

Domain

First-home buyer report 2026



Executive Summary



Australia remains one of the most challenging housing markets in the developed world for first-home buyers. While international comparisons consistently show home prices here have risen faster than incomes over the past decade, the experience of affordability within the country is becoming increasingly uneven.

In 2026, first-home buyer affordability is being reshaped less by interest rates alone and more by the **pace of growth in entry-level prices**, which has accelerated sharply in several mid-priced capital cities. As a result, saving a deposit is taking longer in most markets, while mortgage repayments remain stretched once buyers enter the market.

The 2026 Domain First-Home Buyer Report assesses affordability through three linked measures:

1

Entry-level prices
(25th percentile)

2

The time required to save a 20% deposit

3

Mortgage serviceability for a 25- to 34-year-old couple on an average income.



Key findings

-  **Affordability outcomes are fragmenting across cities.** The time required to save a deposit now ranges from **2 years and 7 months** for an entry-priced **unit in Darwin** to **7 years and 7 months** for an entry-priced **house in Sydney**. The gap between the shortest and longest savings timelines continues to widen, reflecting divergent price and income dynamics across the capitals.
-  **Sydney continues to record the longest saving time for entry-priced houses, but pressure has broadened.** Sydney remains the city with the longest time to save for an entry-priced house deposit. **Brisbane is in second place**, followed by **Adelaide and Perth**, as rapid entry-level price growth has significantly extended saving timelines in these markets.
-  **The unit “safety valve” is breaking down in some capitals.** For the first time on record, **Brisbane has overtaken Sydney as having the longest time required to save for an entry-priced unit**. Adelaide and Perth have also moved up the rankings, indicating that units are no longer universally providing relief for first-home buyers.
-  **Income strength is increasingly influential.** Canberra stands out as a relative outlier. Modest house price growth, declining entry-level unit prices and the highest average incomes among the capitals have resulted in shorter saving timelines and more favourable mortgage serviceability outcomes, despite high absolute prices. Melbourne’s unit market shows a similar, though less pronounced, pattern.
-  **Mortgage stress remains widespread despite rate cuts in 2025.** Interest rate reductions in 2025 have slowed further deterioration in serviceability, but have not reversed it. All capital cities remain above the mortgage stress threshold for entry-priced houses, and mortgage stress for entry-priced units is now evident in Sydney, Brisbane and Adelaide.

Taken together, these outcomes show that first-home buyers in 2026 face a **dual affordability constraint**: deposits are taking longer to accumulate, and repayments remain elevated once buyers enter the market.

Saving a deposit



Saving enough for a deposit remains the primary barrier to first-home ownership. While wage growth and higher savings rates earlier in the cycle provided temporary support, rising entry-level prices and elevated living costs continue to extend saving timelines – with renewed interest rate uncertainty posing further risks ahead.

Over the past 5 years:

Entry house prices nationally have increased by

68% ↑

Entry unit prices have risen by

30% ↑

Inflation has risen by

23% ↑

Wages have increased by

21% ↑

This divergence between housing costs and incomes has widened the gap between household saving capacity and the upfront cost of entering the market, particularly for houses.

How much is an entry-priced home?

Entry-level prices sit at the centre of the first-home buyer experience. They directly influence the size of the deposit required, the duration of saving, and the scale of the mortgage taken on at purchase.

Entry house prices

All capital cities recorded annual growth in entry-level house prices, though the magnitude of growth varied substantially (*table 1*).

- ✓ Perth, Darwin, Brisbane and Adelaide recorded the strongest annual increases, each exceeding 20%.
- ✓ Sydney also recorded strong double-digit growth and remains the only capital city where an entry-priced house exceeds \$1 million.
- ✓ Melbourne and Canberra experienced more moderate increases, allowing income growth to partially offset rising prices.



The sharp acceleration in entry-level house prices in Brisbane, Adelaide and Perth has directly contributed to longer saving timelines, bringing these markets closer to Sydney on affordability measures despite lower absolute price levels.

Table 1. Entry house and unit prices.

	Entry houses			Entry units		
	Entry price	Annual change	5-year change	Entry price	Annual change	5-year change
Sydney	\$1,150,000	15.0% (\$150,000)	64.3% (\$450,000)	\$645,000	4.0% (\$25,000)	9.7% (\$57,000)
Melbourne	\$720,000	6.7% (\$45,000)	20.0% (\$120,000)	\$441,250	1.3% (\$5,875)	-2.4% (-\$10,750)
Brisbane	\$856,000	20.6% (\$146,000)	106.3% (\$441,000)	\$660,000	24.0% (\$127,875)	80.8% (\$295,000)
Adelaide	\$720,000	20.0% (\$120,000)	159.2% (\$442,250)	\$508,000	12.9% (\$58,000)	84.7% (\$233,000)
Perth	\$780,000	22.1% (\$141,000)	105.8% (\$401,000)	\$550,000	25.0% (\$110,000)	83.9% (\$251,000)
Hobart	\$623,894	5.7% (\$33,894)	38.6% (\$173,894)	\$470,000	4.4% (\$20,000)	34.1% (\$119,500)
Darwin	\$565,000	21.5% (\$100,000)	61.4% (\$215,000)	\$355,000	21.4% (\$62,625)	42.0% (\$105,000)
Canberra	\$780,000	4.0% (\$30,000)	47.7% (\$251,876)	\$420,472	-3.5% (-\$15,278)	12.1% (\$45,472)
Australia	\$685,000	12.3% (\$75,000)	67.9% (\$277,000)	\$515,099	7.3% (\$35,099)	30.4% (\$120,099)

Entry unit prices

Entry-level unit prices increased across all capital cities except Canberra, where prices declined over the year. Price growth remained relatively modest in Melbourne, Sydney and Hobart, but accelerated sharply in Perth, Brisbane, Darwin and Adelaide.

This divergence highlights a structural change in the unit market. While units have historically provided a faster entry point for first-home buyers, rapid entry-level price growth in several capitals is eroding that advantage. In Brisbane, accelerating unit prices have extended saving timelines beyond those observed in Sydney, reversing long-standing affordability patterns (*figure 1*).

Figure 1a. Entry house prices indexed to 2020.

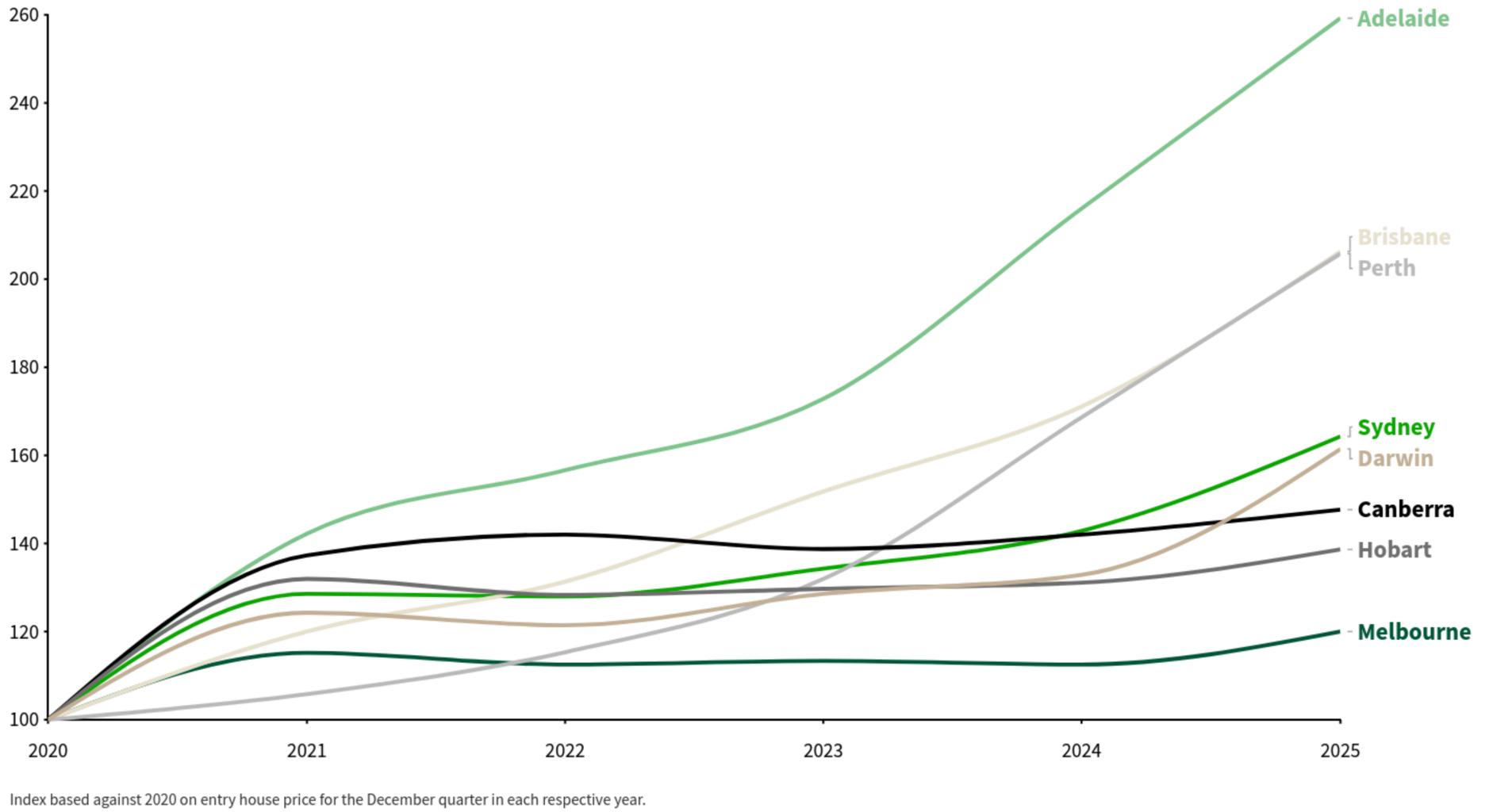
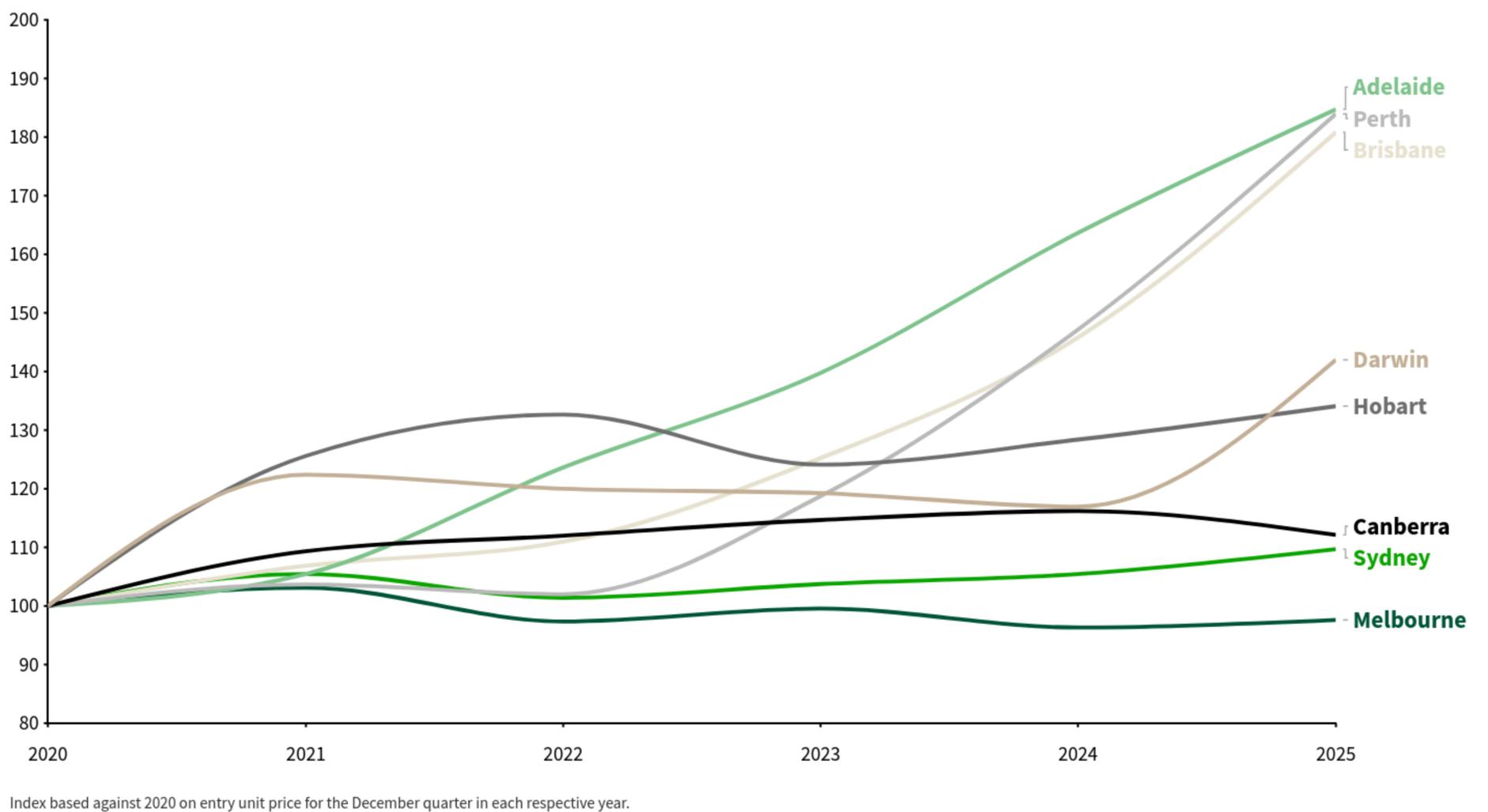


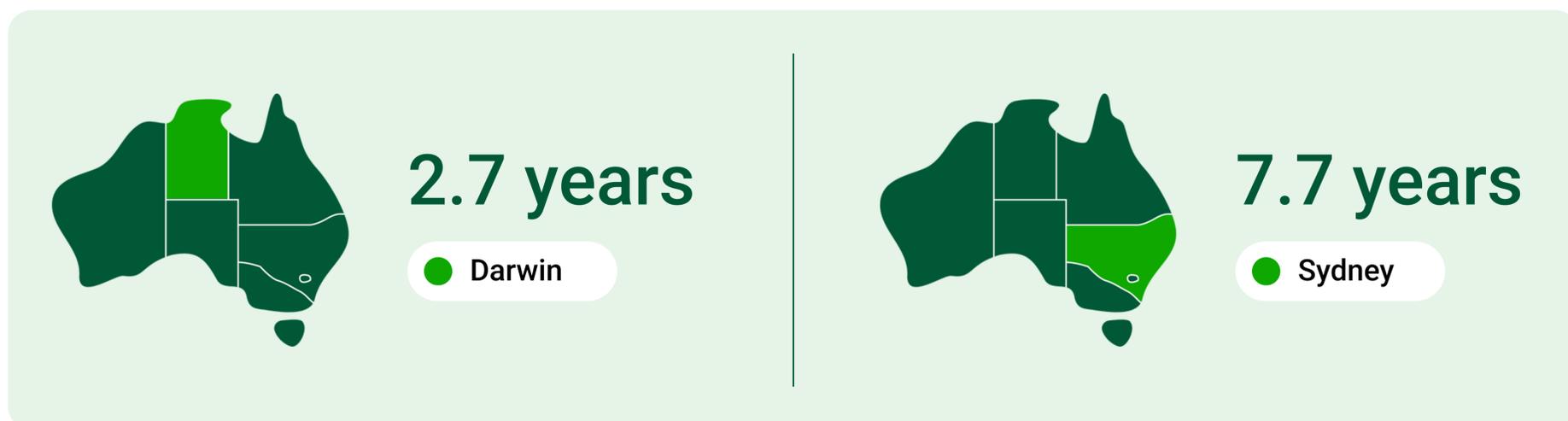
Figure 1b. Entry unit prices indexed to 2020.



How long will it take to save?

The time required to save a 20% deposit varies significantly across Australia, reflecting differences in both entry-level prices and income growth.

Saving timelines now range from 2 years and 7 months for an entry-priced unit in Darwin to 7 years and 7 months for an entry-priced house in Sydney.



A reshaped affordability landscape

Sydney continues to record the longest saving time for entry-priced houses. However, affordability pressures are no longer confined to Sydney (*table 2*).

Brisbane has the second-longest saving time for houses, followed by Adelaide and Perth – both for the first time on record – as rapid entry-level price growth in these markets has outpaced wage gains. This shift means Adelaide and Perth now have longer saving times than Melbourne, Canberra and Hobart, marking a significant change in the national affordability rankings.

For entry-priced units, the reshuffle is even more pronounced. Brisbane has now recorded the longest saving time for the first time, overtaking Sydney, while Adelaide has moved into third place, overtaking Hobart. Hobart and Perth share fourth place, with Perth overtaking Melbourne.

These shifts reflect accelerating price growth at the lower end of the market, particularly in Brisbane, Adelaide and Perth, rather than changes in interest rates or wages alone. In contrast, Melbourne and Sydney have recorded the most subdued unit price growth, while Canberra's higher average wages, combined with a decline in entry-level unit prices, have helped first-home buyers better manage entry-level costs.

Overall, affordability pressures are intensifying fastest in markets with strong entry-level price momentum, while cities with weaker price growth or stronger incomes have seen relatively more stable outcomes.

Darwin and Canberra: Contrasting outcomes

Darwin continues to record the shortest saving timelines for both houses (4 years) and units (2 years and 7 months). It remains the best city for first-home buyers for the fourth consecutive year. Notably, saving for an entry-priced house in Darwin remains quicker than saving for an entry-priced unit in Sydney or Brisbane, and is on par with Adelaide.

Canberra's outcomes illustrate the growing importance of income. Weak house price growth, declining unit prices and the highest average wages have resulted in comparatively shorter saving timelines, despite high absolute price levels.

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

y = year m = month

	Time to save	
	 Entry House	 Entry Unit
Sydney	7y 7m	4y 5m
Melbourne	5y 3m	3y 4m
Brisbane	6y 3m	4y 11m
Adelaide	5y 7m	4y
Perth	5y 4m	3y 10m
Hobart	5y	3y 10m
Darwin	4y	2y 7m
Canberra	5y 1m	2y 10m
Combined Capitals	5y 2m	3y 6m
Combined Regionals	4y 5m	3y 5m
Australia	5y	3y 6m

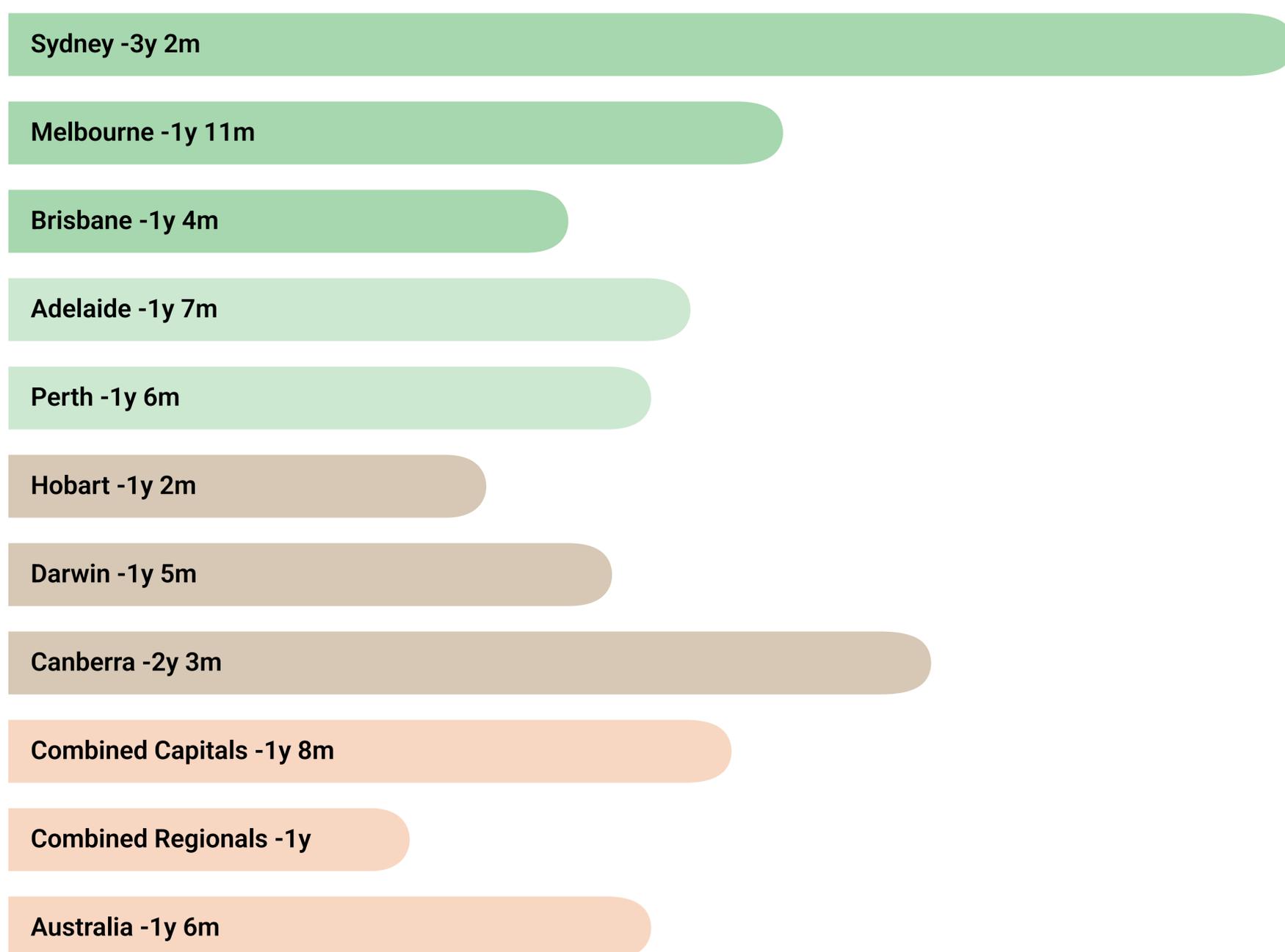
Why property type matters

Property type remains a key determinant of market access. Units continue to require smaller deposits and therefore shorter saving periods than houses, although the size of this advantage varies widely.

Across the combined capitals, first-home buyers can enter the market 20 months sooner by purchasing an entry-priced unit rather than a house (*figure 2*). This difference is largest in Sydney and Canberra, and substantially smaller in regional markets where house and unit prices are more closely aligned.

In several fast-growing capitals, the traditional unit advantage has diminished as entry-level unit prices rise more rapidly.

Figure 2. The time saved when buying an entry-priced unit compared to a house for a couple aged 25-34.



Sydney and Canberra have the shortest time to market.

Changes in saving timelines

Overall, conditions for first-home buyers have deteriorated, though the scale of the decline varies by market and property type.

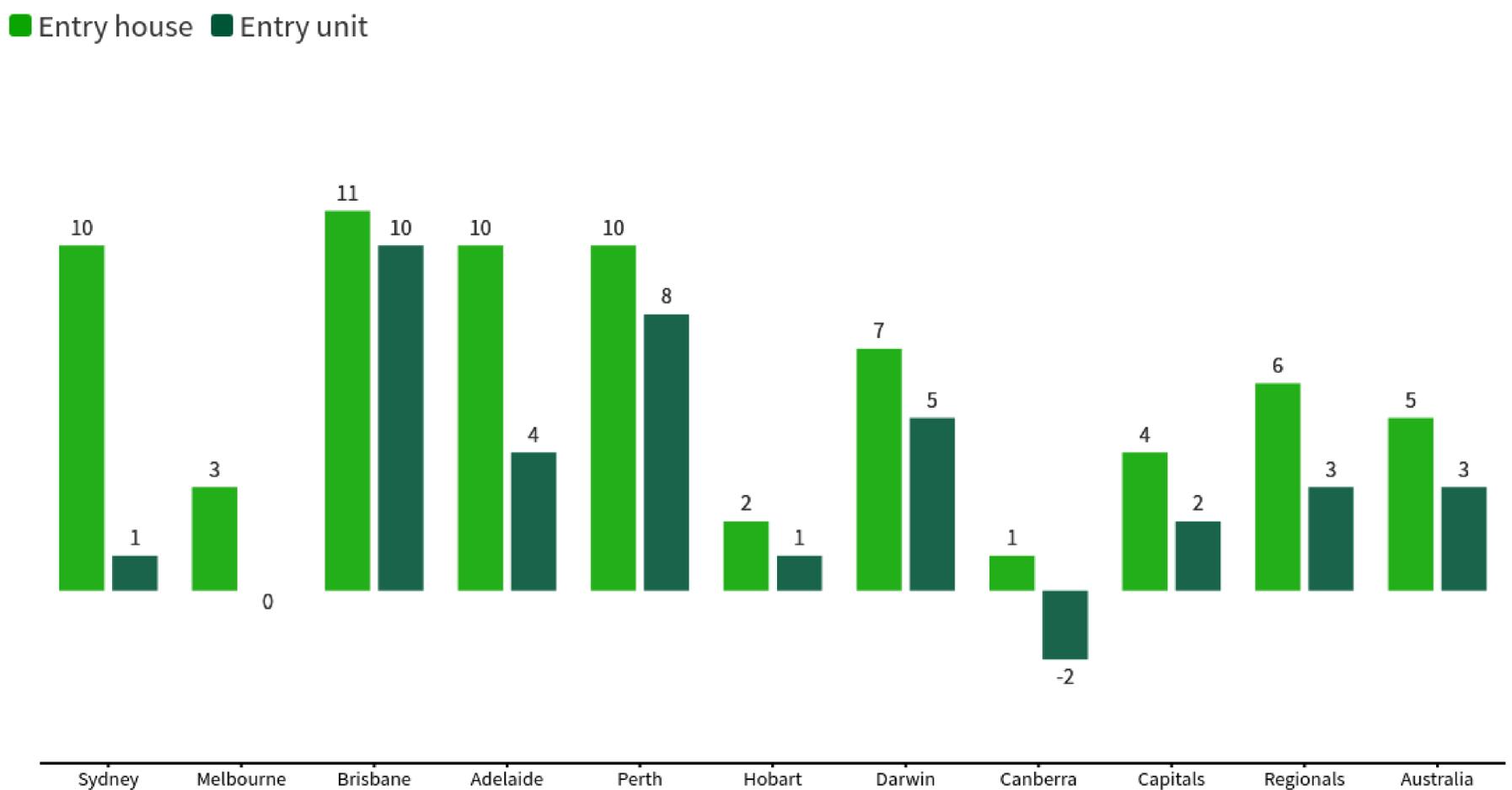
Change over the past year

Nationally, the time required to save a 20% deposit increased over the past year (figure 3). For an entry-priced house, saving times lengthened by five months, while for entry-priced units they increased by three months. Although saving times have risen for both property types, the gap between houses and units remains substantial, reinforcing the importance of property type in determining market access.

Capital and regional variations

Across the combined capitals, saving times increased by four months for houses and two months for units, while in the combined regionals, they rose by six months for houses and three months for units. Despite faster deterioration in the regions, saving times remain longer in the capitals, reflecting higher entry-level prices.

Figure 3. The annual change in the time to save a 20% deposit on an entry-priced home.



The amount of time required to save a 20% deposit is calculated by comparing salary earnings with the entry level prices. A deposit of 20% is used to avoid incurring additional costs of the lender's mortgage insurance. It does not take into account any transaction costs or stamp duty that may be incurred.

At the city level, saving times increased for entry-priced houses across every capital, and for units in all capitals except Melbourne and Canberra. Brisbane was the only city where saving times for both houses and units increased by 10 months or more. For houses, Brisbane recorded the largest annual increase, followed by Sydney, Adelaide and Perth (all observing the same increase) then Darwin, consistent with strong entry-level price growth in these markets. In contrast, Melbourne, Canberra and Hobart recorded only modest increases, reflecting comparatively subdued price growth.

For units, Canberra was the only capital where saving times improved, while Melbourne remained unchanged. Elsewhere, saving times increased, led by Brisbane and followed by Perth, Darwin and Adelaide. In Sydney and Hobart, unit saving times rose only marginally, in line with modest unit price growth.

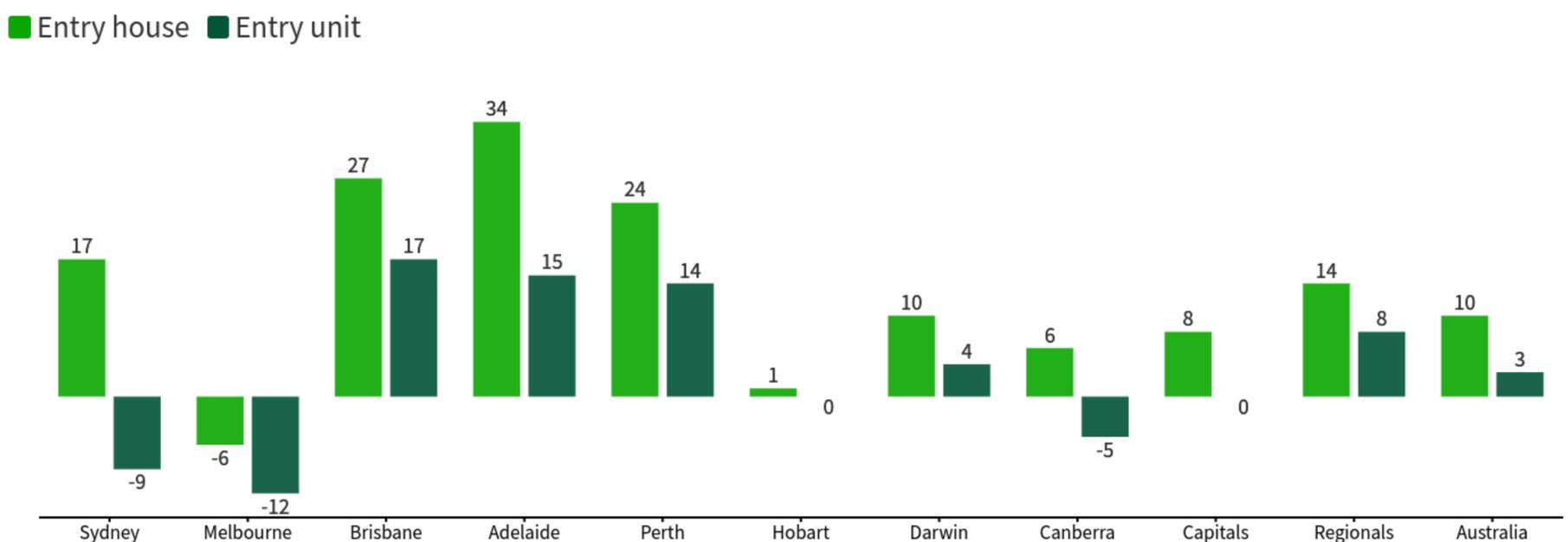
Change over the past five years

Over the past five years, the time required to save a deposit has increased in almost every capital city, with the key exceptions being Melbourne overall, and units in Sydney, Canberra and Hobart (figure 4). Melbourne units recorded the largest improvement, with saving times falling by one year, driven by declining entry-level unit prices, strong wage growth and a higher savings-rate environment over much of the period.

Units in Sydney and Canberra have also become quicker to save over five years, reflecting relatively modest unit price growth alongside strong income gains. In contrast, Sydney houses recorded a significant deterioration, with saving times increasing by 17 months, highlighting the widening affordability gap between houses and units.

The largest five-year increases in saving times were recorded in Adelaide, Brisbane and Perth, where rapid growth in entry-level house and unit prices has far outpaced wage growth. These shifts have reshaped affordability rankings across the capitals, pushing several traditionally more affordable cities toward the least accessible end of the spectrum.

Figure 4. The 5-year change in the time to save a 20% deposit on an entry-priced home.



The amount of time required to save a 20% deposit is calculated by comparing salary earnings with the entry level prices. A deposit of 20% is used to avoid incurring additional costs of the lender's mortgage insurance. It does not take into account any transaction costs or stamp duty that may be incurred.

What this shows

Changes in saving timelines reveal that affordability pressures are no longer driven by interest rates alone. Instead, accelerating entry-level price growth has become the dominant force extending saving times, particularly in markets experiencing strong demand and limited supply. Where price growth has been weaker, or incomes stronger, saving times have remained more stable – underscoring the growing divergence in first-home buyer outcomes across Australia.

How affordability rankings have shifted over five years

Over the past five years, affordability rankings across the capitals have been reshaped:



Sydney has consolidated its position as the city with the longest time to save for an entry-priced house, with the gap to the second-longest city widening from 5 months to 16 months.



Brisbane has shifted from one of the fastest markets to having the second-longest saving time for houses, overtaking Melbourne.



Adelaide has moved from the quickest city in which to save to the third-longest, while **Perth** has shifted from the third-quickest to among the longest.



In contrast, **Melbourne, Canberra and Hobart** have moved toward the faster end of the rankings, supported by weaker price growth and, in Canberra's case, higher incomes.



A similar reshuffle has occurred in the unit market, with Brisbane now recording the longest saving time, overtaking Sydney, while Melbourne and Canberra have improved their relative positions.



Location matters

Location plays a decisive role in first-home buyer affordability. Even within the same city, the time required to save a deposit can vary substantially depending on the mix of entry-level prices, local incomes, and the type of housing stock available.

These differences shape not only how soon buyers can enter the market, but also where trade-offs tend to occur – between price, dwelling type, and proximity to jobs and services.

In most capitals, saving times improve further from the city centre. For many first-home buyers, this means weighing a longer commute against the benefit of a faster path to ownership. Others prioritise location by choosing a smaller dwelling, or a unit, closer to major transport corridors and employment hubs (*appendix figures 7-9*).

A growing number of buyers also adopt a rentvesting strategy – purchasing in a more affordable location to enter the market and build equity, while continuing to rent in an area that better suits work and lifestyle needs. This approach tends to be more common when price growth at the lower end accelerates, pushing deposits and repayments beyond what first-time buyers can comfortably sustain in their preferred neighbourhood.



Entry-priced houses

Across cities, the shortest saving times for entry-priced houses are typically found in outer-metro and peri-urban areas, where entry-level prices are lower. In Sydney, this is most evident in areas such as Wollondilly and Wyong, where saving times are materially shorter than in inner-city regions, underscoring the trade-off between proximity and purchase feasibility (*table 3*). By contrast, Hobart's more accessible entry-level prices mean areas such as Brighton and Hobart-North West also provide some of the quickest pathways to saving for a house deposit across the capitals.

Table 3. 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	Hobart
Wollondilly, 6y 1m	Melton - Bacchus Marsh, 4y 5m	Ipswich Hinterland, 5y 5m	Mandurah, 4y 6m	Playford, 3y 1m	Molonglo, 4y 5m	Darwin Suburbs, 3y 9m	Brighton, 4y 3m
Wyong, 6y 2m	Sunbury, 4y 6m	Ipswich Inner, 5y 7m	Kwinana, 4y 9m	Gawler - Two Wells, 3y 9m	Gungahlin, 5y	Palmerston, 3y 11m	Hobart - North West, 4y 8m
Blue Mountains, 6y 5m	Whittlesea - Wallan, 4y 10m	Beenleigh, 5y 10m	Rockingham, 4y 9m	Adelaide City, 5y	Belconnen, 5y 2m	Litchfield, 4y 9m	Sorell - Dodges Ferry, 4y 10m
Hawkesbury, 6y 7m	Wyndham, 4y 10m	Beauresert, 5y 11m	Armadale, 4y 11m	Adelaide Hills, 5y 4m	Tuggeranong, 5y 2m	Darwin City, 4y 10m	Hobart - North East, 5y 3m
Penrith, 6y 7m	Moreland - North, 5y	Springwood - Kingston, 5y 11m	Serpentine - Jarrahdale, 4y 11m	Port Adelaide - West, 5y 8m	Weston Creek, 5y 6m		Hobart - South and West, 5y 6m
Richmond - Windsor, 6y 7m	Tullamarine - Broadmeadows, 5y						

Areas are based on ABS SA3 geography. Includes only areas with at least 50 transactions. y = year, m = month.

Across the combined capitals, only a small share of areas recorded an improvement in saving times for entry-priced houses over the past year. Just 5% of areas saw saving times fall, while 3.9% were unchanged – meaning the vast majority recorded an increase.

Canberra recorded the greatest share of areas with improved saving times (25%, with 12.5% unchanged), followed by Adelaide (10.5%, with 5.3% unchanged), Sydney (6.7%, with 2.2% unchanged) and Melbourne (5%, with 7.5% unchanged). Hobart recorded no areas of improvement, although 16.7% of areas remained unchanged. In Brisbane and Perth, all areas recorded an increase, highlighting broad-based deterioration rather than isolated pockets of stress.

Entry-priced units

For entry-priced units, Canberra stands out as the most accessible capital, with some of the shortest saving times across the capitals located there (*table 4*). Woden Valley recorded the shortest saving time at 2 years and 6 months, followed by Gungahlin at 2 years and 7 months.

Table 4. 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
Mount Druitt, 3y 4m	Essendon, 2y 9m	Caboolture, 3y 10m	Mandurah, 2y 6m	Campbelltown, 2y 9m	Woden Valley, 2y 6m
Fairfield, 3y 4m	Stonnington - West, 2y 9m	Springwood - Kingston, 4y	Rockingham, 3y 3m	Port Adelaide - West, 3y 8m	Gungahlin, 2y 7m
Liverpool, 3y 4m	Darebin - South, 2y 10m	Chermside, 4y 8m	Cockburn, 3y 5m	West Torrens, 3y 10m	Belconnen, 2y 8m
Blacktown, 3y 7m	Yarra, 2y 10m	Brisbane Inner - North, 4y 9m	Bayswater - Bassendean, 3y 6m	Salisbury, 4y 1m	Molonglo, 2y 9m
Penrith, 3y 7m	Maribyrnong, 2y 10m	Nundah, 4y 10m	Perth City, 3y 10m	Charles Sturt, 4y 3m	North Canberra, 3y 1m
			Belmont - Victoria Park, 3y 10m		

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.

Across the combined capitals, 15.7% of areas recorded an annual decline in the time required to save an entry-priced unit deposit, while 16.5% were unchanged. The improvement was most pronounced in Canberra, where 66.7% of regions recorded a reduction and 33.3% were unchanged – meaning no region recorded an increase.

Sydney also recorded meaningful improvement, with 21.1% of regions improving and 13.2% unchanged, and Melbourne recorded 20% of regions improving and 31.4% unchanged. By contrast, Perth saw 91.7% of regions record an increase in the time required and 8.3% remain unchanged. Adelaide saw 81.8% of regions increase, and all regions in Brisbane recorded increases, reinforcing that unit affordability pressures have intensified most consistently in these markets.

Mortgage serviceability



While home prices shape the size of the deposit hurdle, mortgage serviceability determines whether ownership is sustainable once buyers enter the market.

It measures the share of household income required to meet initial mortgage repayments, assuming a first-home buyer purchases an entry-priced home (25th percentile) with a 20% deposit.

To avoid mortgage stress, repayments are generally recommended to remain below 30% of household income. In 2026, this benchmark remains out of reach for most first-home buyers purchasing houses, particularly in the capital cities.

Mortgage serviceability remains stretched

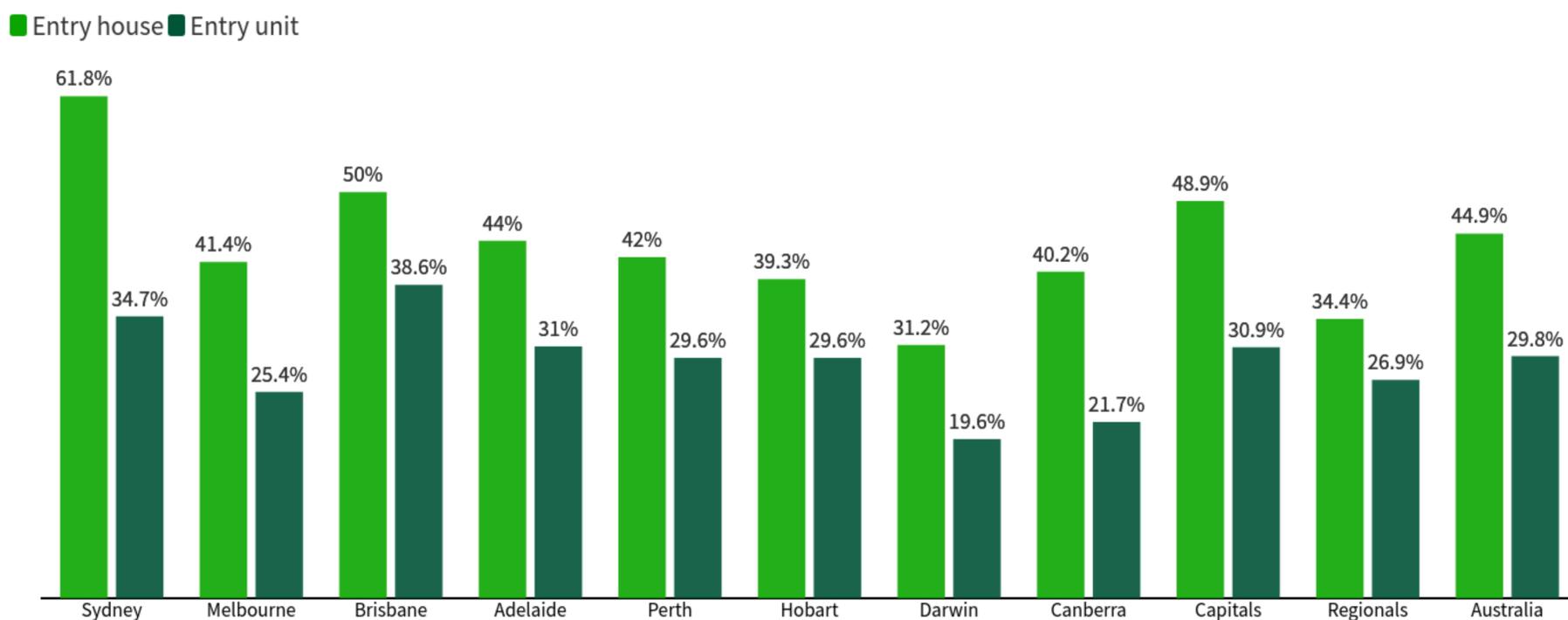
Mortgage serviceability varies widely by location, highlighting the critical role geography plays in first-home buyer affordability. Regional Australia continues to offer the most favourable conditions, with entry-priced unit repayments accounting for 26.9% of income, below the mortgage stress threshold. Entry-priced houses in the regions remain above the benchmark at 34.4%, but still compare favourably with capital city markets (*figure 5*).

Conditions are far more challenging in the combined capitals, where repayments on entry-priced houses consume 48.9% of household income, while units require 30.9%. Despite interest rate reductions in 2025, these levels remain well above recommended thresholds for houses, indicating that easing monetary policy has not delivered meaningful relief for first-home buyers.

High repayment burdens limit financial flexibility, increase vulnerability to future rate rises, and heighten the risk of long-term financial stress – underscoring the importance of sustainable market entry.



Figure 5. Mortgage repayments on an entry-priced home as a percentage of income for a couple aged 25-34.



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.

Every capital city is experiencing mortgage stress for houses

All capital cities now sit above the mortgage stress threshold for entry-priced houses (*figure 5*). Darwin records the lightest mortgage burden, with house repayments accounting for 31.2% of income, though this still exceeds the recommended benchmark. It is followed by Hobart (39.3%), Canberra (40.2%) and Melbourne (41.4%) – the only capitals to record an annual improvement in serviceability.

At the other end of the spectrum, Sydney imposes the heaviest repayment burden, with entry-priced house repayments consuming 61.8% of household income. Brisbane follows at 50%, with Adelaide at 44% and Perth at 42%. These outcomes reflect a combination of elevated prices and higher borrowing requirements, leaving first-home buyers exposed even after recent rate relief.

Unit markets offer partial relief – but not everywhere

Mortgage serviceability outcomes are more favourable for entry-priced units, though the picture varies markedly by city. In Darwin, Canberra, Melbourne, Hobart and Perth, unit repayments remain below the 30% threshold, ranging from 19.6% in Darwin to 29.6% in Perth and Hobart (*figure 5*).



However, Sydney (34.7%), Brisbane (38.6%) and Adelaide (31.0%) are in mortgage stress for entry-priced units. This shift signals that unit markets in some capitals are no longer reliably shielding first-home buyers from repayment pressure, particularly where unit prices have risen rapidly.

Five-year shift: a structural deterioration

Mortgage serviceability deteriorated sharply following the aggressive rate hikes of 2022 and 2023. Although interest rates eased in 2025, the improvement has been insufficient to offset the combined impact of higher prices and larger loan sizes. And, increasingly challenging in light of the 2026 rate rise.

Across the combined capitals, the share of income required to service an entry-priced house mortgage is now around 24 percentage points higher than five years ago, while for units it is around 11 percentage points higher (*figure 6*). In regional Australia, repayment burdens have increased by around 18 percentage points for houses and 13 percentage points for units over the same period.

These changes point to a structural shift in affordability rather than a temporary cycle driven by interest rates alone.

How mortgage serviceability rankings have changed

Over the past five years, mortgage serviceability rankings across the capitals have shifted markedly (*figure 6*).



For entry-priced houses:

- In 2020, only Sydney experienced mortgage stress. Now, all capital cities exceed the 30% threshold.
- Brisbane has moved from the fourth-best city for serviceability to the second-worst.
- Adelaide, previously the most serviceable market, is now the third-worst.
- Melbourne has improved from the second-worst position to the fourth-best.
- Hobart has shifted from the third-worst to the second-best, reflecting more moderate price growth.



For entry-priced units:

- No capital city experienced unit mortgage stress in 2020. Now, Sydney, Brisbane and Adelaide exceed the threshold.
- Brisbane has replaced Sydney as the city with the highest unit repayment burden.
- Melbourne has improved from the second-worst to the third-best.
- Perth has shifted from the second-best to the fourth-worst.
- Adelaide has moved from the third-best to the third-worst.

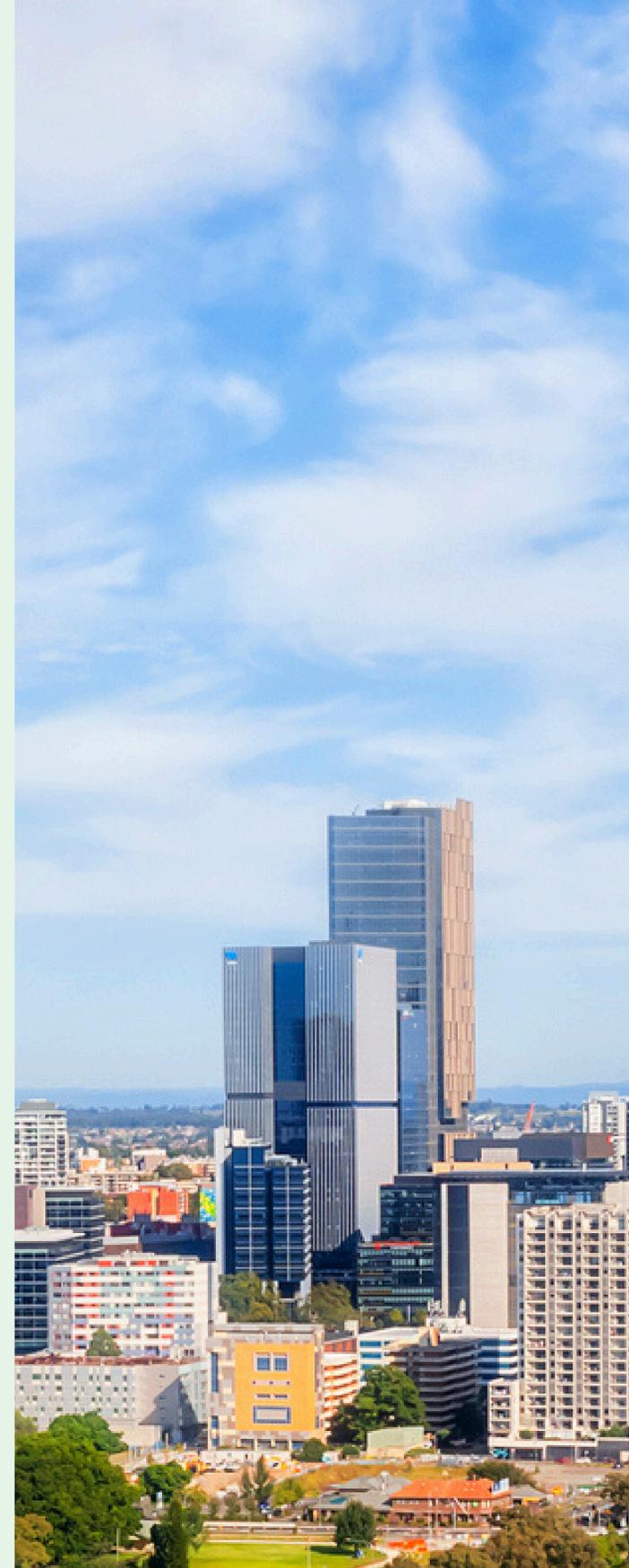


Figure 6a. Mortgage repayments as a percentage of income, entry-price houses.

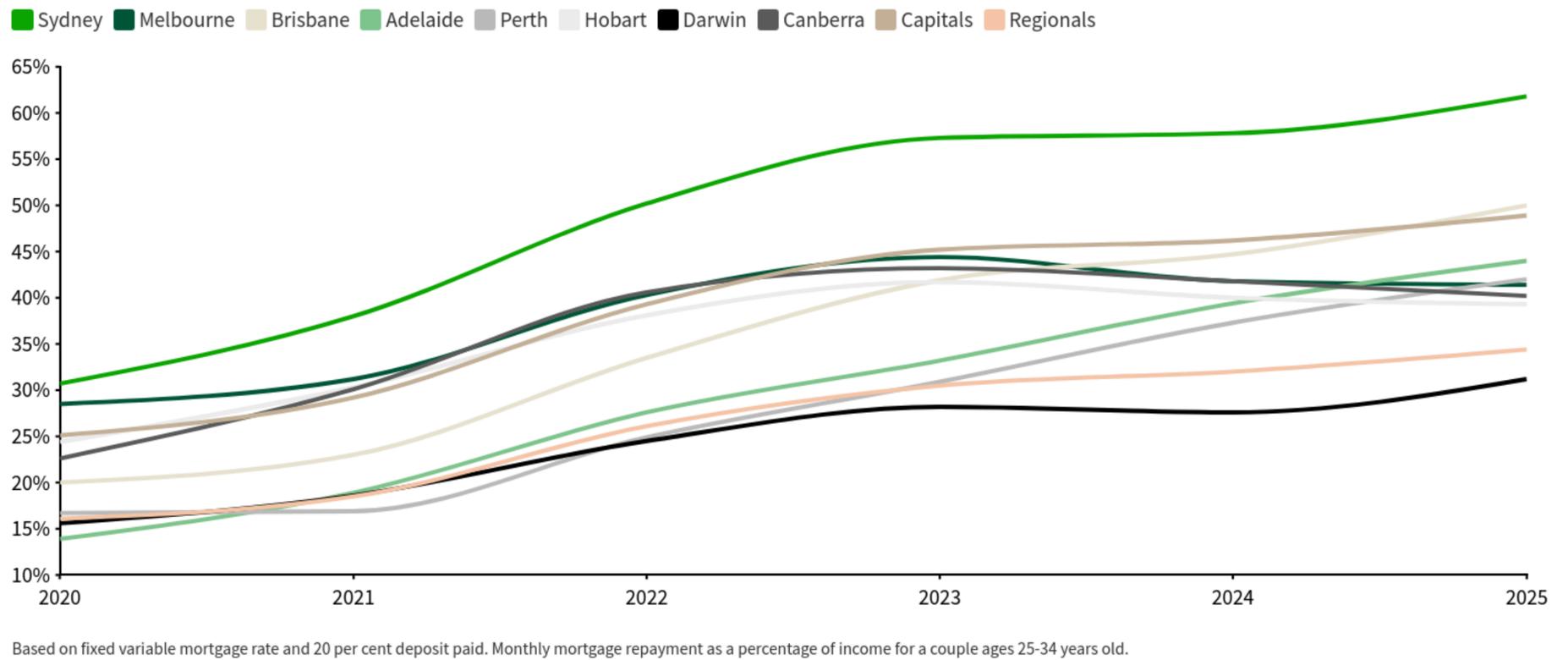
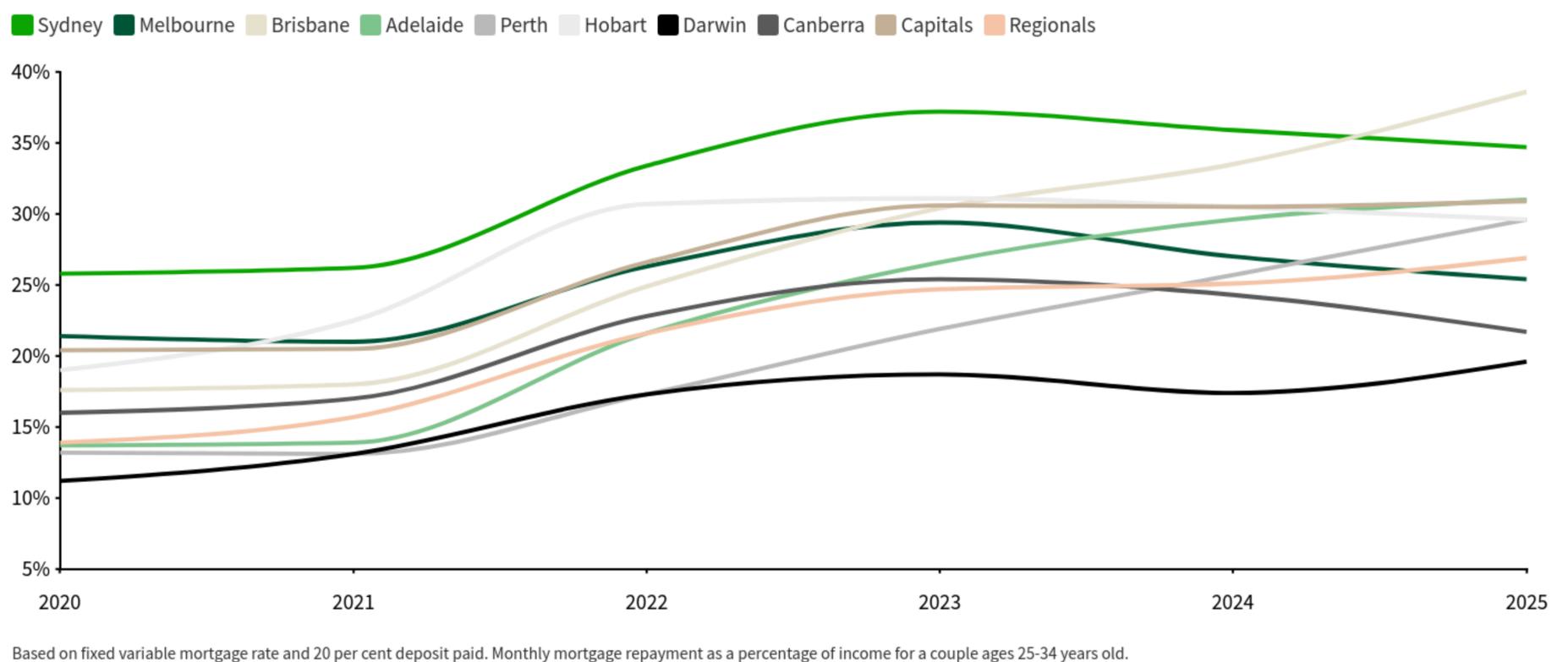


Figure 6b. Mortgage repayments as a percentage of income, entry-price units.



What this means for first-home buyers

The early years of a mortgage are typically the most financially demanding, as buyers carry high debt levels with limited equity. While rising incomes can ease this burden over time, high living costs, elevated prices and renewed interest rate uncertainty mean many first-home buyers are entering the market under sustained financial pressure.

Although some regions and unit markets offer relatively more manageable repayment conditions, affordability risks remain elevated – particularly for house purchases in the capital cities. With prices continuing to rise in several markets, serviceability outcomes may deteriorate further if borrowing costs increase again.

The journey to homeownership: why policy matters



Addressing affordability challenges for first-home buyers increasingly requires coordinated and sustained policy intervention.

As this report shows, the biggest barrier to entry is no longer interest rates alone, but the size of the upfront deposit required, particularly in markets where entry-level prices have risen sharply.

While some buyers are able to adjust by changing location or property type, many face structural constraints that delay or prevent market entry altogether. In this context, government initiatives that reduce upfront costs play an important role in shaping access to home ownership – though they do not, on their own, resolve broader affordability pressures.



Several federal schemes are currently available to first-home buyers, including the First Home Super Saver Scheme (FHSSS), the Australian Government 5% Deposit Scheme, and the Help to Buy Scheme.

These initiatives are primarily designed to accelerate entry by lowering deposit hurdles, rather than reducing housing prices themselves.

The 5% Deposit Scheme

The Australian Government 5% Deposit Scheme lowers the minimum deposit required to 5% (or 2% for single parents or legal guardians), allowing eligible first-home buyers to enter the market sooner without paying lender's mortgage insurance. While property price caps apply, there are no income caps or waiting periods, making the scheme broadly accessible.

The scheme delivers a material reduction in the time required to save. For entry-priced houses, it allows buyers to enter the market between 3 years earlier in Darwin and 5 years and 7 months earlier in Sydney (*table 5*). For units, the saving ranges from 1 year and 11 months in Darwin to 3 years and 8 months in Brisbane.

By significantly shortening saving timelines, the scheme provides meaningful support for first-home buyers. However, it does not remove repayment risk, particularly in higher-priced markets where mortgage serviceability remains stretched.

Table 5. The time saved when aiming for a 5% deposit compared to 20% on an entry-priced home.

y = year m = month

	Time to save	
	 Entry House	 Entry Unit
Sydney	-5y 7m	-3y 3m
Melbourne	-3y 11m	-2y 6m
Brisbane	-4y 7m	-3y 8m
Adelaide	-4y 2m	-3y
Perth	-3y 11m	-2y 10m
Hobart	-3y 9m	-2y 10m
Darwin	-3y	-1y 11m
Canberra	-3y 9m	-2y 2m
Combined Capitals	-3y 10m	-2y 7m
Combined Regionals	-3y 4m	-2y 7m
Australia	-3y 9m	-2y 7m

Help to Buy Scheme

The federal government's Help to Buy Scheme takes a more expansive approach by assisting with both the deposit and mortgage burden.

Under the scheme, eligible buyers can purchase a home with a minimum deposit of 2%, while the government contributes up to 40% of the purchase price for a new home, or up to 30% for an existing home, subject to price caps. Eligibility is limited to individual applicants earning \$100,000 or less, or \$160,000 or less for single parents and joint applicants, who also meet asset thresholds. Please note that Tasmania has not passed the legislation to participate in the scheme.

By reducing both the upfront deposit and the size of the mortgage required, Help to Buy has the potential to materially improve access for some first-home buyers. However, its impact will depend on take-up, availability, and the interaction with local price growth, especially in markets where demand already exceeds supply.

The scheme improves mortgage serviceability, easing mortgage stress across the country (*table 6*). For entry-priced houses, Darwin is the only market to move fully out of stress; however, all capital cities record meaningful improvements, with a smaller share of household income required for mortgage repayments. The effect is even more pronounced for units: all capitals except Brisbane and Sydney fall below the 30% serviceability threshold, suggesting that first-home buyers can enter the market without taking on excessive debt. It is important to note that the improvement would be further amplified if a deposit exceeding 2% was accumulated.

Table 6. The proportion of income needed under Help to Buy (HTB) compared to not using the scheme on an entry-priced home.

Area	Houses	Houses HTB	Units	Units HTB
Sydney	61.8%	54.2%	34.7%	30.4%
Melbourne	41.4%	35.2%	25.4%	21.6%
Brisbane	50.0%	42.5%	38.6%	32.8%
Adelaide	44.0%	37.4%	31.0%	26.4%
Perth	42.0%	36.7%	29.6%	25.9%
Hobart	39.3%	33.4%	29.6%	25.2%
Darwin	31.2%	26.6%	19.6%	16.7%
Canberra	40.2%	36.7%	21.7%	19.8%
Combined capitals	48.9%	42.3%	30.9%	26.7%
Combined regionals	34.4%	29.3%	26.9%	22.9%
Australia	44.9%	38.7%	29.8%	25.6%

Sydney, Canberra, Perth and Darwin used the maximum income threshold of \$160,000 for a couple on the Help to Buy scheme but all other cities used ABS incomes. It assumes a 2% deposit.

Policy implications



The findings in this report reinforce that Australia's housing affordability challenge is increasingly structural rather than cyclical.

Barriers to first-home ownership are being shaped by a combination of large deposit requirements, transaction costs, lending constraints and elevated mortgage burdens, which together delay or prevent market entry for aspiring buyers.

The evidence suggests that policies focused solely on demand or interest rates are unlikely to deliver lasting improvements in affordability. Instead, outcomes for first-home buyers are most sensitive to upfront costs, particularly the size of the deposit required to enter the market.

From an affordability perspective, the most impactful policy levers are those that reduce barriers to entry and improve mobility, rather than those that simply accelerate demand.

Areas where policy settings materially intersect with first-home buyer outcomes include:



Upfront transaction costs.

High stamp duty adds materially to the cost of entering the market, extending saving timelines and discouraging mobility. Alternatives that spread the tax burden over time – such as broad-based land taxes – have the potential to lower upfront barriers without increasing borrowing.



Deposit assistance and shared-equity pathways.

Low-deposit and shared-equity schemes can significantly shorten the time required to enter the market, particularly in higher-priced cities. Their effectiveness, however, depends on scale, targeting and alignment with housing supply.



Lending standards and credit access.

Prudential settings play an important role in maintaining financial stability, but also influence access to credit for first-home buyers. Striking the right balance between risk management and entry-level access remains critical as affordability pressures persist.

Beyond housing-specific policy, broader tax and retirement settings also shape long-term affordability outcomes, including:



Income tax structures that influence saving capacity



Tax incentives affecting investor demand



Retirement and pension settings that shape housing decisions later in life.

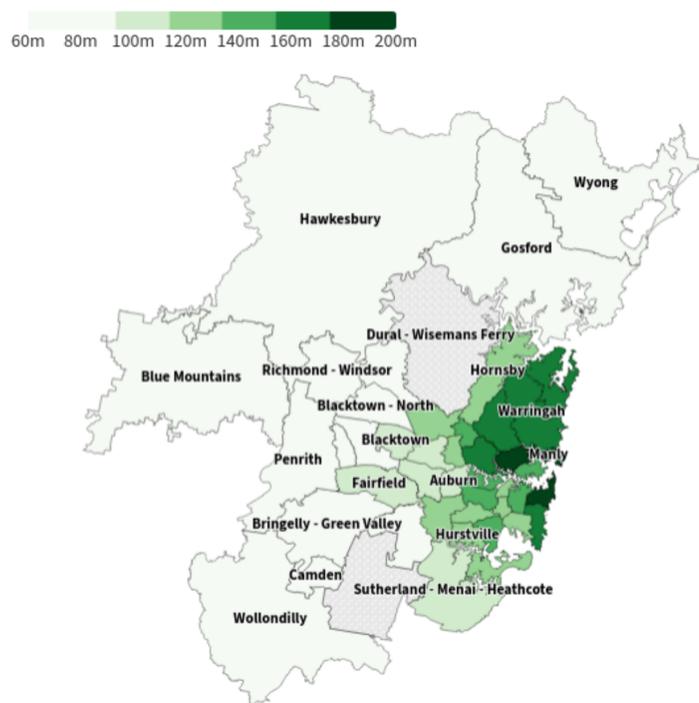
With home ownership rates declining – particularly among younger Australians – the evidence points to a growing need to address the structural drivers of affordability. Doing so will require coordinated, sustained action across all levels of government, supported by industry and the community sector, to ensure that home ownership remains an achievable and sustainable goal over time.



Appendix

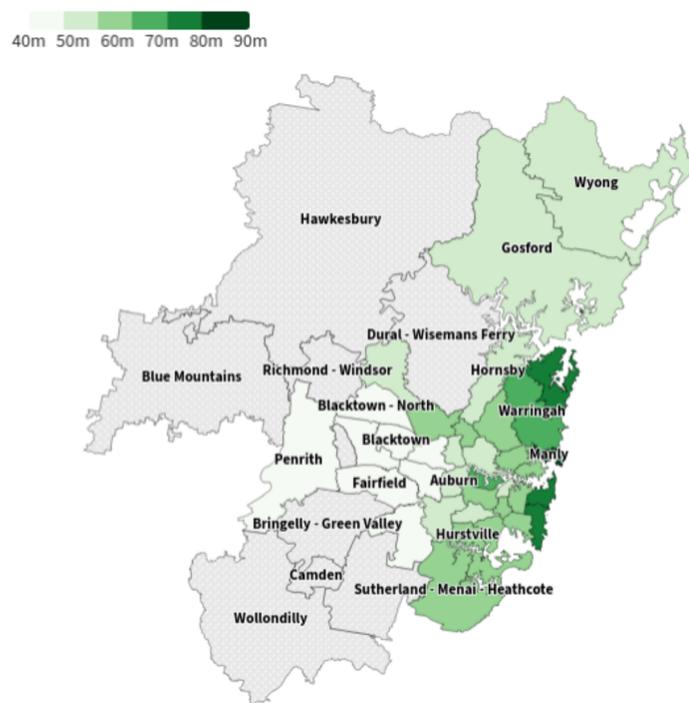


Figure 7a. The time to save a 20% deposit on an entry-priced house – Sydney regions.



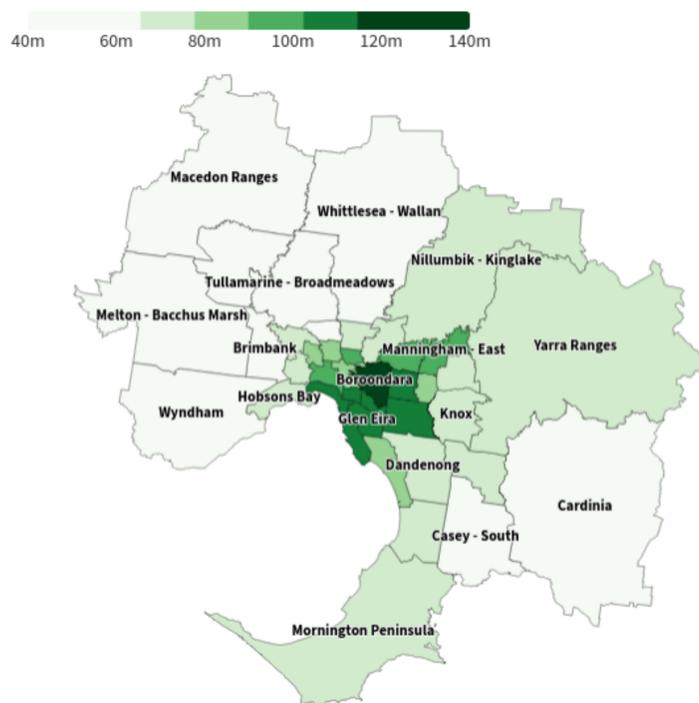
Entry prices are based on the 25th price percentile of the respective geographical boundary (ABS SA3). Calculations are based on the average income for a couple aged between 25 to 34 years old in each SA3, assuming they save 20% of post-tax income, deposit in online savings account.

Figure 7b. The time to save a 20% deposit on an entry-priced unit – Sydney regions.



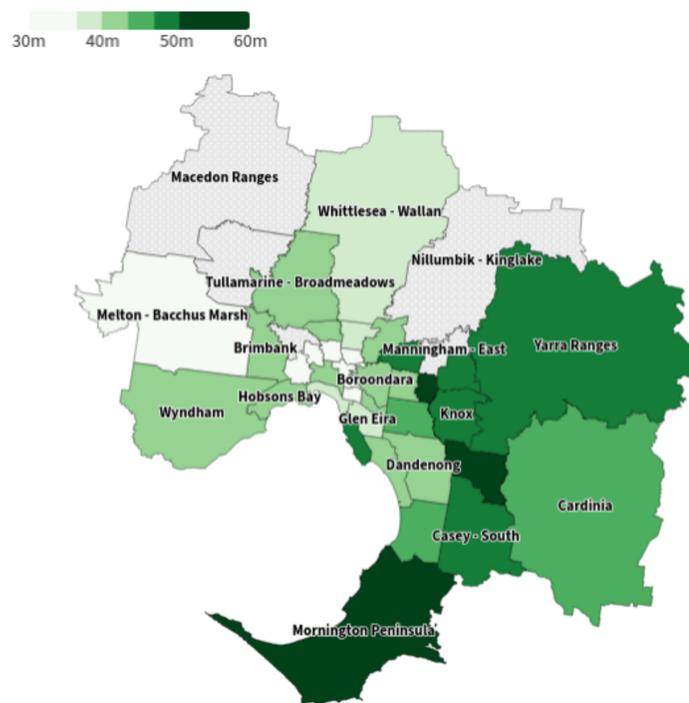
Entry prices are based on the 25th price percentile of the respective geographical boundary (ABS SA3). Calculations are based on the average income for a couple aged between 25 to 34 years old in each SA3, assuming they save 20% of post-tax income, deposit in online savings account.

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



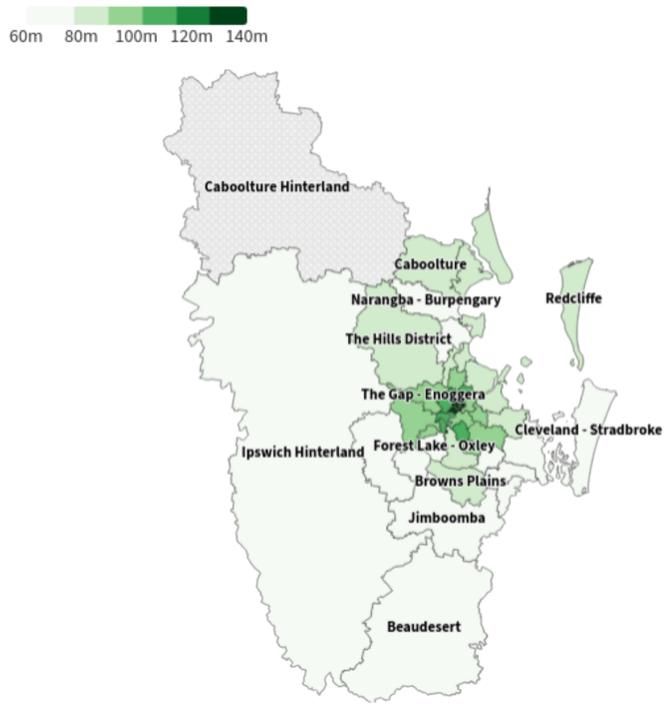
Entry prices are based on the 25th price percentile of the respective geographical boundary (ABS SA3). Calculations are based on the average income for a couple aged between 25 to 34 years old in each SA3, assuming they save 20% of post-tax income, deposit in online savings account.

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



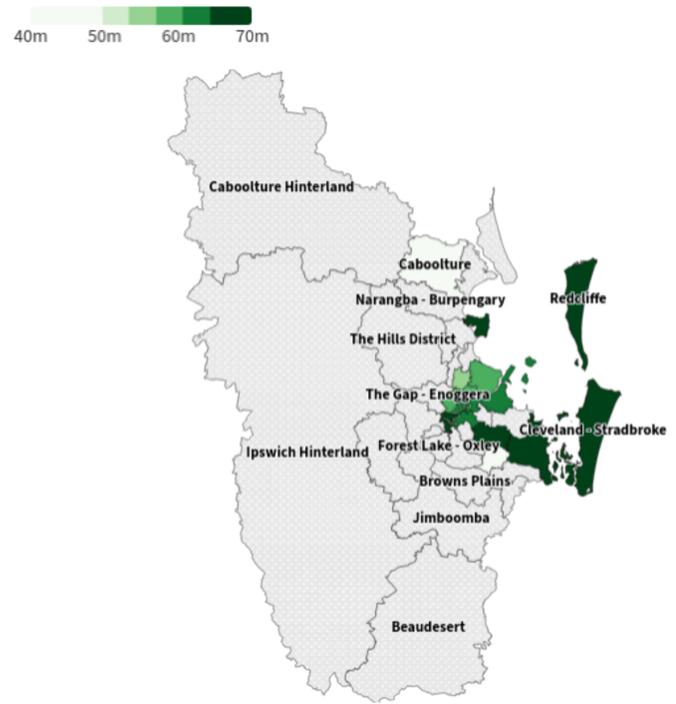
Entry prices are based on the 25th price percentile of the respective geographical boundary (ABS SA3). Calculations are based on the average income for a couple aged between 25 to 34 years old in each SA3, assuming they save 20% of post-tax income, deposit in online savings account.

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



Entry prices are based on the 25th price percentile of the respective geographical boundary (ABS SA3). Calculations are based on the average income for a couple aged between 25 to 34 years old in each SA3, assuming they save 20% of post-tax income, deposit in online savings account.

Figure 9b. The time to save a 20% deposit on an entry-priced unit – Brisbane regions.



Entry prices are based on the 25th price percentile of the respective geographical boundary (ABS SA3). Calculations are based on the average income for a couple aged between 25 to 34 years old in each SA3, assuming they save 20% of post-tax income, deposit in online savings account.

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 are 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 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).

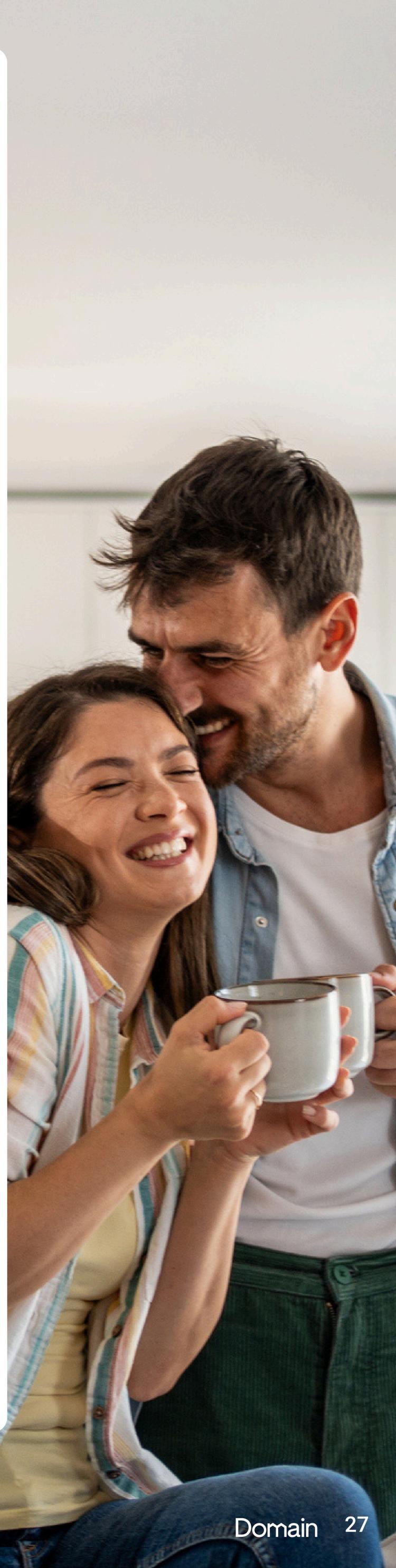
The time required to save a deposit is based on a dual income, with each person saving 20% of post-tax income on a monthly basis that is deposited in an online savings account (interest earned is taxed at the individual's tax rate). Savings rates are sourced from the Reserve Bank of Australia, F4 Retail deposit and investment rates and account for the February 2026 rate hike. The time to save for national, combined capitals and combined regionals is calculated using a weighted average.

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 variable rate home loan (accounting for the February 2026 rate hike) and expressed as a percentage of household income for a couple aged between 25 and 34.

For mortgage serviceability using Help to Buy, it 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 2% deposit, on a variable rate home loan (accounting for the February 2026 rate hike and government equity of 30%) and expressed as a percentage of household income for a couple aged between 25 and 34.

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