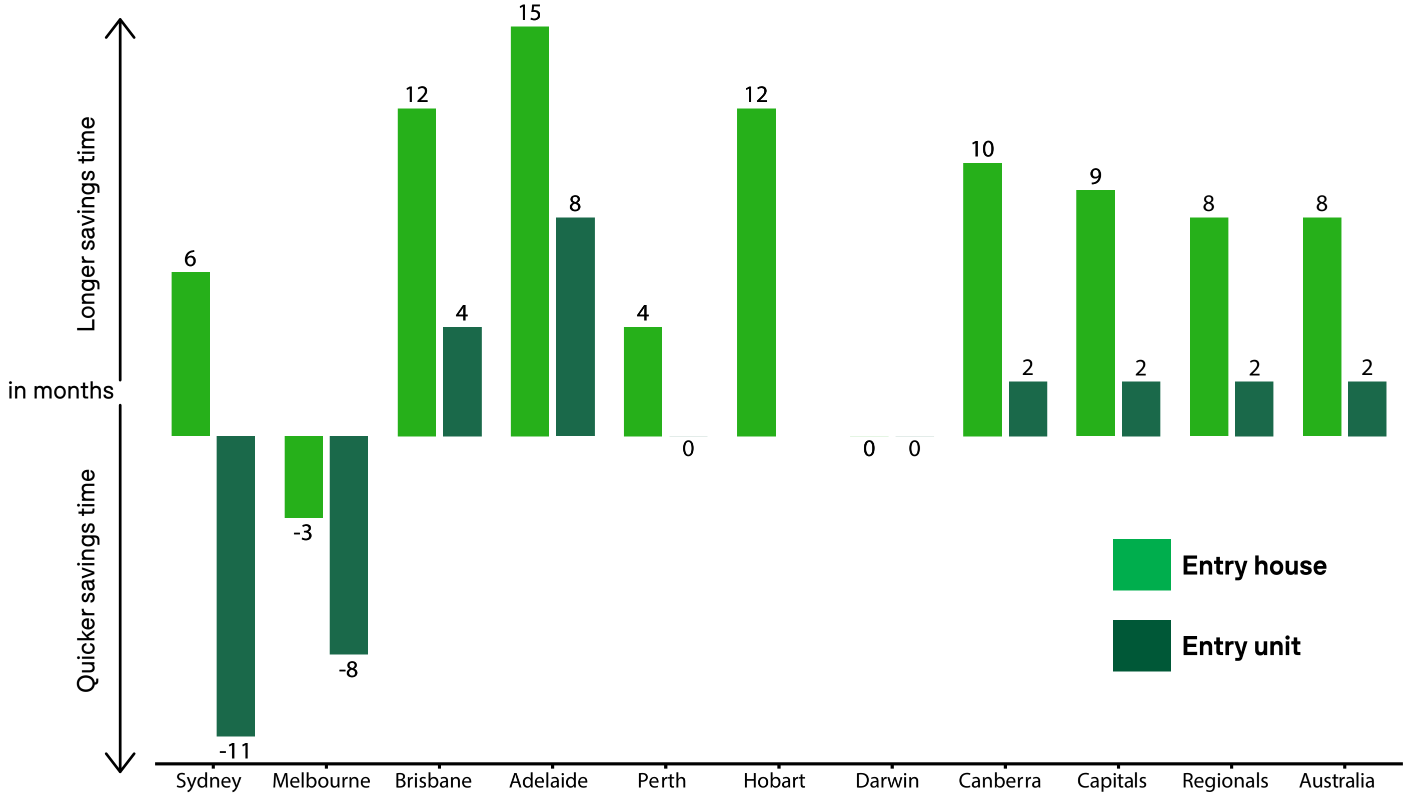
Over the past 5 years, the time to save in all capital cities has surged, apart from Melbourne and Darwin, as well as Sydney and Perth units *(figure 5)*. In fact, it is our priciest capital city – Sydney – that has seen the largest reduction, with the savings goal for an entry-price unit reducing by a whopping 11 months compared to 5 years ago. The favourable sums have helped to heavily reduce the time to save, with entry unit prices rising a mild 1.9% over the past 5 years, while at the same time, wages have increased 18.2% and saving rates have gone from 2.15% to 4.90%.[3]

The scenario is similar in Melbourne. Over the past 5 years, it's been a roller-coaster of property price cycles. This period captures the pandemic upswing (which was milder for Melbourne), the subsequent downturn and then the slow recovery the city has embarked on. Entry house and unit prices have risen at a subdued pace compared to other capitals, up roughly 17% and 2% in 5 years. Weigh this against wage growth and better saving rates, and the maths favourably sways to reduce the time to save.

On the flipside, Adelaide, Hobart, Brisbane and Canberra had the largest increases in the time to save a deposit for an entry-priced house (all up by 10 months or more). These are the cities that have seen the steepest gains in entry house prices, with Adelaide leading the growth by a staggering 62%, followed by Hobart (55%), Brisbane (51%) and Canberra (43%).

To place this into context, 5 years ago, Adelaide (along with Hobart) offered the third-quickest saving time of the capitals, behind Brisbane. It is now the fourth quickest but is only 1 month quicker than Brisbane (versus a 4-month difference 5 years ago).

Figure 5. The 5-year change in the time to save a 20% deposit on an entry-priced home.



Other shuffles to the rankings over the past 5 years are: Canberra has moved to the second-longest savings time (taking Melbourne's place); and Perth is no longer the quickest city in which to save for a house (overtaking Darwin). Generally, the difference between the time to save for an entry house has narrowed between cities over the past 5 years – apart from the tall poppy, Sydney. Five years ago, 6 months separated the top spot (Sydney) from the second longest (at the time, this was Melbourne). This gap has almost doubled to 11 months from the longest (Sydney) to second place (Canberra).

Sydney and Melbourne are the only cities to see the time to save for an entry-priced unit fall compared to 5 years ago.

Government initiatives will speed up market access

How much is the time to save reduced after the stage 3 tax cuts?

The federal government has introduced amendments to the planned stage 3 tax cuts for the next financial year. This will lower the bottom tax bracket rates to 16% and 30% for those between $18,201 and $135,000, providing many Australians with more take-home pay.[4] It is aimed to benefit low and middle-income earners, but what kind of impact (if any) will there be on the time to save for a deposit? Pertinent timing, given the average salary of a 25-34 year old, is within this range.

Factoring in the lower tax impacts on this age group, the impact on the time to save is marginal. Nationally, across the combined capitals and the combined regionals, there will be a 1-month reduction in the time to save for an entry-priced house. The capital cities largely followed the same trend apart from Hobart, which will see no change. Units will also see a 1-month reduction in Sydney, Brisbane, Adelaide and Perth. These changes are immaterial for first-home buyers, which highlights that much more needs to be done to address the complexities of deteriorating affordability.

Help to Buy

The federal government's Help to Buy (HTB) scheme aims to assist first-home buyers with both the deposit and mortgage repayments, propelling buyers into the property market earlier and helping those who may not be able to buy otherwise. Under this scheme, individual applicants who earn $90,000 or less (or $120,000 for couples) and meet the asset thresholds can secure a home loan with a minimum 2% deposit while the government will pay up to 40% of the purchase price of a new home and up to 30% for an existing home that falls under the price cap.[5]

Stage 3 tax cuts will **reduce** the time to save for a deposit by an additional month for **entry-priced units** in Sydney, Brisbane, Adelaide and Perth.

Stage 3 tax cuts will **reduce** the time to save a deposit by an additional month for **entry-priced houses** in Sydney, Melbourne, Brisbane, Adelaide, Perth, Darwin and Canberra.

The time required to save for a 2% deposit is based on a dual income of $120,000 and this is applied across all states and territories. The major advantage of this scheme is that it dramatically slashes the time to save for first-home buyers. This ranges from HTB allowing market access for houses 3 years and 2 months earlier in Darwin to 5 years and 10 months earlier in Sydney *(table 1)*. For units, this ranges from 2 years earlier in Darwin to 3 years and 11 months in Sydney. The difference in time to save can help prospective buyers enter an increasingly competitive market sooner than expected.

Table 1. The time saved when aiming for a 2% deposit compared to 20% on an entry-priced home.

	Entry house	Entry unit
Sydney	-5y 10m	-3y 11m
Melbourne	-4y 9m	-3y 3m
Brisbane	-4y 7m	-3y 4m
Adelaide	-4y 6m	-3y 2m
Perth	-3y 4m	-2y 2m
Hobart	-4y 4m	*
Darwin	-3y 2m	-2y 0m
Canberra	-5y 1m	-3y 2m
Combined capitals	-4y 6m	-3y 2m
Combined regionals	-3y 5m	-2y 7m
Australia	-4y 3m	-3y 0m

Includes only areas with at least 50 transactions. y = year, m = month.

Does location matter?

If there is one thing certain, location is everything in the property market, especially when purchasing your first home. It can make a real difference in the time it takes to save a deposit in a particular sub-region within a city and therefore influence when buyers make their first purchase.

The number of areas offering affordable options, and thus greater ease in entering the property market, usually increases the greater the distance from the city *(table 2)*. This means some buyers have to look further afield to seek value for money and compromise on commute times in order to secure a more desirable property within their price range. Others compromise on space and purchase something smaller in order to secure a property more centrally located to the CBD or public transport hubs *(appendix figures 8, 9 and 10)*. Flexible working arrangements have helped to expand the options to outer suburbs and perhaps regional areas. However, a rising return to the office with mandatory in-person days could see longer commute times become less palatable. This encourages the rise of "rentvesting", where buyers buy an investment property in a suburb they can afford but rent in a location that is more suitable for them and their lifestyle choices.

Perth City is the speed demon across our capital cities, offering the shortest time to save a deposit for an entry-priced house, at 3 years and 3 months. This is followed closely by Darwin's Palmerston at 3 years and 5 months *(table 2)*.

Across the combined capitals, 41.9% of areas experienced an annual decline in the time to save an entry-priced house deposit (8.1% with no change). There was a variety of outcomes across the cities, with 92.5% of regions in Melbourne seeing the time taken to save a deposit shortened (7.5% with no change). This was followed by Canberra, at 83.3% of regions seeing the time to save fall and Darwin, at 75%. In contrast, 84.2% of regions in Adelaide saw an annual jump in the time to save, along with 76.3% of Brisbane regions, 76.2% of Perth regions and 52.3% of Sydney regions.

Perth was also the champion city for first-home buyers saving a deposit for an entry-price unit, with Bayswater-Bassendean topping the shortest time at 1 year and 11 months, followed by Perth city at 2 years and 1 month *(table 3)*.

Across the combined capitals, 34.8% of areas experienced an annual decline in the time to save an entry-priced unit deposit (11.3% with no change). The declines were most apparent in Melbourne, with 63% of regions falling (18.5% with no change), 45.7% of Sydney regions and 40% of Canberra regions (although Sydney and Canberra saw the same proportion rise). Conversely, 86.4% of regions in Brisbane saw the time to save increase (13.6% with no change), along with 84.6% of Adelaide regions and 81.8% of Perth regions (9.1% with no change).

Table 2. The areas with the shortest time to save for a 20% deposit on an entry-priced house for a couple aged 25-34, by city.

Sydney	Melbourne	Brisbane	Perth	Adelaide	Canberra	Darwin
Wyong, 5y 7m	Melton-Bacchus Marsh, 4y 6m	Cleveland-Stradbroke, 4y 1m	Perth City, 3y 3m	Playford, 3y 11m	Tuggeranong, 5y 6m	Palmerston, 3y 5m
St Marys, 5y 8m	Sunbury, 4y 6m	Ipswich Hinterland, 4y 1m	Mandurah, 3y 6m	Gawler-Two Wells, 4y 4m	Belconnen, 5y 8m	Darwin Suburbs, 3y 8m
Wollondilly, 5y 8m	Tullamarine-Broadmeadows, 4y 11m	Ipswich Inner, 4y 4m	Armadale, 3y 7m	Adelaide Hills, 4y 11m	Gungahlin, 5y 10m	Litchfield, 3y 8m
Blue Mountains, 5y 11m	Cardinia, 5y 1m	Springwood-Kingston, 4y 5m	Kwinana, 3y 7m	Salisbury, 4y 11m	Weston Creek, 5y 10m	Darwin City, 4y 8m
Mount Druitt, 5y 11m	Moreland-North, 5y 1m	Beaudesert, 4y 9m	Rockingham, 3y 8m	Onkaparinga, 5y	Woden Valley, 6y 8m	
Richmond-Windsor, 5y 11m	Wyndham, 5y 1m		Stirling, 3y 8m			

Areas are based on ABS SA3 geography. Includes only areas with at least 50 transactions. Hobart areas are excluded due to low volumes. y = year, m = month.

Table 3. The areas with the shortest time to save for a 20% deposit on an entry-priced unit for a couple aged 25-34, by city.

Sydney	Melbourne	Brisbane	Perth	Adelaide	Canberra
Fairfield, 3y 2m	Essendon, 2y 9m	Springwood-Kingston, 2y 6m	Bayswater-Bassendean, 1y 11m	Salisbury, 2y 11m	Woden Valley, 3y 1m
Liverpool, 3y 3m	Stonnington-West, 2y 11m	Beenleigh, 2y 11m	Perth City, 2y 1m	West Torrens, 2y 11m	Belconnen, 3y 4m
Mount Druitt, 3y 3m	Maribyrnong, 3y	Ipswich Inner, 2y 11m	Mandurah, 2y 3m	Marion, 3y 4m	North Canberra, 3y 5m
Penrith, 3y 3m	Dandenong, 3y 1m	Springfield-Redbank, 3y 3m	Cottesloe-Claremont, 2y 4m	Port Adelaide-East, 3y 4m	Gungahlin, 3y 8m
Blacktown, 3y 9m	Whittlesea-Wallan, 3y 2m	Chermside, 3y 6m	Belmont-Victoria Park, 2y 6m	Prospect-Walkerville, 3y 4m	South Canberra, 3y 9m
Canterbury, 3y 9m	Yarra, 3y 2m	Nundah, 3y 6m			
Merrylands-Guildford, 3y 9m					

Areas are based on ABS SA3 geography. Includes only areas with at least 50 transactions. Hobart and Darwin areas were excluded due to low volumes. y = year, m = month.

Mortgage servicability

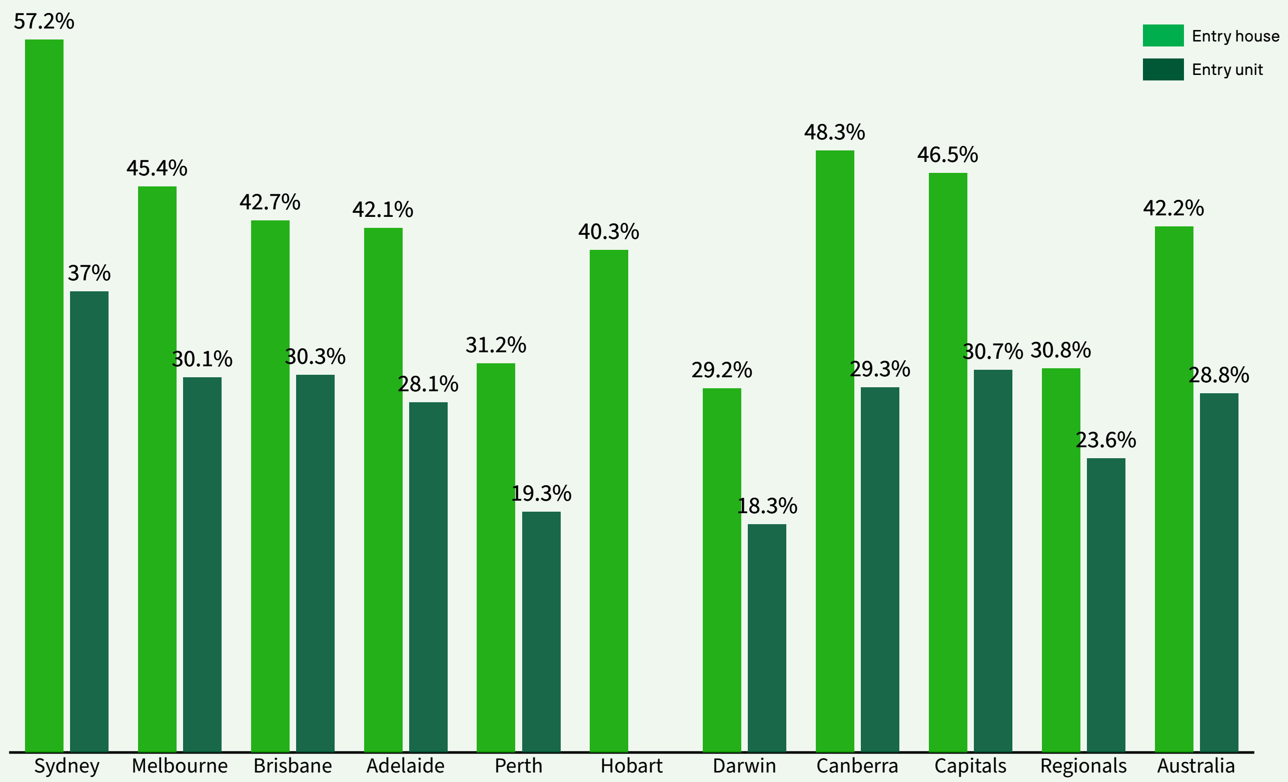
While property prices are important, they are not the only way to measure housing affordability for first-home buyers; mortgage serviceability is another aspect. Higher mortgage rates negatively impact the costs associated with a home loan – an essential element of the ongoing affordability balance. Mortgage serviceability is calculated for a hypothetical first-home buyer as the initial mortgage repayments on an entry-priced property (a house or unit at the 25th price percentile) for a buyer with a 20% deposit and expressed as a percentage of the average household income for a couple aged between 25 and 34.

Mortgage serviceability has become stretched

Juggling the household budget to meet ongoing home loan repayments is vastly easier in certain locations. To avoid “mortgage stress”, it is recommended that home owners dedicate less than 30% of their income towards mortgage repayments. The best affordability is offered in regional Australia, with entry-priced units falling well below this benchmark to take 23.6% of income, while entry-priced houses sit just above this, at 30.8% *(figure 6)*. The outlook is starker across our capitals, with both entry house and unit home loan repayments exceeding this comfortable threshold to take 46.5% and 30.7% of income, respectively.

Darwin offers first-home buyers the lightest burden on the household budget, with mortgage repayments for entry-priced houses accounting for 29.2% of a couple’s income. It is the only city where houses fall below the threshold of mortgage stress *(figure 6)*. Perth is the next best city at 31.2% – just above the 30% benchmark for mortgage stress. Sydney, Canberra, Melbourne, Brisbane, Adelaide and Hobart vastly exceed the mortgage stress threshold by a significant margin for entry-priced houses — Sydney and Canberra face the most dire impacts on

Figure 6. Mortgage repayments on an entry-priced home as a percentage of income for a couple aged 25-34.



Source: Domain, mortgage serviceability is calculated for a hypothetical first home buyer as the initial mortgage repayments on an entry-priced property (a house or unit at the 25th price percentile) for a buyer with a 20% deposit, on a fixed rate home loan and expressed as a percentage of household income for a couple aged between 25 and 34. Hobart units are excluded due to low volumes of sales to calculate an accurate median.

household budgets, accounting for 57.2% and 48.3% of income, respectively. This illustrates how the ongoing interest rate rises play a significant role in mortgage serviceability and the perilous financial situation buyers will face as a result.

Ongoing home loan repayments on an entry unit leave household budgets in a healthier position, with Darwin (18.3%), Perth (19.3%), Adelaide (28.1%) and Canberra (29.3%) below this threshold *(figure 6)*. Most of the other capitals sit just above 30% (Melbourne and Brisbane), apart from entry-priced units in Sydney, with home loan repayments absorbing 37% of income.

The most aggressive rate-hiking cycle the Reserve Bank has embarked on hit mortgage serviceability hard in 2022 and 2023 *(figure 7)*. It's also taken a hit from the rise in property prices over the past 5 years, not only the eye-watering pandemic boom but the following dip and rebound that saw a full recovery of Australia's housing prices and, therefore, a larger burden of debt. The proportion of income needed to cover the cost of a home loan for an entry-priced house across the combined capitals is about 18 percentage points higher than 5 years ago and 7 percentage points for a unit. In regional Australia, it is about 13 percentage points higher for a house and 9 percentage points for a unit. This highlights the full severity of the effect of the recovery in property prices and high interest rates on mortgage serviceability. In particular, the never-ceasing demand for houses means there has been a more significant rise in mortgage repayments over time.

Figure 7a. Mortgage repayments as a percentage of income, entry-priced houses.

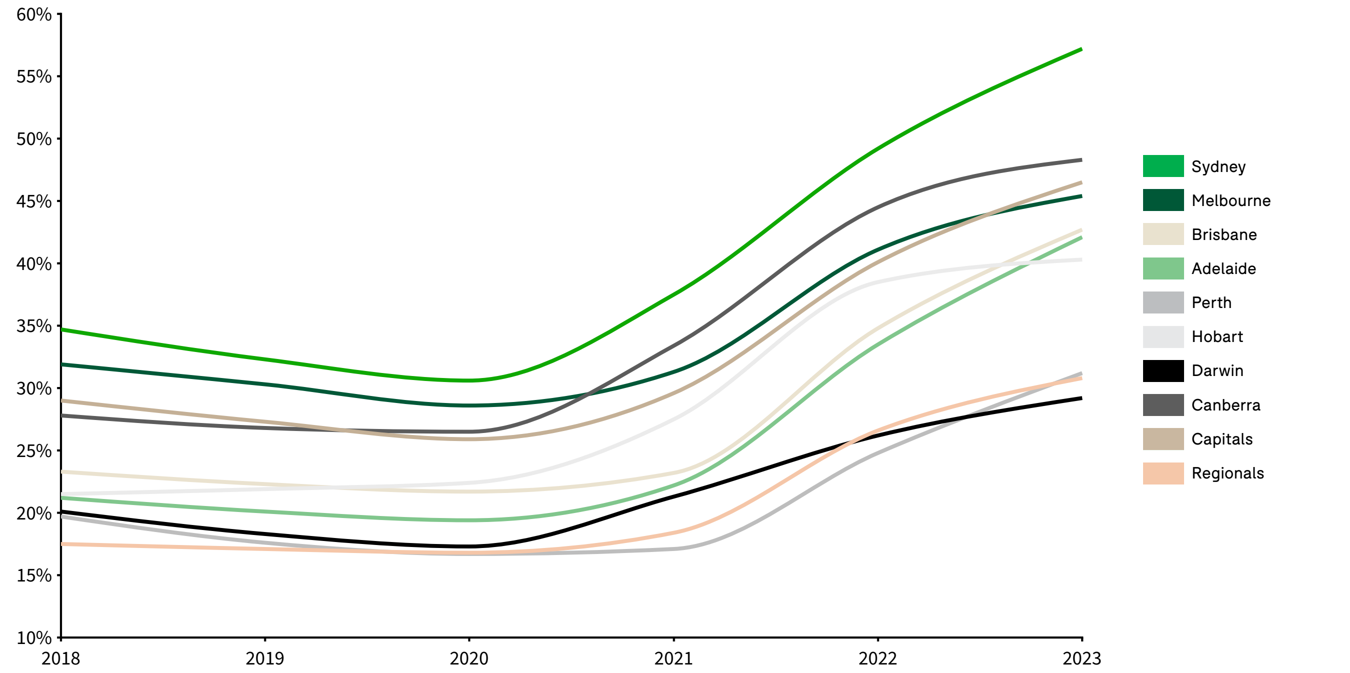
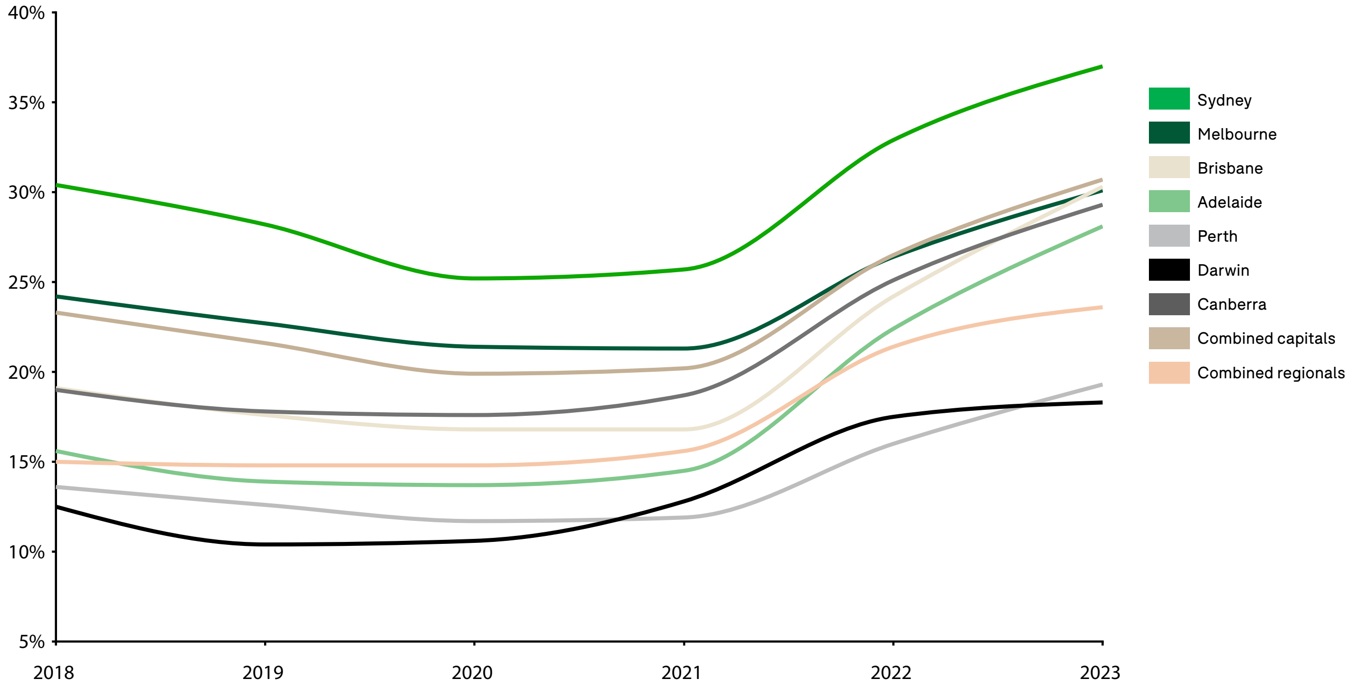


Figure 7b. Mortgage repayments as a percentage of income, entry-priced units.



Overall, the number of cities that technically fall into mortgage stress has risen. However, the hardest period of a home loan is in the early years when equity is low and debt levels high in comparison. As more debt is chipped away, the weight of the home loan becomes less over time, normally coinciding with career progression and a better salary. Today, as Australians grapple with the high cost of living, mortgage affordability remains a pressing concern, placing a huge strain on many household budgets. Rate cuts projected by the end of the calendar year will bring much-needed relief to many households that currently face squeezed budgets due to rising mortgage stress and the cost-of-living crisis. However, financial recovery for household budgets will continue well into 2025. This stresses the need to address Australia's housing undersupply to ensure we have adequate, affordable housing — shaping our suburbs for the future.

The road to home ownership

The journey to purchasing a first home has always been a significant undertaking. In the current economic climate, **Domain's 2024 First-Home Buyer Report** indicates that it has become increasingly challenging for first-home buyers overall, despite some improvements compared to last year, using a consistent methodology for comparison across different years. The higher cash rate has a dual impact on first-home buyers. On one hand, it may reduce the time required to save a lump-sum deposit for those who can consistently save and have had wage growth. However, it also amplifies the difficulty of home loan repayments due to higher interest accruing on debt. It explains the growing reliance of some first-home buyers on financial support from family members to secure a deposit, given the substantial financial commitment involved in purchasing a first home. There are opportunities to explore different types of homes or locations for better affordability, which is why "rentvesting" has also gained popularity.

This complex situation highlights some of the factors driving the current decline in home ownership rates as the challenge of entering the market becomes increasingly daunting for many. It underscores the need for government attention and action.

Government initiatives for first-home buyers, such as the Help to Buy scheme, can facilitate earlier access to the property market. Under this scheme, eligible buyers with a minimum 2% deposit can secure a home loan, with the government contributing up to 40% of the purchase price of an eligible property as equity. This significantly reduces the time needed to save for a deposit and lowers the debt burden, facilitating quicker entry into the property market, particularly for low-income earners.

For a long-term solution, the government needs to address Australia's housing undersupply to ensure the availability of adequate and affordable housing, shaping our suburbs for the future, including establishing ambitious housing targets and ensuring their fulfilment, alongside implementing effective first-home incentives.

Appendix

Figure 8a. The time to save a 20% deposit on an entry-priced house, Sydney regions.

Time to save, months

60m 80m 100m 120m 140m 160m 180m 200m

not enough data to be statistically significant

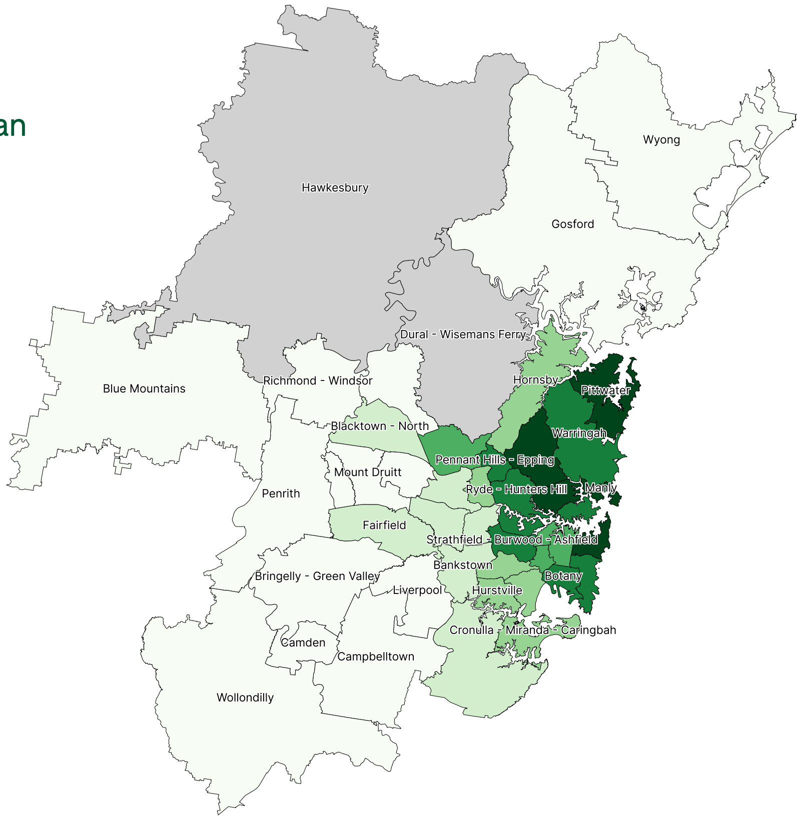


Figure 8b. The time to save a 20% deposit on an entry-priced unit, Sydney regions.

Time to save, months

30m 40m 50m 60m 70m 80m 90m 100m

not enough data to be statistically significant

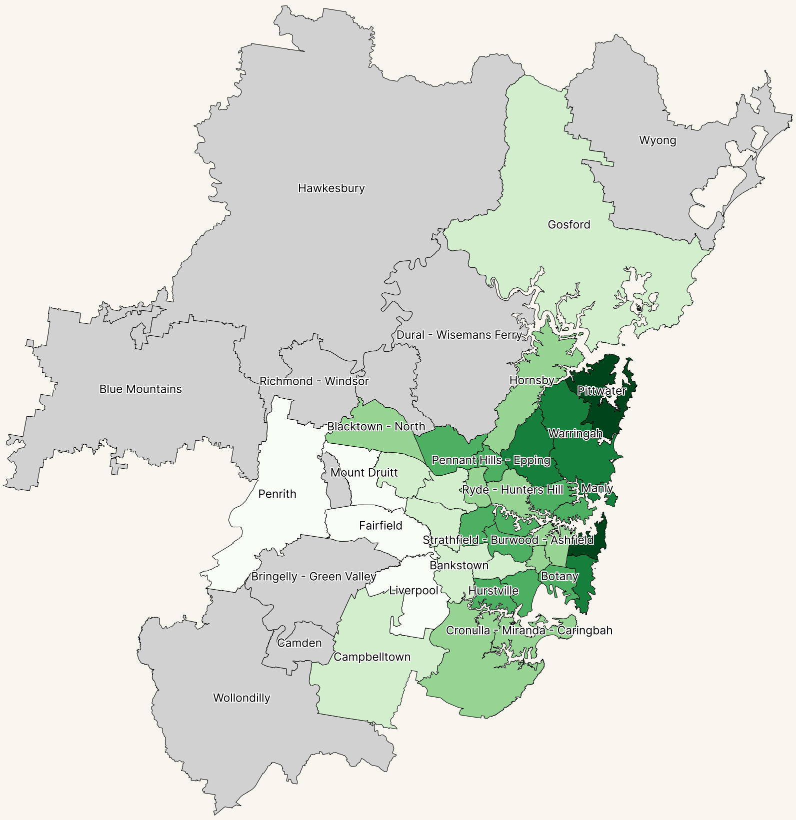


Figure 9a. The time to save a 20% deposit on an entry-priced house, Melbourne regions.

Time to save, months

60m 80m 100m 120m 140m 160m

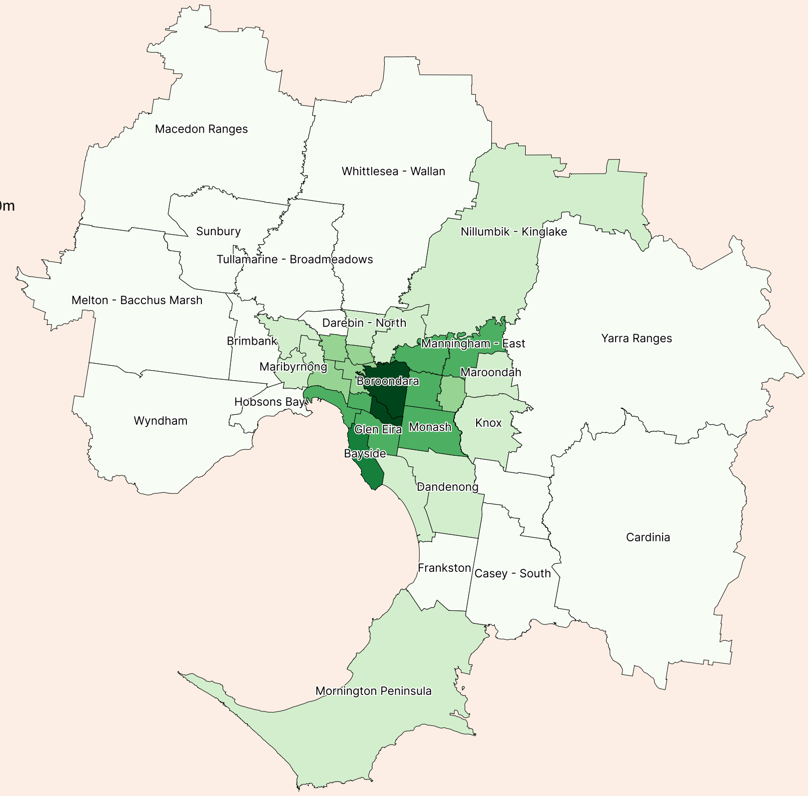


Figure 9b. The time to save for a 20% deposit on an entry-priced units, Melbourne regions.

Time to save, months

30m 35m 40m 45m 50m 55m 60m 65m 70m 75m 80m

not enough data to be statistically significant

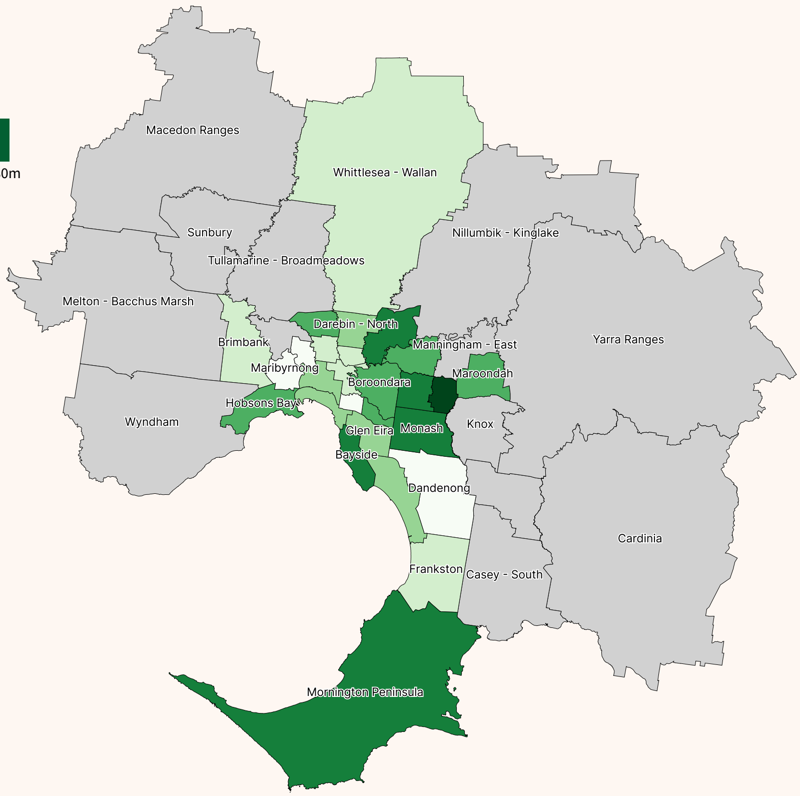


Figure 10a. The time to save for a 20% deposit on an entry-priced house, Brisbane regions.

Time to save, months

30m 40m 50m 60m 70m 80m 90m 100m 110m

not enough data to be statistically significant

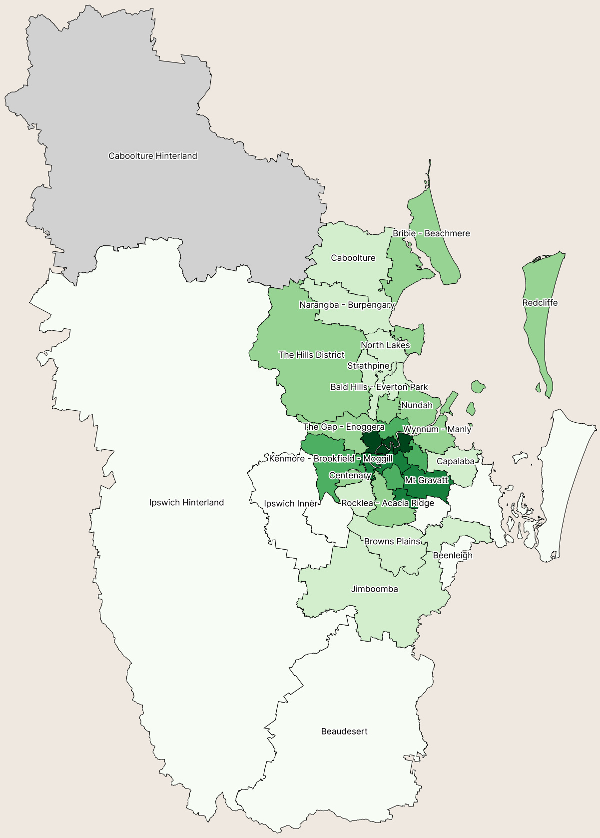
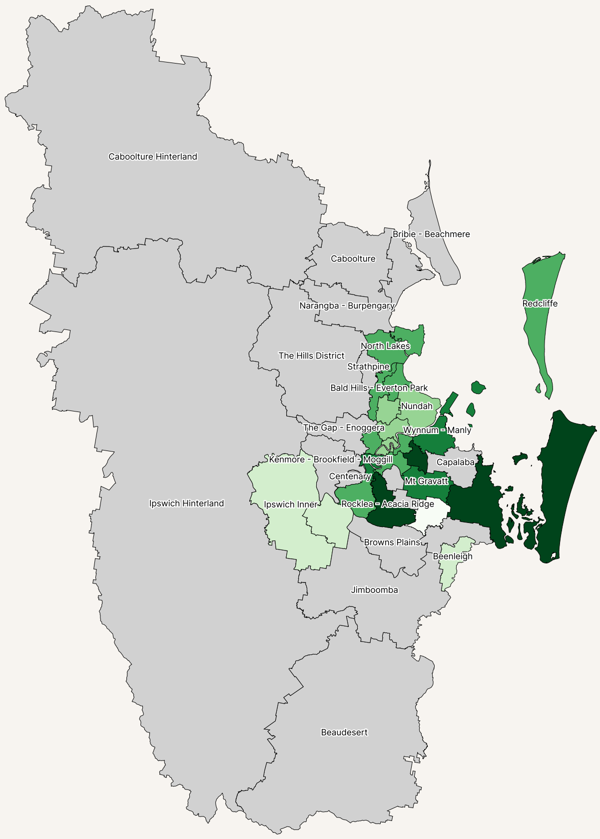


Figure 10b. The time to save for a 20% deposit on an entry-priced unit, Brisbane regions.

Time to save, months

20m 24m 28m 32m 36m 40m 44m 48m 52m 56m 60m

not enough data to be statistically significant



Methodology

Entry prices are based on the 25th price percentile of the respective geographical boundary. This gives a clear indication of the prices at the more affordable end of the housing market that is deemed to be more in line with a first-home buyer's budget.

Geographical boundaries are based on the ABS Statistical Geography Standard, using the Greater Capital City Statistical Areas (GCCSA) and Statistical Area Level 3 (SA3).

The amount of time required to save a 20% deposit is calculated by comparing salary earnings with the entry-level house and unit prices. A deposit of 20% is used to avoid incurring additional costs of lender's mortgage insurance. It does not take into account any transaction costs or stamp duty that may be incurred. For the national metrics, the time to save uses a weighting for each GCCSA, not the entry price or salary earnings.

The report is based on the average income for a couple aged between 25 and 34 years old in each capital city using ABS Estimates of Personal Income. Incomes are based on the average employee earnings in each Greater Capital City for a 25- to 34-year-old. An estimate of current salary is calculated by factoring in wage-price growth using the ABS Wage Price Index (WPI).

The time required to save a deposit is based on a dual income, with each person saving 20% of post-tax income on a monthly basis that is deposited in an online savings account (interest earned is taxed at the individual's tax rate). Savings rates are sourced from the Reserve Bank of Australia, F4 Retail deposit and investment rates. The time to save for national, combined capitals and combined regionals is calculated using a weighted average.

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