Quick Take

Tuesday 30th September 2025

Time to Save a Deposit Under the New 5% Scheme

What once took the better part of a decade can now be done in just a couple of years.

Saving for a deposit has long been the greatest obstacle to home ownership. In Sydney and Melbourne, households faced timelines stretching close to 10 years. From October 1, the expansion of the First Home Guarantee reshapes that picture.

What's changing:

- Deposit requirement falls to **5%**, with the government guaranteeing up to 15%.
- **No lender's mortgage insurance (LMI)**, cutting thousands from upfront costs.
- **Unlimited places** and **no income caps**, widening eligibility.
- **Higher price caps** to reflect today's market.

When applied to Domain's time-to-save analysis, the difference is striking. In Sydney, a household once facing more than **10 years of disciplined saving** now only needs around **three years** — a shortcut that wipes out almost **seven and a half years**. In Melbourne, the wait drops from almost eight years to just over two, erasing almost six years of effort.

Even in more affordable markets, the scheme trims years off the journey. In Brisbane and Adelaide, first-home buyers save more than **five and a half years**; in Perth and Hobart, over **four years**.

Put simply, the deposit hurdle has been lowered from a leap to a more manageable step.

Table 1. Time to save for a deposit (based on the property price caps).

City	Property price cap	Two-person household income	Time to save (20%)	Time to save (5%)	Years saved
Sydney	$1.5 million	$123,674	10y 3m	2y 10m	7y 5m
Melbourne	$950,000	$105,410	7y 11m	2y 2m	5y 9m
Brisbane	$1 million	$112,948	7y 10m	2y 1m	5y 9m
Adelaide	$900,000	$103,186	7y 8m	2y 1m	5y 7m
Perth	$850,000	$127,628	6y	1y 7m	4y 5m
Hobart	$700,000	$106,998	5y 11m	1y 7m	4y 4m
Darwin	$600,000	$156,164	3y 7m	11m	2y 8m
Canberra	$1 million	$201,652	4y 7m	1y 2m	3y 5m

Impacts to watch

The scheme removes the biggest obstacle for many first-home buyers — the deposit. But while it accelerates the path to ownership, it also reshapes the risks and realities buyers face.

Opportunities:

- **Faster entry.** Years are shaved off the saving journey, giving households the chance to buy sooner and start building equity earlier.
- **No LMI.** Avoiding mortgage insurance can save tens of thousands in upfront costs.
- **Wider eligibility.** Unlimited places and no income caps mean more households can benefit.
- **Market access.** Higher price caps bring more stock within reach, especially in Sydney, Brisbane, Adelaide and Perth.
- **Earlier wealth building.** Entering the market sooner provides more time to benefit from long-term property growth.

Challenges:

- **Borrowing power is unchanged.** Banks will still stress-test serviceability, so repayments remain the harder barrier for many households.
- **Market dynamics.** Extra demand at the entry level can put upward pressure on prices if supply doesn't keep pace.
- **Risk of negative equity**. With little equity buffer, buyers could slip into negative territory if prices fall.
- **Larger mortgages.** A smaller deposit means more debt, leaving households more exposed to interest rate movements.
- **Government exposure.** By guaranteeing loans, the government takes on a bigger stake in the housing market — and its risks. ***What this means:*** If a borrower defaults and the property sells for less than the loan value, the government covers the bank for the guaranteed portion (up to 15%). This shifts part of the risk from lenders onto taxpayers, ties the government more closely to housing market performance, and makes the scheme itself a policy lever that can be scaled up or down.

Bottom line:

The deposit hurdle has collapsed, giving buyers a faster path to ownership. But speed comes with trade-offs: thinner equity, larger mortgages, and greater exposure if conditions turn.

Methodology

Prices are based on the price property caps of the Home Guarantee Scheme of the respective geographical boundary. Geographical boundaries are based on the ABS Statistical Geography Standard, using the Greater Capital City Statistical Areas (GCCSA).

The report is based on the gross disposable income per person in each state and territory; it is doubled to assume a two-person household. Gross household disposable income per person is calculated as total disposable income/total population, which also captures non-earners such as retirees.

The amount of time required to save a 5% or 20% deposit is calculated by comparing income with the property price caps. It does not account for any transaction costs or stamp duty that may be incurred.

The time required to save a deposit is based on a dual income, with each person saving 20% of 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.